

**“A GLOBAL POLICY IN A REGIONAL
SETTING: THE EISENHOWER
ADMINISTRATION, LATIN AMERICA &
BRAZIL, 1953-1961”**

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NOVEMBER 2006

ABSTRACT

This thesis re-examines the Eisenhower administration's policies in Latin America, focusing specifically on the case study of Brazil (1953-1961). In doing so it moves beyond the existing historiography, which has divided the field into two distinct camps. The Traditional school, led by scholars like Stephen Rabe and Mark Gilderhus, has argued that US policy during this time was informed by national security concerns and the fighting of the Cold War. However, the Revisionist school, led by scholars such as Walter LaFeber and James Siekmeier, has argued that US policy was more concerned with fighting Latin economic nationalism and extending the American economic system throughout the region. It is the contention here that there were, in fact, two separate objectives underpinning US policy at this time – economic preponderance and the need to be seen to be “winning” the Cold War – and that it was the relationship between these two aims that was the defining characteristic of US policy during this period. This division arose out of the way that US foreign policy evolved in the post-World War Two era and, therefore, was not a deliberate construct by US officials. As a result, there was an inherent tension within US policy between those aims in the strategic sphere and those in the economic sphere. Establishing a link between these two distinct areas of policy is the major theme of this thesis: as is demonstrated throughout, the lack of a defining Grand Strategy within US policy would prove to be enormously problematic for the Eisenhower administration as they struggled to reconcile the tensions between the differing aspects of their Latin American policy. Whilst this trend will be highly prominent in this analysis of US-Latin American relations, it is with respect to Brazil that the full impact of this tension between economic idealism and strategic pragmatism becomes most evident. By adopting an analytical framework that incorporates both strategic and economic aspects of US policy, this thesis expands upon the existing historiography relating to the field and offers up a new appraisal of the US approach in the Cold War period.

ACKNOWLEDGEMENTS

Attempting to give thanks to those that helped with the writing and research that went into this thesis is something of a difficult task. The reason for this is that it is always tricky to adequately do justice to the level of support received from family, friends and colleagues. However, I shall nevertheless attempt to mention those people that have been especially important in helping me to finish this piece of work. Firstly, I'd like to thank all the staff at the National Archives at College Park, Maryland, and everyone at the Dwight D. Eisenhower Library in Abilene, Kansas – especially David Haight and Jim Leyerzapf at the latter. Additionally, I must mention De Montfort University, who provided me with the financial support that has made this research project viable and, also, allowed me to present and try out some of the material contained here at Research Seminars and Postgraduate Conferences. A note of thanks also goes to the organisers of the “Engaging the ‘New’ American Studies Conference” at Birmingham University in May, 2006, which was invaluable in providing me with a chance to both present and received feedback on my argument. Secondly, I'd like to thank David Ryan, who served as my original supervisor and who has continued to offer support and advice from across the Irish Sea. Similarly, Scott Lucas has also been a huge help in patiently reading through draft chapters and offering advice and guidance on how to improve my argument. Most of all, though, I need to thank my supervisory team: Ian Jackson and Mark Sandle. The argument put forward in this thesis is the result of a long period of reflection and consideration and, in no small part, is due to my supervisors' challenging of my original ideas, which helped me to refine them into a more nuanced, more balanced and, ultimately, a more successful approach. Finally, I'd like to thank my family. Both my parents and my siblings have tolerated the strain and stress that undertaking a Ph.D induces and, on the whole, have supported me throughout my studies with relative good humour. I'd also like to thank Helen, not only for being my biggest and most loyal supporter, but also, for keeping me going when times were hard and for listening to my argument and questioning my assumptions. Lastly, I'd like to dedicate this work to Leo, who came along toward the end of the project and who, through introducing me to the joys of fatherhood, has provided a wonderfully refreshing counterpoint to the tensions of finishing a Ph.D.

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INTRODUCTION:
“A NEW SYNTHESIS IN US-LATIN AMERICAN RELATIONS”

This thesis will re-examine the Latin American policies of the Dwight D. Eisenhower administration,¹ using the case study of Brazil and putting forward an alternative framework with which to analyse US policy in Latin America. By doing so, it will offer a broader appraisal of the Eisenhower administration’s approach and serve as a test-case for a new understanding of US policy during the early Cold War era; one that moves beyond the existing historiographical debates and offers a more nuanced analysis of US aims and objectives. Its basic premise will be to engage with a crucial issue that has so far not been addressed satisfactorily by either of the existing schools of thought – the Traditionalist or the Revisionist.² Currently, neither the Traditionalist nor the Revisionist school of thought offers up an analytical framework that incorporates both economic and strategic factors into US policy. This has left the following key question unanswered: Why did the Eisenhower administration persist in pursuing an economic policy that was so clearly undermining its strategic interests in the region?³

In order to illustrate the centrality of this question, it is necessary to begin by outlining the gap that exists in the current literature on US-Latin relations during the Eisenhower period. As we will see, the approach taken by scholars with regard to this topic is one endemic in the writing of Cold War history in general. In order to address this gap, we will need to interrogate the period surrounding the start of the Cold War in

¹ For good biographies of Eisenhower, see: Stephen Ambrose, *Eisenhower: The President* (New York: Simon and Schuster, 1984); Stephen Ambrose, *Eisenhower: Soldier and President* (New York: Simon and Schuster, 1990); Peter Lyon, *Eisenhower: Portrait of a Hero* (Boston, Massachusetts: Little Brown, 1974); Dwight D. Eisenhower, *Mandate for Change: The White House Years, 1953-1956* (London: Heinemann, 1963); Dwight D. Eisenhower, *Mandate for Peace: The White House Years, 1956-1961* (New York: Doubleday and Company, 1965)

² Normally, Orthodox and Revisionist are traditional terms used to describe the historiography relating to the early Cold War period; in the more modern era they have been expanded upon by the post-revisionist movement, which will be discussed at more length later in this chapter. However, the use of “Traditional” and “Revisionist” here is a result of my own categorising of particular works in order to highlight the gap that exists in the prevailing historiography.

³ An early essay that *did* look to understand the tension between economic and strategic factors that existed in US policy toward Latin America is: Christopher Mitchell, “Dominance and Fragmentation in US Latin American Policy” in Julio Cotler and Richard Fagen (eds), *Latin America & the United States* (Stanford, California: Stanford University Press, 1974) Mitchell’s essay, though, does not go into enough detail or accord enough importance to the impact of strategic/Cold War factors on the thinking of US policymakers.

order to understand the aims and intentions behind US policy and illustrate those factors impacting upon US officials. This will suggest that there is a need for a study of US policy in the Cold War period that encompasses both economic and strategic factors in order to highlight the irreconcilability that existed between these two aims within US policy.

BEYOND TRADITIONALISM AND REVISIONISM IN US-LATIN AMERICAN RELATIONS:

In writing the preface to *Aid, Nationalism and Inter-American Relations*, James Siekmeier's study of US policy toward Latin America in the Eisenhower era, Arnaldo de Leon highlighted the way that the field had split into two divergent arguments. He wrote,

For years after World War II, the conventional interpretation for explaining United States interests and involvement in Latin America contended that US policymakers were driven by imperatives of the Cold War: it appeared necessary for the US to intervene in the internal affairs of Latin American countries lest communism spread into what many believed the last line of defense of the United States. Wanting to keep Latin America free seemed nothing out of the ordinary in that epoch; it reflected an aspect of containment constituting part of the larger world struggle. Recently, however, a younger generation of historians has come to reconsider the Cold War as a driving force behind international intervention, and many who specialize in foreign relations between the United States and Latin America have been swayed by such an argument...Forgoing the old school that understood containment as the motivation behind internationalism, Siekmeier (as do others), maintains that combating economic nationalism actually served as the stimulating impulse in the role US officials laid out for dealing with Latin America, circa 1945-1960...economic nationalism in Latin America grew from the wellspring of native patriotism, and advocated self-determination and indigenous programs shaped to help the masses. As such, it ran contrary to US trade and financial interests in the continent...US intervention in countries to the south thus seemed urgent: fighting economic nationalism instead of communism lay behind US foreign policy toward Latin America.⁴

The approach taken by Siekmeier – and hailed by de Leon – was a direct challenge to the Traditional school of thought, which argued that US policy was dominated by the Cold

⁴ Arnaldo de Leon writing the Preface to: James Siekmeier, *Aid, Nationalism, and Inter-American Relations: Guatemala, Bolivia and the United States, 1945-1961* (New York: The Edward Mellen Press, 1999) p i-ii

War and the fight against communism and which had previously dominated the study of US policy toward Latin America. Though some scholars – namely William Appleman Williams and Walter LaFeber of the Wisconsin school – had put forward arguments that apportioned US motivations to economic desire,⁵ the foremost monographs in the field had traditionally contended that US policy toward Latin America in the 1950s was dominated by the Eisenhower administration’s fervent anti-communism and the fighting of the Cold War. The leading scholar in the Traditionalist school⁶ is Stephen Rabe who has argued: ‘During the 1950s, they [the Eisenhower administration] interpreted inter-American affairs almost solely within the context of the Soviet-American confrontation.’⁷ Rabe’s views are supported by a number of prominent historians, who support the central argument that US policy was essentially dictated by Cold War concerns.⁸ The emergence of Siekmeier’s book, though, rejuvenated the argument put forward by Williams and LaFeber, and was further supported in 2003 by Matthew Loayza’s article “*An Aladdin’s Lamp for Free Enterprise.*”⁹ However, though this approach has offered up an alternative appraisal of US policy toward Latin America, it has had the effect of imposing a stark dichotomy upon the field: US policy in the Eisenhower era was now assumed to have been dominated by either national security imperatives or economic determinism. Such an approach directly hinders our understanding of US policy toward Latin America; yet it is a problem that has been caused by a similar trend in more general Cold War historiography.

⁵ See: William Appleman Williams, *The Tragedy of American Diplomacy* (New York: W.W. Norton & Company, 1959) Third Edition 1972; Walter LaFeber, *Inevitable Revolutions: The United States and Central America* (New York: W.W. Norton & Company, 1983) Second Edition 1993

⁶ Again, this refers to my labelling of those scholars pursuing a traditional approach toward US policy in Latin America rather than the Cold War in general.

⁷ Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: University of North Carolina Press, 1988) p 177

⁸ See: Mark Gilderhus, *The Second Century: US-Latin American Relations since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000); Gaddis Smith, *The Last Years of the Monroe Doctrine* (New York: Hill and Wang, 1994); Joseph Smith, *The United States and Latin America: A History of American Diplomacy, 1776-2000* (London: Routledge, 2005); Cole Blasier, *The Hovering Giant: US Responses to Revolutionary Change in Latin America 1910-1985* (Pittsburgh: University of Pittsburgh Press, 1976) Revised Edition 1985

⁹ Matthew Loayza, “An Aladdin’s Lamp for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-1961”, *Diplomacy and Statecraft* (Volume 14, No. 3, September 2003)

There is a more obvious gap in the historiography dealing with US-Brazilian relations, with there being very little contemporary work dealing with the bilateral relationship between Washington and Rio de Janeiro during the Eisenhower era. An excellent early study was Stanley Hilton's essay, "The United States, Brazil, and the Cold War", which charted the breakdown in the bilateral relationship between 1945 and 1960.¹⁰ In a similar vein, but far more comprehensive, is *Cold Warriors & Coup D'Etat* by Michael Weis, which charts the evolution of US-Brazilian relations between 1945 and 1964.¹¹ Elizabeth Cobbs, in *The Rich Neighbor Policy*, views US-Brazilian relations via a study looking at the work of private individuals such as Nelson Rockefeller and Henry Kaiser.¹² Like Hilton and Weis, Gerald Haines has also considered US-Brazilian relations in the aftermath of World War Two, but he takes the argument that the US deliberately tried to slow-down Brazilian development and only looks at the period up until 1954.¹³ The choice of Brazil as a case-study for the argument in this thesis was informed by the paucity of existing material dealing with the US relationship with Latin America's biggest country during a vitally important period of time. None of the studies cited above details US-Brazilian relations in light of ongoing events in the global Cold War. Moreover, none of them offers up an analytical framework that moves beyond the traditional narratives of Traditionalism and Revisionism. The reason that studies of US-Brazilian relations have been so neglected is due to the importance apportioned by both schools of thought to the role that the Eisenhower administration played in Guatemala and Cuba. These rather high-profile interventions have ensured that scholars have used these case studies to prove their own arguments. Accordingly, this study will also analyse events in Guatemala and Cuba; but it will do so in order to fit them in with the wider argument that underpins this thesis. This approach will move beyond the Traditionalist versus Revisionist debate and offer up a wider understanding of the Cold War period. As we shall see, examining US policy in Brazil will illustrate the multi-

¹⁰ Stanley Hilton, "The United States, Brazil, and the Cold War, 1945-60: End of the Special Relationship" in *Journal of American History* (Volume 68, No. 3, 1981) pp 599-624

¹¹ Michael Weis, *Cold Warriors & Coup D'Etat: Brazilian-American Relations 1945-1964* (Albuquerque: University of New Mexico Press, 1993)

¹² Elizabeth Cobbs, *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil* (New Haven: Yale University Press, 1992)

¹³ Gerald Haines, *The Americanization of Brazil: A Study of US Cold War Diplomacy in the Third World 1945-1954* (Wilmington, Delaware: Scholarly Resources Inc, 1989)

faceted nature of the Eisenhower administration's Latin American policy and, also, provide a deeper understanding of the impact that US regional strategy had on US-Brazilian relations.

The adoption of an either/or approach in analysing US policy toward Latin America and Brazil raises an obvious problem. 'Singular narratives based on ideological conceptions ignore the pluralism in the world,' writes David Ryan.¹⁴ This truism, however, applies whether the 'singular narrative' is siding with the national security or economic determinist model; both are equally restrictive appraisals and fail to offer a multi-faceted view of the aims and intentions underpinning US policy. With respect to the study of US policy in Latin America, both the Traditional and Revisionist schools have left a number of key questions unanswered: 1) Why did US economic policies toward Latin America continue to advocate an approach that was so clearly unpopular amongst the Latin nations? 2) Why, when US officials were aware of the affect that their economic approach was having on Latin anti-American sentiment, did the US refuse to engage more fully with Latin economic demands and concerns? 3) Were the changes in US policy that occurred in 1956, 1958 and 1959 for economic or strategic reasons? 4) What impact did all of this have on US-Brazilian relations? And, 5) were these patterns in policy unique to the Eisenhower administration; if not, why?

By outlining a "new" framework within which to study US policy toward Latin America during the Eisenhower period, this thesis will suggest that the answers to the questions outlined above offer a more nuanced appraisal of intra-hemispheric relations at this time. It will argue that there were, in fact, two separate aims underpinning US policy toward Latin America – the aim of expanding American economic influence and power throughout the region, and the aim of being seen to be "winning" the Cold War and eradicating any anti-American or pro-communist sentiment in the area. Indeed, as we shall see, a major part of the argument here will be in establishing the inherent tension between US economic and security objectives in their approach toward Latin America

¹⁴ David Ryan, *US Foreign Policy in World History* (London: Routledge, 2000) p 203; Gabriel Kolko, *Confronting the Third World: United States Foreign Policy, 1945-1980* (New York: Pantheon Books, 1988) p 3

and Brazil. However, in order to establish the presence of two separate aims within US policy, it is necessary to consider the way that the Cold War and the way that we have viewed it have impacted upon our understanding of this period in history. In order to pursue a framework that moves beyond the Traditionalist versus Revisionist argument we also need to understand what the intentions of US officials in the post-war world were and identify the way that the Cold War developed. By doing this we will be able to discern the bifurcated nature of US policy, which is vital for this study of US-Latin American relations.

ORTHODOXY VERSUS REVISIONISM IN COLD WAR DIPLOMATIC HISTORY:

As we can see, the field of US relations with Latin America in the Eisenhower period is beset by a split historiography, offering up two divergent opinions neither of which fully convinces when explaining the actions of US officials during this time. It is, however, a trend symptomatic of the field of Cold War history in general. As Scott Lucas has noted, in writing about the “victory” of the West in the Cold War, ‘the Groundhog Day battle of “orthodox” versus “revisionist” explanations of US foreign policy — had Washington secured the free world or was it driven by a quest for economic dominance? --- was played out again and again.’¹⁵ Why, though, has this trend of orthodoxy versus revisionism endured for so long? In essence, it is due to the fact that whilst elements of both arguments are clearly identifiable in the historical record dealing with the early Cold War period, no synthesis has as yet emerged which manages to tie together both the economic and national security side of US policy satisfactorily. The announcement of a postrevisionist argument in the 1980s was supposed to offer a successful synthesis of the Orthodox and Revisionist arguments. Yet this did not prove to be the case. In fact, writing in 1993, Bruce Cumings stated,

The formulation that wishes to reign can be put simply: there is the orthodox literature on the Cold War, which was followed by the revisionist literature which was then followed by the postrevisionist literature...If this were

¹⁵ Scott Lucas, “Negotiating Freedom” in Helen Laville and Hugh Wilford (eds), *The US Government, Citizen Groups and the Cold War* (London: Frank Cass, 2005)

“thesis: antithesis: synthesis,” it might work. But it turns out that we do not know the thesis, the antithesis is badly understood, and the synthesis struts forth as a Whig attempt on a Chinese menu, choosing one from Column A and one from Column B only to produce a dish that resuscitates “orthodoxy” for a new generation.¹⁶

Or, in other words, those studies purporting to offer up an appraisal linking economic and strategic aims in US policy have only ended up reaffirming the Orthodox national security argument.¹⁷ A major cause of this dominant historiographical trend has been the willingness of scholars to proclaim the idea that the US “won” the Cold War: the perception of American supremacy in triumphing over Soviet communism has reaffirmed the sense of moral right within existing appraisals of the Cold War period and distorted our understanding of the East-West conflict. ‘Americans were imbued with a tradition and had “great expectations” and...could rarely see beyond them.’¹⁸ Victory in the Cold War confirmed the nature and the propriety of these ‘expectations’.¹⁹

Even here, however, there are problems. Whilst we can strongly argue against the idea that US policy in the Cold War was staunchly defensive and solely designed to protect America from the threat posed by Soviet communism, we need to be pragmatic about the impact that anti-communism and the emerging Cold War mentality had on US officials during the 1945-60 period. It is clear that the emerging stand-off between Washington and Moscow did impact heavily upon US officials. The major question is: how did this impact upon existing US aims and intentions? Did it come to encompass all

¹⁶ Bruce Cumings, “Revising Postrevisionism, Or, The Poverty of Theory in Diplomatic History,” in Michael Hogan (eds) *America in the World: The Historiography of American Foreign Relations since 1941* (Cambridge: Cambridge University Press, 1995) p 21-22

¹⁷ In fact, Cumings goes on to cite Warren Kimball who proclaimed that: ‘Postrevisionism is “orthodoxy plus archives”’ Ibid p 37

¹⁸ David Ryan, H-Diplo Article Commentary on Frederik Logevall “Critique of Containment” www.h-net.org/~diplo/commentaries/PDF/Ryan-Logevall Accessed on August 8 2006

¹⁹ Scott Lucas writes: ‘For many US historians, it wasn’t enough to claim diplomatic and economic victory. Moral supremacy had to be claimed by closing off the historical tale, by establishing that “we” had been right all along. Through the façade of “national security”, these historians have attempted to reduce the Cold War to a struggle in which the United States pragmatically defended itself and the Free World against the Soviet menace. A US ideology is given token acknowledgement but is then set aside; to address it would undermine the national security thesis, which holds that the real threat comes from the expansionism of Soviet ideology.’ Scott Lucas, *Freedom’s War: The US Crusade Against the Soviet Union 1945-56* (Manchester: Manchester University Press, 1999) p 3-4; See also: Lloyd Gardner, “Long Essay” on Cold War History, Review of John Lewis Gaddis, *We Now Know: Rethinking Cold War History* www.h-net.org/~diplo/essays/gardener Accessed on August 20 2006

areas of US policy and become the defining characteristic of American policy – in effect, a “grand strategy”? Or, did it merely serve as a convenient framework around which to galvanise Congress, the American public and foreign allies and legitimise Washington’s aims of global hegemony? In order to obtain a full understanding of US objectives in the early Cold War period it is necessary to briefly outline the way that the Cold War evolved – and illustrate some of its major themes – so that we can identify precisely what intentions underpinned US policy by the time that Eisenhower came to office in 1953. By doing so, we will see that the Cold War framework became an integral part of US strategy, but, crucially, that this did not override pre-existing American aims for the post-war world with regard to economic preponderance. This is vital for our study of US-Latin American relations: by establishing clearly the presence of two separate aims within US policy in the Cold War period we will be able to see the desirability of a new synthesis for analysing the policies of the Eisenhower administration in Latin America and Brazil.

BEYOND THE COLD WAR: IDENTIFYING POST-WAR ECONOMIC AIMS IN US POLICY

The presence of two separate aims within US foreign policy in this period arises out of the way that the Cold War era developed. Put simply, the gradual evolution of the East-West stand-off meant that original US aims for the immediate post-war period continued to exist as powerful elements within US policy. These ideas can be traced right back to the American entry into World War Two itself. Following the Japanese attack on Pearl Harbor on December 7 1941, President Franklin D. Roosevelt told the American people: ‘We are going to win the war and we are going to win the peace that follows.’²⁰ Roosevelt’s statement highlighted the recognition within Washington that it would not be enough to triumph solely in the conflict against Germany, Japan and the Axis powers. There also needed to be a victory in the post-war world so that prosperity flourished and future peace was assured under the banner of American tutelage and American

²⁰ Fireside Chat by President Franklin D. Roosevelt, December 9 1941 Taken From: www.presidency.ucsb.edu/ws/index Accessed on August 20 2006

institutions; in short, a *Pax Americana*. Achieving this would – it was believed – prevent a repeat of the years following World War One when the Great Depression and the problems of the 1930s set the scene for the outbreak of the Second World War in 1939.²¹ The ideas of American Exceptionalism and Manifest Destiny would be globalised by the entrance of the US into World War Two. As Michael Hunt writes, with the attack on Pearl Harbor, ‘went the last obstacle to a renewal of the Wilsonian crusade...It was time the United States dedicated itself to rooting out absolutely and forever “the sources of international brutality.”’²² The principles that would guide this shaping of the post-war world had been outlined in August 1941 by the Atlantic Charter, created by Roosevelt and the British Prime Minister Winston Churchill in an incident that gave us one of the most iconic images of the war: Churchill and Roosevelt, side-by-side, and putting forth the blueprint for the modern age. The most telling sections of the document are points three, four and five, which most strikingly depict the approach that would inform US policy in the post-war era.

They respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self government restored to those who have been forcibly deprived of them; they will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity; they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement and social security.²³

The post-war world, then, would be constructed around the ideals of liberal capitalist democracy and the creating of a world-order that was structured around American principles. Of course, such ideals tied in neatly with Henry Luce’s announcement of the “American Century”; an article that appeared in *Time* magazine and in which Luce foresaw,

²¹ For information on this period see: Piers Brendon, *The Dark Valley: A Panorama of the 1930s* (London: Pimlico, 2000)

²² See: Michael Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1987) p 146-150

²³ “The Atlantic Charter”, Joint Declaration by President Franklin Roosevelt and Prime Minister Winston Churchill, August 14th 1941. Taken From: <http://usinfo.state.gov/usa/infousa/facts/democrac/53.htm> Accessed on March 4th 2006.

America as the dynamic center of ever-widening spheres of enterprise, America as the training center of the skilful servant of mankind, America as the Good Samaritan, really believing again that it is more blessed to give than receive, and America as the powerhouse of the ideals of Freedom and Justice – out of these elements surely can be fashioned a vision of the 20th Century to which we can and will devote ourselves in joy and gladness and vigour and enthusiasm.²⁴

The US economic system was seen as the ideal vehicle to drive the American Century; therefore, extending the American economic system as far and as wide as possible became vitally important for those US officials planning for the post-war era. Indeed, David Ryan notes: ‘The primary aim of the United States was therefore not the defence of democracy or its territorial integrity, but the need to maintain open societies, open, that is, to US economic penetration.’²⁵ American planning for the post-war world is outlined by Noam Chomsky in *What Uncle Sam Really Wants*, where he writes, ‘During World War II, American planners were well aware that the United States was going to emerge as a world-dominant power, in a position of hegemony that had few historical parallels, and they organized and met in order to deal with this situation.’ The result was what came to be known as “Grand Area” planning. Chomsky states, ‘The Grand Area was a region that was to be subordinated to the needs of the American economy’, or as one planner put it: ‘it was to be the region that is strategically necessary for world control...the geopolitical analysis held that the Grand Area had to include at least the Western Hemisphere, the Far East, and the former British Empire...the Grand Area was also to include western and southern Europe and the oil-producing regions of the Middle East; in fact, it was to include everything, if that were possible.’²⁶

²⁴ Henry R Luce, “The American Century” *Life Magazine* (February 17 1941) Reprinted in: *Diplomatic History* (Volume 23, No. 2, Spring 1999) p 159-172; Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (New York: Penguin, 2003) 65-7; Thomas Paterson & J. Garry Clifford, *America Ascendant: US Foreign Relations since 1939* (Lexington, Massachusetts: DC Heath & Company, 1995) p 18-19

²⁵ David Ryan, *US Foreign Policy in World History* (2000) p 123

²⁶ Noam Chomsky, *What Uncle Sam Really Wants* (Boston: Pluto Press, 2003); American Foreign Policy, ‘Speech by Noam Chomsky, Harvard University, 19th March 1985, <http://www.chomsky.info/talks/19850319.htm> Accessed on 15th March 2005; Gabriel Kolko, *Politics of War*, (USA: Random House, 1968); Melvyn Leffler, *Preponderance of Power*, (USA: Stanford University Press, 1992)

By the end of World War Two, leading US policymakers had become imbued with the idea of “The American Century”: a thriving, prosperous world characterised by an enduring peace and directed through American ideals and institutions.²⁷ ‘A closed, fragmented, stagnant economy would burgeon under the influence of outside capital and markets,’ writes Michael Hunt. ‘In this process American institutions would provide the models, and American experience would serve as the inspiration.’²⁸ As Paterson and Clifford note, ‘American ideology and economic needs influenced US leaders to project the nation’s power.’²⁹ It is, however, crucial to note that this stance was not just informed by hegemonic ambitions, but, also, by more altruistic motivations; US officials believed that expanding their system throughout the world would be highly beneficial and prosperous for all. There was a strong element of self-interest involved, however. This point is conceded by Geir Lundestad, who in arguing that post-war American expansion in Europe was at the request of the European nations, notes that:

American foreign policy was determined primarily by America’s own interests, not by invitations from outside. This point is obviously true, so true, in fact, that it was made explicitly clear in my *Journal of Peace Research* article: “I just take it for granted that the United States had important strategic, political, and economic motives of its own for taking on such a comprehensive world role.”³⁰

And yet, even here, it is important to note that US officials believed that their own self-interest was also in the best interests of others.³¹

²⁷ Melvyn Leffler, *A Preponderance of Power* (1992) p 16

²⁸ Michael Hunt, *Ideology in US Foreign Policy* (1987) p 160

²⁹ Thomas Paterson & J. Garry Clifford, *America Ascendant* (1995) p 57

³⁰ Geir Lundestad, “‘Empire by Invitation’ in the American Century” *Diplomatic History* (Volume 23, No. 2, Spring 1999) p 189-218

³¹ As William Appleman Williams writes in examining the US role in Cuba between 1898 and 1970, US actions were, ‘Not the result of malice, indifference, or ruthless and predatory exploitation. American leaders were not evil men. They did not conceive and excuse some dreadful conspiracy. Nor were they treacherous hypocrites. They believed deeply in the ideals they proclaimed, and they were sincere in arguing that their policies and actions would ultimately create a Cuba that would be responsibly self-governed, economically prosperous, and socially stable and happy. All, of course, in the image of America.’ William Appleman Williams, *The Tragedy of American Diplomacy* (New York: W.W. Norton & Company, 1959) Third Edition 1972 p 2; Hans Morgenthau, *A New Foreign Policy for the United States* (New York: Praeger Publishers, 1969) p vii; This approach also recalls Melvyn Leffler’s categorization of US officials as ‘wise’ and ‘foolish’ men in: Melvyn Leffler, *A Preponderance of Power* (1992) p 495-511

We can see that US aims in the immediate aftermath of World War Two were to develop a prosperous and thriving world-system under the auspices of American institutions and American ideals. The result would be an enduring peace and continued hegemony for the US. But this is only half of the story; we also need to identify the impact that the developing mindset of the Cold War had on US officials and outline the affect that his had on pre-existing US aims for the post-war world.

BEYOND THE COLD WAR: IDENTIFYING THE EVOLUTION OF US NATIONAL SECURITY POLICY IN THE POST-WAR PERIOD

In order to understand the way that US objectives developed in the early-Cold War period, it is necessary to look at the way that the national security framework evolved within the mindsets of US officials. Whilst the actual mechanisms created to deal with emerging national security threats have been documented thoroughly elsewhere, we need to broaden our understanding of what US aims and intentions toward the Soviet Union were in the period before Eisenhower took office.³² By understanding this, and linking the themes drawn out here to the economic argument outlined above, we will be able to identify the presence of a two separate aims within US policy; two aims that came about due to the unique way that the Cold War evolved and which would be evaluated, analysed and approached via the Manichean worldview.

In the immediate post-war era, US officials did not consider the Soviet Union as a direct threat to the US. As Melvyn Leffler has clearly pointed out, ‘worries there were, but at the time of Roosevelt’s death American officials did *not* regard the Soviet Union as an enemy and were *not* frightened by Soviet military prowess. At the end of the war, US officials did not think that they were engaged in a zero-sum game of power politics

³² For information on the creation of the national security state, see: Melvyn Leffler, *A Preponderance of Power* (1992); Michael Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State 1945-1954* (Cambridge: Cambridge University Press, 1998); for an internationalist view, see: Joyce and Gabriel Kolko, *The Limits of Power: The World and United States Foreign Policy, 1945-1954* (New York: Harper & Row, 1972)

with the Soviet Union.’³³ The immediate question, then, is: how did the situation move from that outlined by Leffler to the presence of a dominant national security agenda within US policy by 1950? It is the argument here that the containment policy outlined by George Kennan in 1946 and 1947 was designed to meet the American need to expand its economic system whilst – at the same time – keeping a constant vigil over the Soviet Union. The problem was that international and domestic support for US post-war aims would be hard to galvanise without the existence of a unifying threat behind which to mobilise Congressional, domestic and international support.

Yet it is, however, necessary to be careful here: this argument is not to suggest that US officials “invented” or “created” the idea of a Soviet threat to the US. It is, instead, to contend that pre-existing fears and differences were presented and essentialised in such a way as to necessitate a firm stance by US officials. Arnold Offner has accurately summarised the way that US officials became increasingly concerned about the Soviet Union, arguing that President Truman feared that the failure to address the potential threat posed by the USSR might undermine American aims for the post-war world. He writes: ‘the man who became president in April 1945 was less an incipient internationalist than a parochial nationalist given to excessive fear that appeasement, lack of preparedness, and enemies at home and abroad would thwart America’s mission to “win the peace” on its terms.’³⁴ The answer was to galvanise American society and international allies around the need to be seen to be facing up to this threat. ‘A polycentric world was more difficult to deal with but, perhaps as importantly, it would be considerably more difficult to unify and solidify not just the “West” but also internal US society, without a singular opponent,’ writes David Ryan.³⁵ This approach toward attaining international and domestic support was, though, part of a wider trend.³⁶

³³ Melvyn Leffler, *A Preponderance of Power* (1992) p 5, 15

³⁴ Arnold Offner, “‘Another Such Victory’: President Truman, American Foreign Policy and the Cold War” *Diplomatic History* (Volume 23, No. 2, Spring 1999) p 126-156

³⁵ David Ryan, *US Foreign Policy in World History* (2000) p 12

³⁶ Thomas McCormick notes: ‘The Cold War itself, however, is merely a subplot, part of a larger story that some historians call America’s “hegemonic project”. An important part of that project was managing the Soviet Union, but it was never the only part and not always the most important. That hegemonic project also sought to manage Germany and Japan, America’s wartime adversaries, and Great Britain, a wartime ally, as well as the Third World and the American citizenry itself. The architects of American global dominance viewed those nations and the American public as obstacles to their envisioned world order of

And yet it is here that the problem for US officials began to emerge: whilst anti-Soviet rhetoric did successfully galvanise domestic and international support behind US policies, it also increased the Truman administration's commitment to be seen to be winning the Cold War. This was not, of course, a problem whilst the US appeared to be winning the bipolar struggle. Neither the Truman Doctrine nor the Marshall Plan should be considered as being solely anti-communist or anti-Soviet. They did, however, frame existing US policies within a dualistic worldview. Following President Truman's speech to Congress on March 12, 1947, Head of the Policy Planning Staff, George Kennan, bemoaned the fact that the US offer of aid to Greece and Turkey was being viewed solely from a Cold War perspective. Instead, Kennan suggested that the "Truman Doctrine" should be seen as a blueprint for the American vision of the post-war order. He wrote,

Steps should be taken to clarify what the press has unfortunately come to identify as the "Truman Doctrine", and to remove in particular two damaging impressions which are current in large sections of American public opinion. These are: *a.* That the United States approach to world problems is a defensive reaction to communist pressure and that the effort to restore sound economic conditions in other countries is only a by-product of this reaction and not something we would be interested in doing if there were no communist menace; *b.* That the Truman Doctrine is a blank check to give economic and military aid to any area in the world where the communists show signs of being successful. It must be made clear that the extension of American aid is essentially a question of political economy in the literal sense of that term and that such aid will be considered only in cases where the prospective results bear a satisfactory relationship to the expenditure of American resources and effort.³⁷

In other words, Truman's speech should be seen as a call-to-arms for the modern era not as a solely defensive response to the Soviet threat as this undermined the validity of the American programme. Kennan's argument is consistent with the idea that anti-Soviet

economic internationalism and collective security.' Thomas McCormick, *America's Half-Century: United States Foreign Policy in the Cold War and After* (Baltimore: John Hopkins University Press, 1989) Second Edition p xiii

³⁷ PPS/1: Policy with Respect to American Aid to Western Europe, May 23 1947 *FRUS 1947 Volume III* pp 223-230

rhetoric served more as a unifying theme within US policy rather than a dominant rationale. Diane Kunz makes a similar point about the Marshall Plan – the Truman administration’s huge offer of aid to Europe to rebuild their economies – writing:

Certainly, American aid contributed to the successful recovery of Europe and helped launch the unprecedented post-war European boom. But it was sold to Congress and the American people as a device to stop the flow of communism. That it did so is far less clear. The chances of Marshall Plan clients such as the Benelux countries or Britain going communist were slim to nonexistent. Historians are increasingly dubious that American aid turned the “Red Tide” in France and Italy.³⁸

By framing these policies within a strident Cold War framework, the Truman administration was able to galvanise support for their approach; and, in the case of the Marshall Plan, was able to implement policies under the auspices of the Cold War that met pre-existing US objectives with regard to economic expansion. This was fine whilst the US appeared to be winning the Cold War: containment could be said to be working whilst Soviet expansion was negligible and there was no direct challenge to the assertions of US officials that the bipolar struggle was being won. The overriding problem, though, was that once the USSR made any significant gains, or the spread of communism was perceived to gather pace, US officials would be faced with the prospect that they might, in fact, be seen to be losing the Cold War. This is a crucial point. By 1950, following the Soviet explosion of a nuclear device, the Fall of China to communism and the outbreak of the Korean War, US officials had to confront the fact that they could be seen to be losing the Cold War; a shift that would severely undermine the credibility of the American system and of the Truman administration. ‘In 1949 and 1950, new developments reinforced older fears,’ writes Melvyn Leffler.³⁹

These events caused an urgent reassessment within Washington. The outcome was NSC-68, a document that significantly accelerated the idea that the Soviet Union posed a serious threat to the US: ‘The issues that face us are momentous, involving the

³⁸ Diane Kunz, “When Money Counts and Doesn’t: Economic Power and Diplomatic Objectives” *Diplomatic History* (Volume 18, No. 4, Fall 1994) p 451-462

³⁹ Melvyn Leffler, *A Preponderance of Power* (1992) p 9

fulfilment or destruction not only of this Republic but of civilization itself.’⁴⁰ Once the events of 1949 and 1950 began to challenge the idea that the US system would triumph over the evils of communism, the only way forward was escalation – escalation of both rhetoric and action. Whilst the alarmist and immediate scenario outlined in NSC-68 would not endure as a model for American foreign policy, it did ensure the presence of deep national security concerns as a constant factor underpinning US policy. However, it did not eradicate those models outlined earlier that dictated the US approach toward the post-war world before the Cold War mentality took hold. Therefore, we can see that there were, in fact, two separate policies underpinning the US approach in this period. Crucially, though, they were presented within a singular narrative, which had the effect of strengthening the commitment of the US to be seen to be winning the Cold War. It is a point accurately made by Robert Kagan and William Kristol, who write:

The original post-war goal of promoting and defending a decent world order became conflated with the goal of meeting the challenge of Soviet power. The policies that the United States should have pursued even in the absence of a Soviet challenge – seeking a stable and prosperous international economic order; playing a large role in Europe, Asia and the Middle East; upholding rules of international behaviour that benefited Americans; promoting democratic reform where possible and advancing American principles abroad – all these became associated with the strategy of containing the Soviet Union. In fact, America was pursuing two goals at once during the Cold War: first, the promotion of a world order conducive to American interests and principles; and second, a defense against the immediate obstacle to achieving that order.⁴¹

US foreign policy toward Latin America in the 1950s, then, would be governed by the inflexibility imposed by the approach outlined above. Strategic and economic considerations would underpin the US approach, but would also impact a severe tension onto the making of US policy in Latin America and Brazil.

APPLYING THIS “NEW” MODEL TO US POLICY IN LATIN AMERICA AND BRAZIL IN THE 1950S:

⁴⁰ NSC-68 United States Objectives and Programs for National Security, April 14 1950 Taken From: www.fas.org/irp/offdocs/nsc-hst/nsc-68 Accessed on August 24 2006

⁴¹ Robert Kagan & William Kristol, “The Present Danger”, *The National Interest* (Number 59, Spring 2000) Taken From: www.thenewamericancentury.org/def_natl_sec_pdf_07.pdf p 5 Accessed on January 17th 2006.

From the evidence presented above, it is clear that this bifurcated foreign policy was not a deliberate construct; it was a consequence of the way that the post-war world and the mindset of US officials had evolved in the period between 1945 and 1950. It is this lack of intent on the part of US officials that reaffirms the problems imposed upon the study of US policy in the Cold War era by the divergence of the Orthodox and Revisionist schools of thought. Perhaps the biggest single factor which has gone unanalysed by existing studies is the impact that these two aims within US policy had on each other. Both the Orthodox school – by drawing all foreign policy events under the umbrella term of “national security” – and the Revisionist school – by similarly encompassing foreign policy events under the banner of “economic determinism” – have failed to interrogate the interaction between economic and security issues within US policy. However, one of the major themes of this thesis will be to establish the constant presence of a clear tension between US aims in the security sphere and US aims in the economic sphere. Due to the way that US policy evolved – with economic and security policies developing separately – US officials in the Eisenhower period would consistently struggle to reconcile the two aims that made-up its approach. It is only by adopting a framework that incorporates both of these elements that it becomes clear just how often US aims in the economic sphere were undermined by events in the security sphere and vice-versa. By establishing the presence of this tension between economics and security within US policy, this study will expand on existing studies and deepen our understanding of the way that US policy evolved during Eisenhower’s time in office. In those chapters dealing with US-Latin American relations we will identify how this tension manifested itself on the making of US policy; however, it is in the chapters looking at US-Brazilian relations that we will most clearly be able to witness the impact that this tension between economics and security had on the position of the United States.

There will also be several smaller themes that will develop throughout this thesis. Firstly, we will continue to examine the way that US global policy impacted upon the administration’s approach toward Latin America. This will enable us to link those events

in the Cold War to the evolution of US foreign policy in Latin America and Brazil. Secondly, we will see the limits of US hegemony in Latin America: despite enjoying a preponderance of power over their Latin neighbours, the US would struggle to impose its will on the Latin countries. This will be highly apparent in Brazil, but it is also true of both Guatemala and Cuba.⁴² Once the administration began apportioning more emphasis to its national security role in Latin America (post-January 1956), the importance of a strong bilateral relationship between Washington DC and Rio de Janeiro began to assume more importance for US officials. As we shall see, however, the ability of both the US and Brazil to construct a strong bilateral relationship at this time would be undermined by the inherent tensions within US policy.

Thirdly, a fuller understanding of the internal dynamics of the Eisenhower administration will also emerge. A great deal of literature has been devoted to analysing the question of whether it was Eisenhower or Secretary of State, John Foster Dulles, that was the driving force behind US foreign policy in this period.⁴³ It has, however, now been established that Eisenhower did play an integral part in establishing his administration's foreign policy (assisted, of course, by Foster Dulles). Therefore, this study will move beyond the task of investigating presidential input or culpability and highlight the role played at different times by the varying departments within the government bureaucracy, in order to obtain a wider appraisal of the policymaking apparatus within the Eisenhower administration.⁴⁴ The administration's foreign policy

⁴² This pattern of the Latin American nations being able to exert an increasing influence on diplomatic relations with the US has been an increasingly prominent theme in the historiography produced recently on bilateral relations between the US and Latin American countries. An excellent recent summary of this can be found in: Max Paul Friedman, "Retiring the Puppets, Bringing Latin America Back In: Recent Scholarship on United States-Latin American Relations," in *Diplomatic History* (Volume 27, No 5, November 2003) pp 621-636

⁴³ The best review of "Eisenhower Revisionism" is provided by: Stephen Rabe, "Eisenhower Revisionism: The Scholarly Debate" in Michael Hogan (eds), *America in the World: The Historiography of American Foreign Policy since 1941* (Cambridge: Cambridge University Press, 1995) p 300-326. See also: Robert McMahon, "Eisenhower and Third World Nationalism: A Critique of the Revisionists" in *Political Science Quarterly* (Fall, 1986) pp 453-473; Richard Immerman, "Confessions of an Eisenhower Revisionist: An Agonizing Reappraisal" in *Diplomatic History* (Summer 1990) pp 319-342

⁴⁴ Other recent works on Eisenhower that adopt this approach or that seek to develop our understanding of Eisenhower's role in the policymaking process include: Chris Tudda, *The Truth is Our Weapon: The Rhetorical Diplomacy of Dwight D. Eisenhower and John Foster Dulles* (Baton Rouge: Louisiana State University Press, 2006) p 2-4; Kenneth Osgood, *Total Cold War: Eisenhower's Secret Propaganda Battle at Home and Abroad* (Lawrence, Kansas: University Press of Kansas, 2006); Chester J. Pach, "Thinking

processes were developed by the National Security Council, the Departments of State and Defense, the Operations Coordinating Board, the Central Intelligence Agency and the Treasury Department, as well as a number of other interest groups.⁴⁵ Whilst, with respect to Brazil, the role of the US Ambassador in Rio De Janeiro (and the US Embassy) was highly important in implementing US policy.⁴⁶ Furthermore, it will become apparent that the various Assistant Secretary of States for Inter-American Affairs – John Moors Cabot, Henry Holland and Roy Rubottom – were vitally important in guiding US policy toward Latin America on a day-to-day basis. There were, of course, internal debates as to the best way forward with regard to Latin America, and these will be outlined in the relevant sections. For example, throughout Eisenhower’s time in office there was a group of officials – including Milton Eisenhower, John Moors Cabot, Harold Stassen, Walter Bedell Smith, Thomas Mann and Douglas Dillon – that advocated a change in US economic policy toward Latin America. The relative success enjoyed by this group would depend on the state of US interests in the region; but it will become clear that even those officials recommending a change in approach did not advocate policies that challenged basic American economic principles such as “free trade, free currency and free investment”.

Fourthly, we will identify the fact that direct US intervention during the Eisenhower period only occurred when economic and security objectives collided: this was true of both Guatemala and Cuba, where initial economic antipathy was turned into overt hostility by the challenges presented to US strategic and security objectives by the Guatemalan and Cuban governments. Finally, by adopting a framework that looks at both economic and strategic factors in US policy, we will see that the administration came to apply a view toward the region that was increasingly dominated by national security concerns. In its first three years in office, the administration would make economic objectives the main focus of its approach toward the region – the one obvious

Globally and Acting Locally” in Kathryn Statler and Andrew Johns (eds) *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman and Littlefield, 2006)

⁴⁵ Groups like the Council on Foreign Economic Policy, the Foreign Operations Administration and the American Business Lobby also played a prominent role.

⁴⁶ Stanley Hilton, “The United States, Brazil, and the Cold War” (1981) emphasises the importance of the US Embassy in Rio in the policymaking process.

exception to this would be Guatemala. However, following the Soviet Economic Offensive in 1956, the events of Vice President Richard Nixon's tour of the region two years later, and the coming to power of Fidel Castro in Cuba in 1959, US officials would emphasise national security objectives as being of the utmost importance. But even then, we will see that they continued to retain a staunch belief in the appropriateness of their economic principles.⁴⁷ As a result, US aims in the security sphere would continue to be consistently undermined by the administration's refusal to significantly alter its economic approach.

In order to draw out all of these primary and secondary themes, the thesis is divided into three distinct sections, each containing two chapters. The first section encompassing Chapters One and Two will examine US-Latin American relations and US-Brazilian relations during the Eisenhower administration's first two years in office. It will establish the way that the death of Josef Stalin in March 1953, and the subsequent changes in US Cold War policy impacted upon the administration's approach toward Latin America. Although events during this period were somewhat overshadowed by the deterioration in US-Guatemalan relations, we will analyse this as part of our wider study of US policy toward Latin America; identifying the themes that made intervention inevitable and illustrating the way that they fit in with the approach being taken by the US in Latin American and Brazil.

Chapters Three and Four make up the second section, which will cover the period between 1954 and the spring of 1958. Here we will examine the impact of the administration's shift toward beginning to impose a strategic importance to their relationship with both Latin America and Brazil. This was in keeping with events in the global Cold War, as a shift in Soviet foreign policy and a noticeable move away from Europe and toward the Third World began to impact heavily on US policy. The shifting context of US-Latin American relations was confirmed by the Soviet Economic

⁴⁷ For recent work outlining the need to view the administration's foreign aid policies for security purposes as being separate from the administration's general foreign economic policies, see: Michael Adamson, "The Most Important Single Aspect of Our Foreign Policy?": The Eisenhower Administration, Foreign Aid, and the Third World" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006) Chapter 3

Offensive, launched in January 1956 and which, for the first time, raised the possibility that the US might be seen to be losing the Cold War in Latin America. As a result, the administration reshaped its regional policies in an attempt to accord far more importance to their military assistance policies and aim toward repairing the stability of the US position in the area. The same trend would also inform US policy toward Brazil in the same period.

The third section will look at the final period of the Eisenhower administration, encompassing the aftermath of the Nixon trip, the rise of Castroism in Cuba and the severe deterioration in US-Brazilian relations. These chapters mark the period when US-Soviet tensions moved definitively to the Third World and due to both this and the Nixon trip the Eisenhower administration would reappraise its policies again in an effort to meet its increasingly urgent national security aims. The Cuban Revolution in December 1958 would make this process even more urgent and would allow those US officials recommending a change in economic policy a chance to state their case and set the policy agenda. Underlying all three of these sections will be the inherent tension between US economic and security aims; once the dust clears, we will see that the ‘tragedy of American diplomacy’⁴⁸ toward Latin America and Brazil during the Eisenhower period, was the inability of the administration to reconcile the two predominant aims that made up US policy in the early-Cold War era.

⁴⁸ William Appleman Williams, *The Tragedy of American Diplomacy* (1959)

CHAPTER 1: 1953-1954 “FORGING A LATIN AMERICAN POLICY”

INTRODUCTION:

The policy that the Eisenhower administration would pursue in Latin America would be heavily influenced by the ideals outlined in the Introduction to this thesis – namely the simultaneous pursuit of American economic preponderance and the need to be seen to be winning the Cold War.¹ This approach was informed by both the way that US foreign policy and the existing world system had evolved since 1945, and by the ingrained beliefs and convictions of those officials who made up the Eisenhower government. President Eisenhower retained a strong belief in both the elements that had characterised US policy since the end of World War Two: effective, but not militaristic, containment of the communist threat; and, the widespread extension of American economic principles.² This chapter will outline the way that the administration’s Latin American policy evolved in the face of these two overriding policy commitments between 1953 and 1954 and highlight the inherent tension that would come to characterise the administration’s approach and, which would ultimately begin to undermine any chance the US had of fully achieving their aims in either the economic or the national security sphere.

It will begin by examining the impact that Josef Stalin’s death had on the administration’s Cold War mentality and by charting the evolution of their main foreign policy statement – NSC 162/2 – outlining the major characteristics of this approach and illustrating how they match those that would form the basis of the administration’s policy in Latin America. It will then examine the ideals and objectives behind the policy

¹ See the Introduction to this thesis for an appraisal of the ideas and themes underpinning the development of the US commitment to being seen to be winning the Cold War

² For information on Eisenhower’s foreign policy ideals when he came to office, see: Robert Bowie and Richard Immerman, *Waging Peace: How Eisenhower Shaped an Enduring Cold War Strategy* (New York: Oxford University Press, 1998) pp 11-81; Saki Dockrill, *Eisenhower’s New-Look National Security Policy, 1953-1961* (London: MacMillan Press Ltd, 1996) pp 6-19; John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy During the Cold War* (Oxford: Oxford University Press, 1982) pp 125-134

document NSC 144/1, examining in some detail the development and intention of the clauses it contained, before considering the example of US intervention into Guatemala as an illustration of the impact that the tension between economic and security aims had on US policy. Finally, it will outline the administration's response to the problems that had emerged in the first eighteen months in office through the revised document NSC 5432/1.

There will be a number of themes that will continually resurface during this investigation of the US approach in the Western Hemisphere. Firstly, in keeping with the bipolar and utilitarian context that US officials superimposed upon this era, these divergent aims would be pursued under the auspices of singular policy documents. Economic objectives and national security aims would be outlined in homogenous policy statements that would inherently blur the distinctions between the two; this made it increasingly difficult for US officials to identify the tension between the two aims, as they viewed US policy as being a singular construct. This trend would become even more marked during the second Eisenhower administration, when changes in the nature of the Cold War and local events in Latin America compelled the US to become more concerned about the strategic issues facing them in the region. Secondly, the Eisenhower administration was formulating its Latin American policy whilst its global national security strategy was undergoing a comprehensive reappraisal: the shift in dynamic that Stalin's death imposed upon Washington's conventional view of the Cold War would compel the administration to implement an overarching policy review, aimed at outlining US national security policy in this new phase of the ideological struggle with the Soviet Union.

Thirdly, as well as this understandable emphasis on Cold War imperatives, the administration would also devoutly adhere to its economic commitments regarding the spread of foreign private investment. The administration's faith in private investment would, in effect, be as prominent as its anti-communism.³ Finally, the role of the Latin

³ See: Burton Kaufman, *Trade & Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (Baltimore: John Hopkins University Press, 1982); Michael Adamson, "'The Most Important Single Aspect of our

nations themselves in this diplomatic relationship will come across strongly, especially in those chapters relating to US-Brazilian relations. Whilst the US was rather sanguine about pursuing its economic and national security aims simultaneously, it would not be an approach shared by the Latin Americans. The reason that the tension within US policy became such a defining factor in inter-hemispheric relations was because US policy did not sufficiently account for the actions and motivations of the Latin Americans. These themes will be the major elements that characterise this study of US-Latin American relations, and, as will be demonstrated throughout, all of them acting together will create the situation that ultimately led to the failure of the administration's Latin American policy. Underpinning all of these factors, though, will be the clear presence of an overt tension between US security and economic aims: this will be evident not just in Guatemala, but, also, as we will see in Chapter Two, in Brazil where the US would pursue its economic objectives to the ultimate detriment of its strategic aims.

THE LIMITS OF ROLLBACK: STALIN'S DEATH AND THE DEBATE OVER "LIBERATION"

On March 4 1953, news filtered through to Washington that Josef Stalin, the Soviet leader, had suffered a fatal stroke⁴. Stalin had been the embodiment of all that was inherently "evil" about the Soviet Union: the name, the face and the persona associated with the grave threat that confronted the United States in Eastern Europe. Stalin's death removed one of the main pillars behind the evolution of the Cold War era but, more importantly, it challenged the Eisenhower administration to make good on their election campaign promises of 'liberating' Eastern Europe and 'rolling back' the Iron Curtain.⁵ The debate that would emerge within the administration over how the US should respond would highlight the inherent problems within the strategy outlined by Eisenhower and

Foreign Policy?': The Eisenhower Administration, Foreign Aid, and the Third World" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

⁴ Stalin had, in fact, been taken ill on March 1, but his ill-health did not become common knowledge until three days later; his death was formally, and finally, announced on March 6 1953

⁵ See: Republican Party Platform of 1952. Taken From:

<http://www.presidency.ucsb.edu/ws/index.php?pid=25837> Accessed on August 24 2006

Dulles on the election trail. Moreover, it would bring about a wholesale reappraisal of US national security policy, which had direct implications both on the way the administration structured its national security strategy and on the way they approached their relations with Latin America.

Upon hearing of Stalin's death, the question facing the Eisenhower administration according to Walt Rostow was: 'Should the United States initiate a proposal to undo the split of Europe and actively propose a democratic unified Germany, within a structure of appropriate security and economic arrangements?'⁶ On a narrower scale, the main issue facing the US was whether they should use the occasion of Stalin's death to attempt to "destabilise" the Soviet government. Eisenhower's newly appointed Special Assistant for Psychological Operations, C.D. Jackson, immediately came out in favour of trying to use Stalin's death as a political tool: his immediate response was to recommend doing,

everything possible to overload the enemy at the precise moment when he is least capable of bearing even his normal load...it is not inconceivable that out of such a program might come further opportunities which, skilfully exploited, might advance the real disintegration of the Soviet empire.⁷

He was supported in this by Rostow (who, at the time, served on Jackson's staff) and who has written, 'our bias...was for an American policy in the wake of Stalin's death which did what it could to encourage domestic changes toward a more liberal and nationalistic Soviet Union rather than one which looked with high expectations to a prompt and definitive resolution of the Cold War.'⁸ Jackson and Rostow recommended that Eisenhower make a keynote speech in which he should state: 'Stalin's death marks the end of an era and opens up fresh options for the Russian peoples. In particular it offers them a unique opportunity to remake their relations with the rest of the world.'⁹

⁶ Walt W. Rostow, *Europe after Stalin: Eisenhower's Three Decisions of March 11 1953* (Austin: University of Texas Press, 1982) p 3

⁷ Memorandum from C.D. Jackson Special Assistant for Psychological Operations to Robert Cutler Special Assistant for National Security Affairs, March 4 1953, US DDRS, 1997 9045 quoted in: Scott Lucas, *Freedom's War: The US Crusade Against the Soviet Union 1945 – 1956* (London: Manchester University Press, 1999) p 169

⁸ Walt Rostow, *Europe After Stalin* (1982) p 38

⁹ *Ibid*

Klaus Larres has argued that President Eisenhower himself was initially enthusiastic at such a prospect. 'Eisenhower and his advisers were keen on using a major presidential speech to undermine the position of the new leaders in the Kremlin and possibly begin rolling back Soviet power and influence,' writes Larres.¹⁰ Somewhat surprisingly, however, it would be that 'great liberator of the 1952 campaign'¹¹, Secretary of State John Foster Dulles, that would forcefully put a stop to plans for a presidential address.¹² The debate between Jackson and Rostow, and Dulles and the Department of State, would highlight a serious difference of opinion within the administration as to the exact way forward for the US in terms of policy towards the Soviet Union. Events were even more confused within the Kremlin, as Stalin's refusal to anoint a successor meant that his death created a dangerous and competitive power vacuum: upon confirmation of his death, the inevitable jostling for position and battle for power began amongst the remaining elite (namely KGB chief Lavrenti Beria, soon to be Party Secretary Nikita Khrushchev, Prime Minister Georgi Malenkov, Anastas Mikoyan and Vyacheslav Molotov the Soviet Foreign Minister)¹³. It was this power vacuum that Jackson and Rostow had perceived as providing the US with the chance to seize the initiative against the USSR and launch a successful psychological offensive against the Soviets.

It was not to be. Dulles held firm, and slowly brought Eisenhower round to his way of thinking. The delays involved proved so lengthy that Georgi Malenkov, the Soviet Prime Minister and new *de facto* leader, undercut the US and gave a speech welcoming warmer relations between the US and the Soviet Union.¹⁴ Eventually, in April 1953,

¹⁰ Klaus Larres, "Eisenhower and the First Forty Days after Stalin's Death: The Incompatibility of *Détente* and Political Warfare", *Diplomacy and Statecraft* (Volume 6, Number 2, July 1995) pp 431-469

¹¹ Scott Lucas, *Freedom's War* (1999) p 170

¹² The State Department had been averse to any attempts to engineer and exploit Stalin's death since the formulation of Operation Cancellation in October 1952. See Lucas (1999) p 170

¹³ For details on the Soviet power struggle in the wake of Stalin's death see: Dmitri Volkogonov, *The Rise and Fall of the Soviet Empire: Political Leaders from Lenin to Gorbachev* (London: HarperCollins Publishers, 1998) pp 177-201; William Taubman, *Khrushchev: The Man, His Era* (USA: Free Press, 2003) pp 236-266; Robert Service, *A History of Twentieth-Century Russia* (London: Penguin Books, 1997) pp 327-338

¹⁴ For full details on Malenkov's speech and the debates within the administration over how to respond see: Scott Lucas, *Freedom's War* (1999); Walt Rostow, *Europe After Stalin* (1982); Klaus Larres, "Eisenhower and the First Forty Days after Stalin's Death" (1995); Chris Tudda, "Reenacting the Story of Tantalus:

Eisenhower responded with what has become known as his 'Chance for Peace' speech, delivered to the American Society of Newspaper Editors. Struggling to counter Malenkov's speech, Eisenhower had little choice but to deliver a speech that though offering peace did so on terms that would never be acceptable to Moscow. As Scott Lucas writes: '[T]he address...was never a serious effort at negotiation; no one in the Administration expected the Soviets to accept the US conditions...it was a concerted effort to win over world opinion.'¹⁵ This episode demonstrated to Eisenhower and his advisors the lack of clear direction in US policy; consequently, Eisenhower would order a reappraisal of policy that would result in the document NSC 162/2, or, as it has become known, "The New Look".¹⁶

OPERATION SOLARIUM: THE AIMS AND INTENTIONS OF THE 'NEW LOOK' FOREIGN POLICY

The New Look foreign policy was the result of an intense bureaucratic procedure within the Eisenhower administration, which became known as Operation Solarium.¹⁷ Solarium incorporated three task-forces whose remit was to outline a "new" US foreign policy with respect to the Soviet Union, which took account of the failings so far encountered with transferring the rhetoric of liberation and 'roll-back' into a viable policy. Importantly, though, any retooled policy would retain the same basic precepts that had underpinned US policy since 1946: a strong form of vigilance against the USSR and an emphasis on expanding the American economy and maintaining American economic

Eisenhower, Dulles and the Failed Rhetoric of Liberation", *Journal of Cold War Studies* (Volume 7, Number 4, Fall 2005) pp 3-35

¹⁵ Scott Lucas, *Freedom's War* (1999) p 174; Walt Rostow, *Europe After Stalin* (1982); Klaus Larres agrees writing, 'The President had, after all, merely asked the new Soviet Leadership to alter its entire foreign policy in exchange for American goodwill.' Larres, "Eisenhower and the First Forty Days after Stalin's Death" (1995); Ken Osgood, "Form before Substance: Eisenhower's Commitment to Psychological Warfare and Negotiations with the Enemy", *Diplomatic History* (Volume 24, Number 3, July 2000) pp 405-435

¹⁶ This process would be expedited by the failings again displayed during the East German uprising in June 1953: here, as with the aftermath of Stalin's death, the administration failed to follow up on its grand claims regarding helping the 'subjugated' peoples of Eastern Europe break free from their oppressors.

¹⁷ Named after the room in the White House where President Eisenhower and his advisors thought up the operation

health.¹⁸ In early 1953, a draft of a basic national security policy statement, paid testament to this when it outlined the following objectives: 'To meet the Soviet threat and to improve the power position of the United States and the rest of the free world in relation to the Soviet Bloc...In meeting the Soviet threat, to avoid seriously weakening the US economy or undermining our fundamental values and institutions.'¹⁹ Taking these two guiding objectives as its basis, Operation Solarium would be designed to create a policy that, in the words of Saki Dockrill, would embrace, 'not only the nation's military and foreign policy concerns but also its domestic and economic stability.' Dockrill goes on to outline the administration's theory in forging NSC 162/2, which was: 'If the nation knew precisely what were its basic national security interests which would be defended against external threats and if the administration carefully selected the "means of defending these national goals", the United States would remain economically strong, while retaining its world leadership role.'²⁰

The three task forces (A, B and C) were instructed to formulate a policy based on their particular remit. Gaddis describes the process:

¹⁸ A major issue of contention in this quest for economic vitality was the question of whether or not to support an increase in trade between the Western powers and the Soviet Bloc. In May 1952, the German Bundestag had called 'for an expansion of East-West trade to the greatest extent possible.' Eisenhower strongly supported this proposal, arguing 'that the USA could not insist that its allies implement comprehensive restrictions on East-West trade and expect Western Europe to comply with this demand in the interests of "free world" unity.' The Truman administration had begun to relax its stance towards this issue during 1952, and Eisenhower would enthusiastically strive to relax the US position on East-West trade for two reasons. Firstly, it matched his belief that an expanded world economy was vital for the future of the world system, and secondly; he was 'anxious to avoid the conflict and confrontation that had characterized US-Western European relations...during the Truman era.' By July, this approach had become a little more coherent, with Richard Hall of the NSC staff informing Vice President Richard Nixon: 'Interference in trade between the free world and the Soviet bloc should take place only where a clear advantage to the free world would accrue from such interference.' US policy on this issue would eventually be codified (despite some rather lively debate between Eisenhower and his advisors in the document NSC 152/2, which did in fact relax the US position on the issue of East-West trade.

See: Ian Jackson, 'The Limits of International Leadership: The Eisenhower Administration, East-West Trade and the Cold War, 1953-54.' *Diplomacy and Statecraft*, (Vol. 11, No. 3, November 2000) pp 113-138; National Security Council Progress Report on the Implementation of NSC 104/2, January 19th 1953. Economic Defense 1953 (1), Box No 27, Disaster File Series, Eisenhower Library; National Security Council Progress Report on the Implementation of NSC 104/2, January 19th 1953. Economic Defense 1953 (1), Box No 27, Disaster File Series, Eisenhower Library.

¹⁹ Draft Document on Basic National Security Policy, undated. Basic National Security Policy 1953-54 (2), Box No 1, NSC Staff Papers, Eisenhower Library.

²⁰ Saki Dockrill, *Eisenhower's New-Look National Security Policy 1953-1961* (1996) p 1

At the President's request, three separate study groups were set up at the National War College, each charged with making the strongest possible case for its assigned option. These included: (1) continuation of the Truman strategy of "containment"...; (2) a strategy of "deterrence", which involved drawing clear lines around the periphery of the communist world, with the implied threat of nuclear retaliation against those who crossed the line; and (3) "liberation" – the use of political, psychological, economic and covert means to attempt to "roll-back" existing areas of Soviet influence.

Gaddis goes on to assert that, 'in the end, Eisenhower approved only the first of these options, with a slight modification in the direction of the second'²¹; or, as Stephen Ambrose writes: 'In practice...Eisenhower and Dulles continued the policy of containment. There was no basic difference between their foreign policy and that of Truman and Acheson.'²² NSC 162/2 (the document that emerged from Operation Solarium) would be the final word on the question of whether or not the Eisenhower administration would live up to its election pledges to 'roll-back' communism. Far from being a blueprint aimed at *winning* the Cold War, the New Look would adhere to traditional policy covenants and, in effect, set the tone for the administration's approach throughout the world.

Much has been made by scholars of the threat of "massive retaliation"²³ outlined in NSC 162/2. Ambrose states that, 'the key to the New Look was the American ability to build and deliver nuclear weapons. Put more bluntly, Eisenhower's military policy rested on America's capacity to destroy the Soviet Union.'²⁴ This, though, is too simplistic an approach. As McCormick suggests, the idea behind the doctrine of "massive retaliation" was to devise a model of defense that also (in keeping with Republican Party fiscal policy) cut costs.²⁵ However, it was not just economic

²¹ John Lewis Gaddis, *Strategies of Containment*: (1982) p 146

²² Stephen Ambrose, *Rise to Globalism: American Foreign Policy Since 1938* (USA: Penguin Books, 1978) Eighth Edition 1997 p 129

²³ The threatened use of nuclear weapons to resolve a situation

²⁴ Stephen Ambrose, *Rise to Globalism* (1997) p 131

²⁵ McCormick writes: 'The post-war decrease [in defense spending] reflected the so-called New Look strategy of the Eisenhower administration, with its emphasis upon strategic and tactical nuclear weaponry ("more bang for the buck"), and its disinclination to risk Korean-style conventional warfare to repress revolutions in the periphery. It also reflected the President's own embryonic concern about the perils of creating a domestic Frankenstein (the "military-industrial complex", as he later termed it) and pressures from non-Keynesian, fiscal conservatives in his own party to reduce budget deficits.' Thomas McCormick,

sensibilities that informed the New Look. There was also a conscious effort to devise a policy that met the US need for an approach that not only countered the Soviet Union but, which also promoted the economic vitality of the American system. Gaddis outlines the multi-faceted policy approach contained in the document (moving away from the idea that it was solely based on nuclear deterrence), but, crucially, sees the administration's strategy as being solely motivated by anti-communism.

It would be a mistake to view the Eisenhower administration's "New Look" strategy as revolving primarily around that...threat to use nuclear weapons upon minimal provocation. Rather, the central idea was that of asymmetrical response – of reacting to adversary challenges in ways calculated to apply one's own strengths against the other side's weaknesses, even if this meant shifting the nature and location of the confrontation. The effect, it was believed, would be to regain the initiative while reducing costs. Nuclear weapons were a major component of that strategy, to be sure; but so too were such other elements such as alliances, psychological warfare, covert action and negotiations.²⁶

Gaddis's analysis, whilst correct in citing the multi-faceted nature of the New Look, does not go far enough in exploring the aims and intentions of the administration's policies. Although the bipolar framework continued to impact a heavy influence on US officials and, undoubtedly played a major part in informing NSC 162/2, we cannot ignore the presence of those US aims that remained from the early post-war period. The health and continued expansion of the American economic system continued to be as important a goal for US officials as "fighting" communism. What NSC 162/2 sought to do was to outline a policy that adhered to both of these defining policy objectives. Although the document would concentrate mainly on issues of security, it would also outline a policy that was aware of the necessity of not undermining Washington's 'economic stability'.

In their book *Waging Peace*, Robert Bowie and Richard Immerman highlight the debate within the administration over the economic aspects of the New Look. The Treasury Department, headed by staunch fiscal conservative George Humphrey, took the

America's Half-Century: United States Foreign Policy in the Cold War and After (Baltimore: John Hopkins University Press, 1989) Second Edition 1995 p 105

²⁶ John Lewis Gaddis, *Strategies of Containment* (1982) p 147-8

position that: 'The risk of dangerously weakening the US economy by prolonged deficits or high taxes due to security expenditures was as serious as the Soviet threat and demanded rapid balancing of the budget without raising taxes.' The view of the State Department and the Department of Defense was that the, 'United States must meet the minimum costs of the policies essential to its security; defense spending at the current levels will not seriously damage the economy even if higher taxes prove necessary.' There was, though, some form of consensus, with all members agreeing, 'that a strong and expanding US economy was essential for the security of the country and the free world over a sustained period.' As Bowie and Immerman go on to summarise, President Eisenhower was forthright about the economic aspect of US policy.

The concept of "trade not aid" was central to Eisenhower's initial foreign economic policy. He strongly favoured liberalized trade and believed that, coupled with foreign private investment, it would make possible tempering and ultimately ending government assistance while fostering global growth. He believed just as strongly that the United States had to lead the fight against the centrifugal force of economic nationalism. Challenging protectionist sentiment in Congress, he requested a three-year extension of the Reciprocal Trade Agreements Act in his first State of the Union address. "[S]timulating international trade" as the basis for "healthy growth" was a core component of NSC 162/2.²⁷

Aggressive anti-communism and liberal capitalist economic theory are linked more neatly by Michael Hogan, who writes: 'if the Soviet threat suggested no limit on US defense spending, NSC 162 quickly countered with a long analysis of the connection between economic and military security. A sound economy was the bedrock of defense production, it said, not to mention higher living standards and free political institutions.'²⁸ This argument fits in with the 'world-systems' theory interpreted by Thomas McCormick and Immanuel Wallerstein.²⁹ McCormick, especially, sees the

²⁷ Robert Bowie and Richard Immerman, *Waging Peace* (1998) pp 144-211

²⁸ Michael J Hogan, *A Cross of Iron: Harry S Truman and the Origins of the National Security State 1945-1954* (Cambridge, UK: Cambridge University Press, 1998) p 406

²⁹ Thomas McCormick, *America's Half-Century* (1995); Immanuel Wallerstein, *The Modern World System: Capitalist Agriculture and the Origins of the World Economy in the Sixteenth Century* (New York: Academic Press, 1974) Although dealing with a period well in advance of the Cold War era, Wallerstein

extension of the prevailing economic system as being a vital tool in a successful foreign policy by a hegemonic power.³⁰

However, it is important not to apply too much emphasis to the aim of extending the American economic system; instead, it needs to be analysed alongside the security element of US policy so that a full appraisal of US aims and intentions can be reached. This approach was illustrated in the Introduction to this thesis by the quote taken from Robert Kagan and William Kristol's essay entitled "The Present Danger". Kagan and Kristol suggest that irrespective of the Soviet Union, the US would have sought to 'promote' and 'defend' a 'decent world order' built upon American principles such as "free trade, free investment and free capital." This was in keeping with sentiments expressed by President Eisenhower in a letter to his brother, Milton, in December 1954, telling him that, 'in the case of South America we want to establish a healthy relationship that will be characterized by mutual cooperation and which will permanently endure. This will apply whether or not the Communist menace seems to increase or decrease in intensity.'³¹

The reason that NSC 162/2, and the development of the New Look foreign policy, is important for this study of US-Latin American relations is that it reaffirms the contention that the US was pursuing two separate aims in the Cold War era. This was a global policy: the containment of the Soviet Union and the extension of the American economic system were the major objectives underpinning US policy and would remain so

uses terms such as "core", "periphery" and "semi-periphery", which would be vital in the world-systems analysis that was applied to the Cold War period.

³⁰ He writes, 'A single hegemonic power...has a built in incentive to force other nations to abandon their national capitalism and economic controls and to accept a world of free trade, free capital flows, and free currency convertibility. As the world's most dominant economic power, a hegemonic power has the most to gain from such a free world and the most to lose from nationalistic efforts to limit the free movement of capital, goods and currencies.' Thomas McCormick, *America's Half-Century* (1995) p 4-5; David Ryan, *US Foreign Policy in World History* (London: Routledge, 2000)

³¹ Letter from President Eisenhower to Dr. Milton Eisenhower, December 1 1954, DDE Diary December 1954 (2), Box No 8, DDE Diary Series; see also: Letter from President Eisenhower to Mr Edgar N. Eisenhower, January 12 1954, DDE Diary, January 1954 (2), Box No 2, Whitman File, Eisenhower Library.

throughout Eisenhower's presidency.³² NSC 162/2 would outline a policy that did not differ significantly from Truman-style containment. Although it would outline the threat of "massive retaliation", and reliance upon covert operations as a cost-effective way of conducting foreign policy, it would not instigate any major changes in US approach. It would, though, quash any lingering hopes that officials such as Walt Rostow and CD Jackson might have had that the administration could possibly adhere to its electoral promise to 'roll-back the Iron Curtain.' Crucially, in the context of this study, it gives a full appraisal of the perspective that the administration had of the Cold War and the Soviet Union. Moreover, it outlines the way that economic theory and the objective of expanding the American economic system were incorporated by US officials into a homogenous national security strategy. Whilst this may have been an adequate approach for Eastern Europe, though, it would lead to intense difficulties in Latin America. The main thrust of this thesis (and, indeed, this chapter) will be to examine the way that US policy proceeded in Latin America and to illustrate the inherent "tension" between economic sensibilities and national security that would continually manifest itself on the hemispheric relationship between Washington and the those nations south of the Rio Grande. As we shall see, once this global approach was applied to Latin America it would begin a prolonged period of frustration for US officials as their aims in the strategic sphere very often clashed with their aims in the economic sphere. The important point to note is the separation between the two objectives, despite them being incorporated into singular policy documents. The impact that this had on the US position in Latin America will become even more apparent in Chapter Two, which looks at US-Brazilian relations during the early Eisenhower period. There we will see that the clash between economic and security aims within US policy would have a serious impact on the US position in Brazil.

FORGING A LATIN AMERICAN POLICY: THE HISTORIOGRAPHICAL DEBATE

³² However, it would manifest itself differently depending on the characteristics of each individual area; therefore, US policy in Latin America was markedly different to that in Eastern Europe.

In keeping with the dominant trends in the historiography of the Cold War outlined in the Introduction of this thesis, the literature produced on US-Latin American relations during the Eisenhower era has also been beset by the impulse to cite US policy as having been motivated by either national security concerns or economic determinism. There is a clear absence of a study attempting to link these two elements of US policy and provide a more nuanced and comprehensive analysis of US policy in Latin America. In establishing the fact that there were two main aims underpinning US policy, we have already seen that the global policy of the Eisenhower administration would be one based around the objectives of 'containing' the Soviet Union or any overt outbreak of anti-Americanism and the threat it was perceived to pose to the free world, and a widespread expansion of the American economic system and economic principles. These guiding ideals would remain true with respect to the administration's approach in Latin America; however, US policy there would be different in context to that outlined in NSC 162/2 and would be designed to take into account the individual characteristics and requirements facing the Eisenhower administration in the region. First and foremost, the Soviet Union posed little discernible threat to Latin America. As a region, it remained very much a US "sphere of influence". This does not, though, mean that Cold War imperatives played no part in informing the Eisenhower administration's approach in the region.

As we have already seen, any form of anti-American sentiment was deemed by Washington to be an issue of national security: this endured irrespective of whether that anti-Americanism was communist or nationalist in tone.³³ Nationalism or anti-Americanism would, in the context of the Manichean world view, be equated with communism and national security. US officials would come to view any economic or social doctrine different to that they prescribed as setting a dangerous precedent and therefore, becoming an issue of immediate concern within the Cold War framework.

³³ As David Ryan writes: 'Throughout the period from the 1940s onward, US policy reacted negatively to Third World nationalism that was driven by revolutionary groups or by economic models that detracted from the preferred US agenda for increasing liberalisation of trade and economic openness. This was not exactly new to US policy, but now it was conditioned by the Cold War constructs that lent it increasing intensity. Therefore independent or leftist nationalism was frequently undermined and was justified through ideologies derived from the new Cold War constructs.' David Ryan, *US Foreign Policy in World History* (2000) p 140

Again, it is important to reiterate that this was not a deliberate construct imposed by US officials to make their policies more acceptable; it was a consequence of the way that the existing world order had evolved since 1945. As anti-Soviet rhetoric became a more accepted part of everyday American life, the pressure on US policymakers to construct a worldview around that rhetoric became overwhelming.³⁴

Cold War imperatives, then, assumed a degree of importance within US-Latin American relations that was far removed from the area's actual importance *vis-à-vis* the Soviet Union. However, it would (as the revisionist school suggests) be the economic aspect of the hemispheric relationship that would become the most important factor in inter-American relations. It would be this gap between economic and security concerns that would serve as the defining feature of the Eisenhower administration's policy in Latin America. The fact that both of them played an integral part in US strategy has fostered a divided literature. Both the Traditional and Revisionist schools have put forward strong arguments as to the nature of US policy at this time; but, as outlined in the Introduction, they have done so whilst reinforcing the traditional utilitarian constructs of Diplomatic History during the Cold War period. Traditional scholars³⁵ have stressed the administration's preoccupation with "waging" the Cold War as being the most salient feature of diplomatic relationships in the Western Hemisphere, whilst the Revisionists³⁶ put forward the argument that US policy was dictated by their desire to defeat the threat of economic nationalism and expand the American economic system.

Stephen Rabe asserts the role that east-west tensions played in determining US policy in Latin America in the 1953-4 period. He writes:

The United States needed Latin America's support in the struggle with the Soviet Union, and it wanted to eliminate internal Communist subversion from

³⁴ It should be noted here that when Eisenhower came to office the era of McCarthyism was still in full flow. The Wisconsin Senator's "witch-hunt" against any he 'accused' of being communist sympathisers had become a very prominent part of US life. As such, the pressure was on US officials not to relax their position with regard to its foreign policy. See: Edward R. Murrow, "The Menace of McCarthyism (1947-54) in John Pilger eds, *Tell me no Lies: Investigative Journalism and its Triumphs* (London: Vintage, 2005) p 26-45

³⁵ Stephen Rabe; Mark Gilderhus; Joseph Smith and Cole Blasier for example

³⁶ James Siekmeier; Walter LaFeber; Matthew Loazya for example

the hemisphere. In pursuit of hemispheric solidarity, the Eisenhower administration would, in 1953 and 1954, offer money, medals, and military support to Latin American leaders who were anti-Communists, including those who were dictators. It would also prepare to destroy a popularly elected government in Guatemala.³⁷

Rabe's argument considers US policy solely within the Cold War framework; all events relating to US policy in that area should, in his view, be related to the global struggle against the Soviet Union. Mark Gilderhus supports this, writing that, 'During the 1950s, Cold War issues preoccupied the leaders of the Eisenhower administration in Latin America. Anticommunism, the hallmark of US policy, required order, stability, and constant vigilance against radical subversion.'³⁸ The Revisionist case, however, puts forward a markedly different case. James Siekmeier writes,

Washington officials main fear was that economic nationalism would undermine the inter-American economic system---that is, a system that promoted a freer flow of goods and investment between North and South America, and which had been nurtured by US officials since the late 19th century...the United States wanted Latin America to industrialize in a way that would benefit the United States...for US policymakers, friendly United States-Latin American relations---a clear benefit for the *norteamericanos*³⁹ --rested on interdependent and strong economies in the region.⁴⁰

It is a viewpoint agreed with by Matthew Loayza, who highlights the 'centrality of economic affairs to the inter-American policies' of the Eisenhower administration and writes, 'for the duration of his presidency, Eisenhower and his advisors hoped to convince Latin American leaders to introduce liberal capitalist economic policies that facilitated the free flow of capital and commodities throughout the hemisphere.'⁴¹

³⁷ Stephen Rabe, *Eisenhower: The Foreign Policy of anti-Communism and Latin America* (Chapel Hill: University of North Carolina Press, 1988) p 26

³⁸ Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000) p 139

³⁹ Term used in Latin America, and which Siekmeier uses to denote the US Government.

⁴⁰ James Siekmeier, *Aid, Nationalism and Inter-American Relations: Guatemala, Bolivia and the United States 1945-61*. (New York: The Edward Mellen Press, 1999) p 9-13; see also, Walter LaFeber, *Inevitable Revolutions: The United States in Central America* (New York: W.W. Norton & Company, 1983) 2nd edition 1994 p 113-137

⁴¹ Matthew Loayza, "An 'Aladdin's Lamp' for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-61", *Diplomacy and Statecraft* (Volume 14, Number 3, September 2003) pp 83-105

As we can see, academic opinion on the Eisenhower administration's early policies toward Latin America divides into the predominant schools of thought. However, as discussed earlier, such a neat division between economic determinism and national security does not give a comprehensive enough view of US policy during the Eisenhower era. The main problem is that neither approach takes a wide enough view of US policy: whilst there has been some overlap between the two, no one study has taken such an approach as its main rationale.⁴² It is this imbalance in the historiography that the argument outlined in this thesis addresses. As we will see in the remainder of this chapter, by adopting an analytical framework that considers both economic and strategic factors in US policy we not only get a fuller understanding of US policy toward Latin America, but we also reach a deeper appraisal of what is meant by the terms economic determinism and national security. National security objectives did not just mean anti-Soviet or, indeed, anti-Communist; it was applicable to any government that adopted a position that advocated an alternative model of development or economic radicalism – whether that was communist, nationalist or even neutralist. Similarly, economic determinism does not mean a policy based around the pure pursuit of profit for American institutions; instead, it builds upon the theories put forward by William Appleman Williams and scholars from the Wisconsin School like Lloyd Gardner, Thomas McCormick and Walter LaFeber.⁴³ This form of economic determinism maintains that US foreign economic policy was constructed around the central aim of developing a thriving and prosperous world economy with American models of development and American institutions at the heart of the global economic boom.

The Eisenhower administration's policy in Latin America would be structured along the same lines as those which would inform the evolution of NSC 162/2 and the

⁴² James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) touches on the role that anti-communism played in US policy; Joseph Smith, *The United States and Latin America* (2005) incorporates a more nuanced view of events; Stephen Rabe, *Eisenhower* (1988) provides information on the economic aspect of US policy but, again, firmly within a Cold War context

⁴³ For a good explanation of Williams and the Wisconsin School, see: Bruce Cumings, "Revising Postrevisionism, Or the Poverty of Theory in Diplomatic History", in Michael Hogan eds *America in the World: The Historiography of American Foreign Relations Since 1941* (New York: Cambridge University Press, 1995) p 30-4; Michael Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1987) p 8-11

New Look, although the emphasis between security and economics would be different to that outlined with respect to US policy towards the Soviet Union. This raises an obvious question: what did this mean with respect to the specifics of US policy in Latin America in 1953? Firstly, it meant that the US approach would be developed around the twin aims of expanding American economic influence and silencing any anti-American dissent, which could possibly be construed as being a boost for the Soviets; secondly, in keeping with the Manichean framework, US policy in both of these areas would be incorporated into homogenous policy documents – blurring the distinctions between the two and making it increasingly difficult for administration officials to perceive the problems that such a structure impacted upon their aims; and finally, it would be a policy rooted in America, concerned with American institutions and ideals and highly negligent of the hopes, aspirations and intentions of the Latin nations themselves. This one-sided approach would lead to intense pressures within the inter-hemispheric relationship that would increasingly come to undermine the US approach. Although the Traditional versus Revisionist debate does not wholly apply to US-Brazilian relations, those same themes that will be drawn out here will also be in evidence in those chapters looking at the relationship between Washington and Rio.

FORGING A LATIN AMERICAN POLICY: NSC 144/1 – ECONOMIC EXPANSION AND “WINNING” THE COLD WAR

The administration’s first policy document for Latin America would be NSC 144/1, which was implemented as government policy on March 18 1953. It emerged less than two months after Eisenhower came to office and, as such, is testament to the surety that the administration had about its approach in the Western Hemisphere. Not all members of the administration were pleased with the rapid production of the document. Walter Bedell Smith, the Under Secretary of State, described it as having been, ‘prepared in some haste and representing a shotgun approach.’⁴⁴ However, the speed with which the document emerged does signal that the administration had a clear conception of the

⁴⁴ Memorandum of Discussion at the 137th Meeting of the National Security Council, March 18 1953, *Foreign Relations of the United States 1952-1954. Volume IV The American Republics*. (Washington: The United States Government Printing Office, 1983) p 2; Stephen Rabe (1988) p 31

issues facing them in the region. As with the policy discussions that would take place in the debate over the New Look policy, the US approach in Latin America would begin with the twin aims of expanding the American economic system and silencing anti-American dissent. With Rabe and Gilderhus arguing that the administration's approach was dictated solely by Cold War considerations, attention has focused heavily on the language used by Foster Dulles in his testimony before Congressional Committees. Speaking before the Senate Foreign Relations Committee Dulles stated, 'Conditions in Latin America are somewhat comparable to conditions as they were in China in the mid-thirties when the Communist movement was getting started.'⁴⁵ Rabe confirms that 'in executive congressional hearings, he testified that...“the trouble is that now, when you put it through the wringer, it comes out red.”'⁴⁶ As Gabriel and Joyce Kolko argue, though, Dulles's testimonials before Congress were not always as straightforward as they initially seemed.⁴⁷ Dulles was perfectly aware that the use of stark rhetoric could gain the congressional approval he wanted for the administration's foreign policy and, as it had been in the presidential election, was clearly a vital political tool.⁴⁸

⁴⁵ Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1899*. (USA: Scholarly Resources Inc, 2000) p 141

⁴⁶ Stephen Rabe, *Eisenhower* (1988) p 31; Mark Gilderhus, *The Second Century* (2000) p 142

⁴⁷ Kolko writes, 'Dulles' detractors regarded him as legalistic, given to excessive moralism, and somehow under the delusion that Christian doctrine specially guided him...one should not make too much of this interpretation, for, however much Dulles was attracted to Christian theology and talked about it, his conduct of diplomacy was of a radically different, much less ethereal order. Dulles was pragmatic and politically astute, and when forced to make a choice between obvious evils he did not delude himself about their meaning. His concern for congressional approval was far greater than his contemplation of the righteous theological course, and his deference to Congress inhibited his action time and again...from the first day he addressed Congress...he initiated the process of promising everything to everyone in Congress, from the "liberation" of Eastern Europe to peace, so that he might continue the main contours of America's historic expansion in the world.' Gabriel and Joyce Kolko, *The Limits of Power: The World and United States Foreign Policy 1945-1954* (New York: Harper and Row Publishers, 1972) p 678; see also, Leonard Mosley, *Dulles: A Biography of Eleanor, Allen, and John Foster Dulles and their Family Network* (New York: The Dial Press, 1978) ; Richard Immerman eds, *John Foster Dulles and the Diplomacy of the Cold War* (Princeton, New Jersey: Princeton University Press, 1990)

⁴⁸ A more telling excerpt from the congressional record, though, is the 1954 exchange between Dulles and Senator Caphart of Indiana, which highlights the way that "communism" had become a somewhat confused term. As Siekmeier writes when introducing the quote, 'the definition of communism...depended on the person using the term, and could be so broad as to include anyone or anything that opposed the United States.' Senator Caphart pointed to this in 1954, telling Dulles: '[It] seems to me like all communism is an attack upon the private ownership of property, period.' The Secretary of State was somewhat candid in response, telling the Senator, 'I have great sympathy with that you say sir' James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 164

At the NSC Meeting of February 18 1953, head of the CIA, Allen Dulles, outlined the problems facing the Eisenhower administration in Latin America.⁴⁹ He warned that the general situation in Latin America was, ‘deteriorating not only in terms of cordiality of relationships with the US, but in the economic and political spheres of most of the Latin American states’; more worryingly, Dulles also noted that the region was susceptible to four major trends: ‘economic nationalism, regionalism, neutralism, and increasing Communist influence.’⁵⁰ All of these trends were equally problematic for the US, especially given the emphasis that their foreign policy had on expanding foreign private investment.⁵¹ In order to encourage private businesses to invest in Latin America, the region needed to be politically and economically stable: anti-American protests, seizure of privately owned land and property, and economic development outside of the US-prescribed model all needed to be prevented in order to make the region more attractive to private investors. This applied whether those events were inspired by communism, nationalism, anti-Americanism or neutralism; under the auspices of the Cold War, these ideologies were analysed not for those reasons underpinning them, but for their impact on US objectives.

The aim for US officials was to develop a fully functioning and prosperous regional economy. James Siekmeier quotes Henry Holland⁵² in order to illustrate the desirability of such a policy, writing: “[t]he economy of this hemisphere is a whole compromised of interrelated parts. The more smoothly those parts fit together, the stronger is the whole.” Siekmeier takes this point further, stating,

⁴⁹ Mark Gilderhus, *The Second Century* (2000) p 142 also cites this document but positions it solely within a Cold War context, writing: ‘Allen Dulles...spoke of “deteriorating” relations with Latin America, marked by a “Communist infection” in Guatemala, and warned of an “approaching crisis”’.

⁵⁰ Memorandum of Discussion at the 132nd Meeting of the National Security Council, February 18 1953. DDE Papers, NSC Series, Whitman File.

⁵¹ This was apparent in both the discussions for NSC 162/2 and the document itself. See: Robert Bowie and Richard Immerman, *Waging Peace* (1998); Saki Dockrill, *Eisenhower’s New Look National Security Policy* (1995); See also Burton Kaufman, *Trade and Aid* (1982) who writes: ‘By sharply cutting back on foreign aid and substituting an expanded program of foreign trade and private investment abroad, the president hoped to ensure a sound domestic economy and world economic growth at the same time’ p 14; Matthew Loayza, “An Aladdin’s Lamp for Free Enterprise” (2003) writes: ‘In regard to economic matters, his [Eisenhower’s] administration sought to convince other world leaders to accept the rules of a liberal capitalist world system based on the free flow of capital and commodities’ p 85

⁵² Holland would replace John Moors Cabot as Assistant Secretary of State for inter-American affairs in 1954.

With this observation, Holland succinctly summed up why Washington leaders desired to suppress Latin American economic nationalism...in Holland's ideal inter-American system, comparative advantage should rule: countries would produce and sell only those items that they could produce more cheaply and more efficiently than competitors. That meant that Latin Americans would be destined to produce and export relatively low-profit raw materials, and would purchase relatively high-profit manufactured goods from the United States.⁵³

The sections contained within NSC 144/1 would be partly designed to achieve these economic aims; however, they would also have a strong national security element running through them, as the administration unconsciously sought to bring its twin objectives for the region together into one policy statement. Again, it is worth reiterating that this doubled-edged approach underpinning US foreign policy at this time was not a deliberate construct; it was a result of the way that US post-war aims had competed with evolving national security concerns in the period between 1945 and 1950. The next stage in this chapter is to consider US aims in both the economic and the security spheres separately and how they were outlined in NSC 144/1, before drawing out the major themes from this policy and depicting the tension that this twin approach impacted upon US policy in Latin America.

NSC 144/1 – PART 1: ECONOMIC OBJECTIVES

The centrality of economic considerations to the administration's approach was highlighted at the NSC meeting of March 18. During the meeting, several members of the administration made it clear that they felt the draft policy document did not go far enough in attempting to foster a climate in Latin America that encouraged the spread of foreign private investment. Harold Stassen, the former Governor of Minnesota and head of the Foreign Operations Administration, told the meeting: 'while on the whole he was pleased with the report [NSC 144/1], it failed to take into account with sufficient force one point that he felt to be of very great importance. It did not reflect the need for Latin

⁵³ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 155-56; Holland quote taken from Robert Burr and Arthur Schlesinger Jr, eds, *Dynamics of World Power* (New York, 1973) p 286-7

American capitalists and business men to provide better treatment for their workers and to take a more progressive and responsible role in the development of the economies of their countries.' Treasury Secretary, George Humphrey, agreed, outlining his belief that in order to expand the American economic system and to encourage further growth in Latin America the US should use high-ranking business officials to publicise the US doctrine of economic liberalism. 'If we could find a few first-rate business men and send them as our ambassadors to the key Latin American nations,' Humphrey said, 'it would do far more good than any amount of money we could dole out.'⁵⁴ Yet economic objectives were only part of the program outlined in NSC 144/1.

The actual objectives outlined in the document were:

A. Hemisphere solidarity in support of our world policies, particularly in the UN and other international organizations; B. An orderly political and economic development in Latin America so that the states in the area will be more effective members of the hemisphere system and increasingly important participants in the economic and political affairs of the free world; C. The safeguarding of the hemisphere, including sea and air approaches, by individual and collective defensive measures against external aggression through the development of indigenous military forces and local bases necessary for hemisphere defense; D. The reduction and elimination of the menace of internal Communist or other anti-US subversion. E. Adequate production in Latin America of, and access by the United States to, raw material essential to US security; F. Support by Latin America of collective action in defense of other areas of the free world; G. The ultimate standardization of Latin American military organization, training, doctrine and equipment along US lines.⁵⁵

Wide-ranging in scope, the aims outlined in the first part of the document illustrate the multi-faceted nature of the administration's policy towards Latin America, with the objectives being specifically designed to attain US aims in both the economic and security spheres. The overriding problem for the administration was how to link their objectives in the different spheres. In formulating the document, US officials had been

⁵⁴ Memorandum of Discussion at the 137th Meeting of the National Security Council, March 18 1953 *FRUS 1952-1954 Volume IV* p 2-6

⁵⁵ Statement of Policy by the National Security Council, NSC 144/1, March 18 1953 *FRUS 1952-1954 Volume IV* p 6-10

motivated by two striking issues that they needed to address in the region: the reshaping of US-Latin economic relations along the lines of “free trade, free capital and free investment” and, the stemming of the rising tide of anti-American nationalism in the region, which in the bipolar framework of the Cold War was being perceived by administration officials as an increasingly dangerous challenge to US credibility. However, as NSC 144/1 and the annex which fed into the document highlighted, officials within the Eisenhower administration were aware of the potential incompatibility of their goals.

As well as the objectives outlined above, NSC 144/1 also depicted some of the major themes in the inter-hemispheric relationship. In fact, the document illustrated the extent of the problem facing the US in Latin America and also analysed the reason for the growing level of nationalism in the area. It stated:

There is a trend in Latin America toward nationalistic regimes maintained in large part by appeals to the masses of the population. Concurrently, there is an increasing popular demand for immediate improvement in the low living standards of the masses, with the result that most Latin American governments are under intense domestic pressures to increase production and to diversify their economies...A realistic and constructive approach to this need which recognizes the importance of bettering conditions for the general population, is essential to arrest the drift in the area toward radical and nationalistic regimes. The growth of nationalism is facilitated by historic anti-US prejudices and exploited by the communists.⁵⁶

Despite recognising this, though, the document itself would not go on to formulate a viable solution for addressing this major problem. Instead, it would remain solely concerned with the twin aims of expanding the American economic system and in seeking to silence anti-American nationalism. It is here that we begin to discern the overriding contradiction within the Eisenhower administration’s policy: although recognising the challenge that Latin nationalism posed to them, US officials would fail to engage with the issue successfully and prove unable to design a viable solution. As Siekmeier writes, ‘the United States wanted Latin America to develop, but not into a strong competitor that could hurt the dominant US economic position.’ However, this led

⁵⁶ Ibid; also quoted in: David Ryan, *US Foreign Policy in World History* (2000) p 153

to its own problems as, 'limited Latin American economic growth would not be able to provide for the growing populations of the region.'⁵⁷ Constrained by their economic and security principles, the Eisenhower administration would not adequately outline a solution to this problem in NSC 144/1.

Although the problem of increasing nationalism had been outlined by the administration in NSC 144/1, it did not put forward an adequate solution to the problem of underdevelopment in the region. Deep-rooted economic imperatives remained to the fore, and in the economic section of the document, Clause Seven outlined the administration's economic approach. It read:

The United States should seek to assist in the economic development of Latin America by:

- a. Encouraging Latin American governments to recognize that the bulk of the capital required for their economic development can best be supplied by private enterprise and that their own self-interest requires the creation of a climate which will attract private investment.
- b. Continuing the present level of International Bank loans and Export-Import Bank loans, and where appropriate, accelerating and increasing them, as a necessary supplement to foreign private investment...

The economic section of the document would not outline how the administration could address the crushing financial disparity that was so prevalent in the majority of the Latin nations, and as Stephen Rabe highlights, in signing the paper President Eisenhower was signalling that 'he would not endorse any new military or economic aid program for Latin America until there was a complete review of policy.'⁵⁸ The annex that fed into NSC 144/1 would outline the impact that such an economic approach was having on US aims in the region: 'The people of Latin America are becoming increasingly aware that 90% of the wealth of the Western Hemisphere (less Canada) is produced by one of the American republics – the United States – while 10% is produced by the remaining 20

⁵⁷ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 158; Matthew Loayza, "An Aladdin's Lamp for Free Enterprise" (2003) illustrates the problems faced by the administration in facing up to the nationalist/communist threat, writing: 'Although US policymakers viewed the rise of nationalist and communist sentiment in Latin America with alarm, their responses to these two threats to US interests were muted and ineffective' p 84

⁵⁸ Statement of Policy by the National Security Council, NSC 144/1, March 18 1953 *FRUS 1952-1954 Volume IV* p 6-10; Stephen Rabe, *Eisenhower* (1988) p 32

American states.’ Such disparity was inevitably breeding resentment, and as a result, ‘a doctrine labelled “nationalism” or “colonialism” has gained wide popular acceptance in the area.’⁵⁹ The Eisenhower administration, then, clearly recognised that Latin economic nationalism was being engendered by the financial disparity that existed within the region. Siekmeier recognises this and outlines the administration’s approach to “defeating” economic nationalism but, crucially, he also recognises how it was conflated with Cold War imperatives: ‘The solution to containing communism...was the same as the answer to containing nationalism --- to expand and strengthen the inter-American economic system.’⁶⁰ Yet this approach does not go far enough, as it neglects to provide an explanation for those elements of US policy that were clearly concerned solely with security but that did not form part of the administration’s economic strategy; as a result, the contradictions that emerged between US aims in the economic sphere and US aims in the security sphere are not dealt with sufficiently by either school of thought. And it is those security elements of US policies that we need to consider next.

NSC 144/1 – PART 2: NATIONAL SECURITY OBJECTIVES

As we have seen, there was clearly a strong economic element running through US policy toward Latin America as outlined in NSC 144/1. As Siekmeier (and the Revisionists) contend, the administration wanted to “defeat” Latin economic nationalism in order that they might expand the American system throughout the hemisphere and protect the health of the US economy. However, the analysis of NSC 144/1’s economic agenda provided above also illustrates the fact that within those economic objectives

⁵⁹ Annex to NSC 144 “United States Objectives and Courses of Action with Respect to Latin America”, March 6 1953, NSC 144 – Latin America (2), Box No 4, Office of the Special Assistant for National Security Affairs, Eisenhower Library. The annex to NSC 144 gives a great deal of attention to the poverty in Latin America, as well as outlining the basic problems facing the US in the region: ‘(1) A wide-spread tendency toward immediate political change which produces instability, weakness and demagoguery; (2) a great disparity in wealth and power between the United States and Latin America which, aided by old prejudices, keeps alive anti-Americanism and stimulates economic nationalism; and (3) communism.’

⁶⁰ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); It is an approach reaffirmed by Walter LaFeber, who writes, ‘Eisenhower and Dulles consequently fell back on the old approach of emphasizing private investment and Export-Import Bank loans, then supplemented this approach with increased military ties’ Walter LaFeber, *Inevitable Revolutions* (1993) p 111

there was a strong link to elements of national security. Although the administration had recognised that the growth of nationalism in the region was linked to the huge social and economic disparity that was so prevalent in the region, its adherence to its strict fiscal principles meant that it had not addressed the burning issue posed by NSC 144/1 – how to halt the rising tide of nationalism in Latin America? It is here that the crux of the problem with the administration's approach fully emerges; for it is the tension that would emerge between this basic economic aim and US strategic objectives that would become the defining feature of the Eisenhower administration's policy.

According to NSC 144/1, the March 6 annex to the original draft of the document, and leading members of the administration at NSC meetings in February and March, there was a clear understanding that Latin nationalism would continue to develop whilst the vast majority of Latin people continued to live in poverty. The solution, put forward in the final draft of March 18, was the widespread expansion of US economic principles. The defeat of Latin nationalism would, ultimately, benefit not only the United States (as it matched their original post-war aim of economic preponderance) but also the Latin nations themselves. There was, though, a crucial problem with this approach: it did not fit the policy pursued by the administration in the security sphere and, as such, created an irreconcilable tension in US policy that would only become fully apparent when the strategy was applied to individual countries.⁶¹

As we have seen already, officials within the Eisenhower administration were content that the Soviet Union posed no immediate threat to Latin America. Despite the deteriorating situation in Guatemala, any fears of actual Soviet expansion into the area were comfortingly low. As Siekmeier argues, 'US policymakers...rarely discussed the prospect of Soviet-backed regimes coming to power in the region, in part, because the threat was small.'⁶² We have, though, established the fact that in spite of this, Eisenhower officials were burdened with the increasing need to be seen to be *winning* the Cold War; an inflammatory election rhetoric and the nature of the East-West conflict

⁶¹ For example Guatemala later in this chapter and Brazil in Chapter 2: however, it is a model that endures throughout the region.

⁶² James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 166

that had developed since 1945, meant that the US could not afford to allow any form of anti-Americanism to develop in the region. To do so would, in the minds of US officials, invite criticism of being 'soft' on communism and undermine the validity of the Eisenhower administration and the prestige of the American system. It was this aim that would form the basis of the administration's approach in the national security field in this early period. In an effort to quell Latin determinism and vocal dissonance, the administration would continue the Truman administration's policy of seeking close cooperation with Latin dictators.⁶³

Administration officials viewed the support of Latin America's dictators as being the most efficient way of silencing anti-American dissent, a trend that fits into a wider discourse on the condescending attitude that many officials in Washington had of the Latin American's capacity for dealing with democracy.⁶⁴ In the objectives listed for NSC 144/1, it had been that which outlined 'the reduction and elimination of the menace of internal Communist or other anti-US subversion' that had most directly addressed the national security issues that the administration perceived to be confronting them in Latin America. The vague language between 'Communist' and 'other anti-US subversion' highlights the blurring of any previous distinctions between communism and nationalism: for US officials in the 1950s, all anti-Americanism was a threat of strategic importance.⁶⁵ The document advocated, 'a greater utilization of the Organization of

⁶³ This had been a prevalent theme in US policy since 1950, when George Kennan visited the region. Gaddis Smith describes Kennan's subsequent report: 'The report, per se, did not influence policy. But as an unvarnished statement of widely held attitudes and for its claim that the Monroe Doctrine justified, indeed demanded, support by the United States for repressive political regimes in Latin America, it is a seminal document.' Gaddis Smith, *The Last Years of the Monroe Doctrine 1945-1993* (New York: Hill and Wang, 1994) p 68. For more on Kennan's trip, see: Joseph Smith, *The United States and Latin America* (2005) p 115-118; Walter LaFeber, *Inevitable Revolutions* (1993) who quotes Kennan's report, stating 'it is better to have a strong regime in power than a liberal government if it is indulgent and relaxed and penetrated by communists' p 109; Mark Gilderhus, *The Second Century* (2000) p 134-136

⁶⁴ Lars Schoultz, *Beneath the United States: A History of US Policy Toward Latin America* (Cambridge, Massachusetts: Harvard University Press, 1998) examines the history of US racial attitudes towards Latin America; for the wider view see: Michael Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1987); Max Paul Friedman, "Retiring the Puppets, Bringing Latin America Back In: Recent Scholarship on United States-Latin American Relations", *Diplomatic History* (Volume 27, Number 5, November 2003) pp 621-636; Annex to NSC 144 "United States Objectives and Courses of Action with Respect to Latin America", March 6 1953, NSC 144 - Latin America (2), Box No 4, Office of the Special Assistant for National Security Affairs, Eisenhower Library

⁶⁵ David Ryan, *US Foreign Policy in World History* (2000)

American States', as this would confer hemispheric legitimacy upon US actions and would 'avoid the appearance of unilateral action and identify our interests with those of the other American states.' In addition, the document also outlined a number of avenues that would provide for US intervention in particular circumstances, stating that though the US should refrain 'from overt unilateral intervention in the internal political affairs of the other American states', this did not 'preclude multilateral action through the inter-American system.' Finally, NSC 144/1 recommended the 'assisting through the OAS, or by such other means as may be available, those American states which are resisting pressures from their neighbours, whenever such pressures are inimical to US interests and the inter-American system.' However, as Rabe points out, the Annex to NSC 144/1 offered evidence that the administration would 'consider' unilateral intervention in the hemisphere if 'overriding security interests' so dictated.⁶⁶

The national security interests of the administration in Latin America, then, outlined an approach that was geared up to challenge any form of communist or other anti-US subversion and, which would, if possible, seek to act through the auspices of the OAS; only resorting to unilateral intervention if no other option appeared viable. In the bipolar framework that now dominated US officials' appraisal of world events, silencing Latin nationalism was imperative. However, expanding the economic system of the US throughout Latin America was of equal importance for the administration and, as shown in this chapter, the two goals would dominate the intentions of NSC 144/1. This, though, would impose an overwhelming and irreconcilable tension upon US policy in the region: the aim of expanding "free trade, free investment and free capital" throughout the region would be consistently hindered by the Cold War expediency of supporting authoritarian leaders who were repressing social and economic reform. In Chapter Two we will witness the impact that this tension had on US-Brazilian relations, with the relationship between Washington and Rio de Janeiro being directly affected by those elements that have been outlined in this chapter. However, perhaps the clearest way to illustrate the

⁶⁶ Statement of Policy by the National Security Council, NSC 144/1, March 18 1953 *FRUS 1952-1954 Volume IV* p 6-10; Annex to NSC 144 "United States Objectives and Courses of Action with Respect to Latin America", March 6 1953, NSC 144 – Latin America (2), Box No 4, Office of the Special Assistant for National Security Affairs, Eisenhower Library; Stephen Rabe, *Eisenhower* (1988) p 32

way that this tension impacted upon US aims and objectives is by examining US policy towards Guatemala, leading up to the overthrow of President Jacobo Arbenz in June 1954. It will become clear that the intervention in Guatemala was, in fact, a stark demonstration of the inherent problems within US policy in Latin America; not a definitive demonstration of Washington's economic or national security agenda.

GUATEMALA: A CRISIS OF ECONOMIC AND SECURITY PROPORTIONS

The case study of Guatemala has been a source of both high intrigue and intense speculation by scholars of US-Latin American relations. Like much of the field, a historiographical divide has arisen over the exact causes behind US intervention in 1954. Again, these competing schools of thought have generally formed into two camps: firstly, that which argues that the US was motivated by Cold War concerns (they thought Arbenz was a communist; Arbenz was a communist)⁶⁷; and secondly, the opposite view, which contends that US intervention was motivated by Arbenz's actions in seizing a huge tract of land from the all-powerful United Fruit Company or for more general economic reasons.⁶⁸ It is the contention of this thesis, though, that US intervention was motivated by both economic and security considerations and that, crucially, it was only the two factors working in tandem that provided the catalyst for US intervention. Had US policy been motivated by solely economic or Cold War considerations then it is doubtful that they would have intervened to overthrow Arbenz; an indication for this comes from

⁶⁷ Stephen Rabe, *Eisenhower* (1988) see Chapter Three; Richard Immerman, *The CIA in Guatemala* (Texas: University of Texas Press, 1983); Cole Blasier, *The Hovering Giant: US Responses to Revolutionary Change in Latin America 1915-1985* (Pittsburgh: University of Pittsburgh Press, 1976) Revised Edition 1985; Piero Gleijeses, *Shattered Hope: The Guatemalan Revolution and the United States, 1944-1954*. (New Jersey: Princeton University Press, 1991); Gaddis Smith, *The Last Years of the Monroe Doctrine* (1994)

⁶⁸ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Walter LaFeber, *Inevitable Revolutions* (1993); David Ryan, *US Foreign Policy in World History* (2000); David Ryan, "US Ideology and Central American Revolutions in the Cold War", in Will Fowler eds, *Ideologues and Ideologies in Latin America* (Westport, Connecticut: Greenwood Press, 1997); Stephen Schlesinger & Stephen Kinzer, *Bitter Fruit: The Story of the American Coup in Guatemala* (Harvard University, Revised Edition, 2005); Blanche Wiesen-Cook, *The Declassified Eisenhower: A Divided Legacy* (Garden City, New York: Doubleday, 1981)

the stark contrast between the evolution of events in Guatemala and those in Bolivia⁶⁹, which highlights the fact that US intervention was, in fact, a result of a particular set of circumstances and was not representative of the administration's approach to Latin America.

The history of the 1944 Guatemalan Revolution has been covered thoroughly elsewhere by specialist scholars⁷⁰: it is sufficient here to state that since overthrowing the much-reviled dictator Jorge Ubico, Presidents Juan Jose Arevalo and, latterly, Jacobo Arbenz had followed a program of ongoing social and economic reform that greatly troubled US officials in both the Truman and Eisenhower administrations. It was not just Guatemalan social and economic reform that perturbed US officials, though; Arbenz's overt demonstration of thriving Guatemalan nationalism was becoming increasingly serious for an American government that, as we have already seen, viewed the spread of nationalist sentiment in alarming terms. This section will outline the reasons that the situation in Guatemala became such an overwhelming issue of importance for the Eisenhower administration; identify the key themes within that evolving position – highlighting the presence of clearly identifiable US objectives with respect to both economic and security considerations, and; detail the way the administration mobilised Latin support and why, ultimately, they had to adopt a unilateral solution.

Much has been made by some academics looking at US intervention in Guatemala of the high-level links between the dominant United Fruit Company⁷¹ and

⁶⁹ Where a similarly revolutionary regime was “de-radicalized” by US aid and support rather than overthrown. See: James Siekmeier, “Persistent Condor and Predatory Eagle: The Bolivian Revolution and the United States, 1952-1964” in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006); Kenneth Lehman, “Revolutions and Attributions: Making Sense of Eisenhower Administration Policies in Bolivia and Guatemala” in *Diplomatic History* (Spring 1997)

⁷⁰ For information on the Guatemalan Revolution and the policies it followed, see: Piero Gleijeses, *Shattered Hope* (1991); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Richard Immerman, *The CIA in Guatemala* (1983); Lars Schoultz, *Beneath the United States* (1999) also provides some context pp 337-344; Stephen Rabe, *Eisenhower* (1988) pp 42-46

⁷¹ United Fruit, or UFCO, dominated the Guatemalan economy and most of its infrastructure, controlling all the major road networks and owning the sole major port in the region. It was also, comfortably, the leading land-owner in the nation. As a result, Guatemala's economy was semi-feudal and backwards; reliant solely upon the activities of UFCO. See: Piero Gleijeses, *Shattered Hope* (1991); Stephen Kinzer and Stephen

several leading members within the Eisenhower administration.⁷² Conspiracy theories have abounded, but it can be strongly argued that ties between the administration and United Fruit are of secondary importance in this situation: instead, there is a wider theme to engage with.⁷³ Arbenz's economic reforms did not just threaten UFCO, but also, the economic hegemony of the US throughout Latin America. As Siekmeier writes, 'the Guatemalan Revolution directly threatened not only the control US economic interests traditionally held over the Guatemalan economy, but *norteamericano* economic hegemony in Latin America. Guatemalan economic nationalism...threatened Washington leaders' concept of the only acceptable inter-American economic system.'⁷⁴ The fact that there was more at stake than simply the expropriation of United Fruit's property is highlighted by Walter LaFeber in his analysis of Foster Dulles' response to Arbenz's Agrarian Reform.⁷⁵ The Reform, implemented in 1951, appropriated land that was currently not in use and, which would be compensated by using those values on the landowners own tax returns in the previous year.⁷⁶ Secretary Dulles rejected this proposal as he wanted the act to be repealed. As LaFeber states: 'If Dulles could force restoration, the Agrarian Reform Law and its multi-fold implications for Guatemalan development would be dealt a near-fatal blow, the United States economic leverage enhanced, and the Good Neighbor system saved.'⁷⁷

Schlesinger, *Bitter Fruit* (1982); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 214-5

⁷² It is true that both Dulles brothers, Assistant Secretary John Moors Cabot and Eisenhower's personal secretary, Ann Whitman, all had strong ties to UFCO See: Lars Schoultz, *Beneath the United States* (1998) p 337-8; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) Chapter 5; Gaddis Smith, *The Last Years of the Monroe Doctrine* (1994) p 79; Stephen Rabe, *Eisenhower* (1988) p 58; this speculation was increased by the administration's decision in June 1953 to 'suspend' an Anti-Trust suit against United Fruit as, found by the NSC, the 'filing of an anti-trust suit at this time would effect adversely the national security, particularly the conduct of foreign relations, of the United States.' Memorandum by Executive Secretary James Lay for the members of the National Security Council, June 1 1953, NSC 152/3 - US Economic Defense Policy (2), Box No 5, Office of the Special Assistant for National Security Affairs, Eisenhower Library

⁷³ Joseph Smith, *The United States and Latin America* (2005) pp 118-123

⁷⁴ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 227; Walter LaFeber, *Inevitable Revolutions* (1993) p 121-7

⁷⁵ For details on Arbenz's land reform act, which expropriated a large swathe of United Fruits' land, see: Piero Gleijeses, *Shattered Hope* (1991); Stephen Rabe, *Eisenhower* (1988) p 45-7; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 219-222; Blanche-Wiesen Cook, *The Declassified Eisenhower* (1981) p 224-7

⁷⁶ Blanche Wiesen-Cook, *The Declassified Eisenhower* (1981) p 224-5

⁷⁷ Walter LaFeber, *Inevitable Revolutions* (1993) p 122; James Siekmeier, *Aid, Nationalism and Inter-American Relations* p 221

There was, then, clearly a strong economic theme underpinning Washington's long-held hostility towards Arbenz. His implementation of economic and development policies that were outside of those prescribed by the US immediately made him a concern for US officials. As Siekmeier has contended, Arbenz's 'land reform, perhaps the most serious challenge of any Central American nation to the United States domination of the region's economy, endangered the stability of the isthmus.'⁷⁸ However, this is not enough on its own to make intervention and the overthrow of Arbenz inevitable⁷⁹; to fully understand *why* the Eisenhower administration decided to move for Arbenz's removal from power, we need to consider the Cold War constructs that also underpinned US policies in the region at this time. We have already seen that within the Eisenhower administration "nationalism" was being conflated with "communism." Arbenz was certainly a nationalist, and his overt championing of a developmental model outside of that proposed by the US made him a serious national security concern. In the bipolar framework of the Cold War, all dissent was, in effect, a potential boost for the Soviets and a threat to the American system. Arbenz, therefore, could not be allowed to keep on flouting American hegemony. Allen Dulles encapsulated this growing feeling within the administration when he wrote: 'They have flaunted us and consistently got away with it. It is time they were brought to realize that this could not continue.'⁸⁰

Initially, this branding of Arbenz as a communist could be said to stem from the fact that he was pursuing an alternative model of development. As David Ryan writes,

⁷⁸ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 221

⁷⁹ For evidence of US policy in a nation that was a threat of solely economic considerations, a view of their approach with respect to the Bolivian Revolution is recommended. There, as in Guatemala, a revolutionary regime had seized power and embarked on a policy based on economic radicalism and expropriation. However, instead of undermining it, Washington actually decided to 'de-radicalise' the revolutionary government through the use of economic aid in certain areas, which would bring the Bolivian government much closer to the US. For a detailed analysis of this, and the difference between it and the Guatemalan case study, see: James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) Chapter 5; Stephen Rabe, *Eisenhower* (1988) Chapter 4; Cole Blasier, *The Hovering Giant* (1985); Kenneth Lehman, "Revolutions and Attributions: Making Sense of Eisenhower Administration Policies in Bolivia and Guatemala", *Diplomatic History* (Volume 21, Number 2, Spring 1997) pp 185-213; James Siekmeier, "Persistent Condor and Predatory Eagle" (2006)

⁸⁰ Memorandum for the Record, by the Director of Central Intelligence Allen Dulles, March 8th 1953. Susan K. Holly, *Foreign Relations of the United States 1952-1954. Guatemala*. (Washington: United States Government Printing Office, 2003) P 79

'Attempts to depart from or to significantly alter the preferred US interpretation of the system was, in the prevailing Manichean outlook, seen as a threat from communism, axiomatically linked to the Soviet Union.'⁸¹ However, in the era of McCarthyism, and against a backdrop of increasing tensions between the US and the Soviet Union, the use of the term "communist" quickly raised the stakes with respect to the US stance against Arbenz. Matters were made even more inflammatory by the efforts of the United Fruit Company who, rallying against Arbenz's land reform and diluting of their influence, mounted a wide-scale public relations program to 'prove' that Arbenz was indubitably a communist and, therefore, that he *had* to be removed from power.⁸² By the spring of 1953, it had become a matter of US prestige and credibility that Arbenz be removed from office, and to ensure that the American system was restored in Guatemala.⁸³ We can,

⁸¹ David Ryan, "US Ideology and Central American Revolutions in the Cold War" (1997); David Ryan, *US Foreign Policy in World History* (2000) p 153-4

⁸² The efforts of UFCO were wide-ranging and, as such, have been given a thorough examination by academics of the period, see: James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) who writes, 'One energetic lobbyist for UFCO was crucial in both tagging Arbenz as a communist and convincing the National Security Council that it should install a leader amenable to foreign-investment driven capitalist development' p 222-3; Blanche Wiesen-Cook, *The Declassified Eisenhower* (1981) writes, 'as soon as the agrarian reform law was published, the UFCO went into high gear. The company's chief weapon was to charge "communism"...Edward L. Bernays, "the father of public relations," a master manipulator...directed psychological warfare for United Fruit' p 226; Lars Schoultz, *Beneath the United States* (1997) p 338

⁸³ This fact, raised some dissent within the administration over the US role in Guatemala, as Washington's European allies played down American fears about the damage that the situation there posed to US credibility. Louis Halle informed Robert Bowie of the Policy Planning Staff that 'the widespread impression abroad is: (a) that the US has become hysterical about the communist menace so that it is losing its head in dealing with it; and (b) that this is leading the US to commit acts of international lawlessness.' Such sentiments did not tame the American approach and, in fact, the administration sought to coerce European support for their Guatemalan policy. This came in the shape of a phone call between Dulles and the US Ambassador at the United Nations, Henry Cabot Lodge. Once the OAS had mandated hemispheric action against any communist led country, and Arbenz had been labelled undeniably as a communist by the evidence of the arms shipment, the only remaining obstacle was the UN. Guatemala tabled a motion alleging US aggression, a move that much to Eisenhower's annoyance was not immediately renounced by Britain and France. Dulles called Ambassador Lodge and informed him: 'The President said he thinks that you should let the British and French know that if they take independent line backing Guatemalan move in this matter, it would mean we would feel entirely free without regard to their position in relation to any of their colonial problems...if they feel they can take independent line, the counterpart will be that they must consider that we will be free equally to be independent when any of the matters such as North Africa, Middle East etc come up before the UN.' The failure of US officials to heed European advice over their "credibility" is markedly similar to the situation that emerged in 1963 when President John F. Kennedy ignored international opinion over the issue of US credibility in Vietnam. Memorandum from Louis Halle to Robert Bowie, 23 June 1954, Records of the Policy Planning Staff 1954, Record Group 59, Lot 65D101, Box 79, National Archives, College Park, Maryland; David Ryan, "US Ideology and Central American Revolutions (1997); Memorandum of a Telephone Conversation between Secretary of State John Foster Dulles and Ambassador Lodge, June 24th 1954. Box No7 DDE Diary June 1954 (1), DDE Diary Series. Ann Whitman File, Eisenhower Library. Rabe, *Eisenhower* (1988) also includes details of this

therefore, clearly see that the US had both economic and, crucially, security motivations for becoming embroiled in Guatemala. US intervention was a stark demonstration of the twin aims that underpinned US policy in Latin America; intervention would have been highly unlikely without the confluence of the two separate aims within US policy.

Once the decision was taken to oppose Arbenz, the US quickly began to implement a strategy aimed at bringing about his removal from office. The US began to use military assistance to Guatemala's neighbours⁸⁴ as a tool by which to try and "encourage" the Guatemalan military (who were moderately opposed to Arbenz) to instigate a coup. The Division of Research for Latin America in the Department of State outlined the administration's thinking behind their approach to supply Honduras, El Salvador and Nicaragua with military materiel.

Assuming an effectively initiated and sustained program of military assistance to El Salvador, Honduras and Nicaragua, together with an equally effective isolation of Guatemala in the hemisphere, it is likely that the opposition to Arbenz will become more critical and militant and that important Army and political leaders now supporting Arbenz will calculate that the present regime is not in the best interests of either the nation or themselves.⁸⁵

Louis Halle, the State Department official predominantly concerned with Guatemala, repeated this sentiment in his policy paper "Our Guatemalan Policy", when he wrote: 'We have been withholding military equipment from Guatemala and have been concluding military agreements with Guatemala's neighbors that would call for supplying them with such equipment. This policy was calculated to create dissatisfaction

conversation, citing Lodge's report that Eisenhower's 'announcement was received with great solemnity' by Britain and France p 60; for information on the Vietnam situation see: Frederik Logevall, *Choosing War: The Lost Chance for Peace and the Escalation of the War in Vietnam* (Los Angeles: University of California Press, 1999)

⁸⁴ Coupled with the deliberate efforts to cut any military aid to Guatemala from either the US or any of her European allies. The American Ambassador in Sweden admitted that the 'Guatemalans were frantically trying to buy arms in Western Europe,' but were unable to due to concerted US efforts at persuading their allies not to sell to them. Stephen Rabe, *Eisenhower* (1988) p 36

⁸⁵ Special Paper Prepared in the Division of Research for Latin America, Department of State, May 26 1953, *FRUS 1952-1954 Guatemala* p 81

in the Guatemalan Army.’⁸⁶ Eventually the pressure told on Arbenz and, in desperation, he purchased a consignment of arms from the Czech government in the spring of 1954.⁸⁷ The US seized on the shipment of arms from the Soviet bloc as being irrefutable proof of Arbenz’s communist tendencies. Halle saw the shipment as being both positive and negative: on the one hand, ‘the fact that Guatemala can and does buy arms from behind the Iron Curtain in defiance or contempt of the US may hurt our prestige in the Hemisphere and elsewhere. It also sets a bad example inside the Hemisphere, suggesting alternatives to dependence on the US.’ This was tempered though with the belief that, ‘the shipment has a favorable effect on US security interests to the extent that it arouses other Latin American states to the danger posed by Communist influence in Guatemala.’⁸⁸ Stephen Rabe is more assured of the benefits that Arbenz’s actions gave to US efforts to oust him. ‘The arms shipment seemed to be the final piece of proof that Communists dominated Guatemala and were aiming to expand communism throughout Central America.’⁸⁹

By the time that Arbenz received the Czech consignment of arms, Foster Dulles had already obtained a mandate to act against Arbenz from the other Latin nations at the tenth Inter-American Conference in Caracas, Venezuela in 1954.⁹⁰ Although Latin support had not been as unanimous as Dulles had been hoping for, he had, through the use of a promise of holding an economic conference later in the year, obtained an overt anti-communist hemispheric resolution. The shipment of arms from the Czech government removed the burden of proof from the administration’s shoulders: Arbenz was undoubtedly a communist⁹¹ and the US had the hemispheric authority to intervene

⁸⁶ Memorandum by Louis Halle, “Our Guatemalan Policy”, May 28 1954. *FRUS 1952-1954 Volume IV* pp 1140-1147

⁸⁷ Kenneth Lehman, “Revolutions and Attributions” (1997)

⁸⁸ Memorandum by head of the Policy Planning Staff, Louis Halle, “Our Guatemalan Policy”, May 28 1954, *FRUS 1952-1954 Volume IV* pp 1140-1147

⁸⁹ Stephen Rabe, *Eisenhower* (1988) p 57

⁹⁰ Dulles faced an intense battle at Caracas, much more problematic than he had been anticipating. For full details, see: David Ryan, *US Foreign Policy in World History* (2000); Stephen Rabe, *Eisenhower* (1988) Chapter 3; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) Chapters 4 and 5; Mark Gilderhus, *The Second Century* (2000); Gaddis Smith, *The Last Years of the Monroe Doctrine* (1994) 80-82; Piero Gleijeses, *Shattered Hope* (1991)

⁹¹ Or, at least, in the words of Ambassador John Peurifoy, he would ‘do until one comes along’ David Ryan, *US Foreign Policy in World History* (2000) p 154

multilaterally. Instead, of multilateral intervention, though, the US would pursue a unilateral overthrow of Arbenz through covert operations.⁹² The result, however, was the same and Arbenz fled from Guatemala on June 30 1954; in his place was put Castillo Armas, whose accession to power would usher in an era of dictatorship, totalitarianism and repression.

US-backed intervention in Guatemala would change the shape of US-Latin American relations indelibly. It shattered the myth that the “good neighbour” policy was still in existence, and as Gaddis Smith strongly asserts: ‘When the truth became known in the years ahead, the whole affair would do great damage to any lingering pretension that truth and the Monroe Doctrine as applied in the Cold War years were sisters.’⁹³ The American role had been informed by both economic and strategic considerations: the willingness of Arbenz to operate outside of the American economic system, and the Manichean framework that US officials used to analyse his overt nationalism, made intervention inevitable. It would, though, be the exception rather than the norm in US affairs in Latin America during the Eisenhower era. Intervention in Guatemala followed on closely from a similar episode in Iran in 1953. However, such incidents of directly undermining or attempting to remove the government of another country would occur during the Eisenhower era only when there was a simultaneous threat to both US economic and security interests. (The most obvious example is, of course, Cuba where US opposition to Castro would arise due to the fact that Cuban policies threatened both economic and security interests of the US – this will be discussed in Chapter Five).⁹⁴

More typical, was the US response to the Soviet Economic Offensive of 1956, or the Nixon incident in 1958, where the response of the US was to reappraise their policies

⁹² Details on the lead up to and the activities involved in overthrowing Arbenz after the Caracas Conference can be found in: Piero Gleijeses, *Shattered Hope* (1991); Richard Immerman, *The CIA in Guatemala* (1983); Stephen Rabe, *Eisenhower* (1988); Stephen Kinzer and Stephen Schlesinger, *Bitter Fruit* (1982); Blanche Wiesen-Cook, *The Declassified Eisenhower* (1981)

⁹³ Gaddis Smith, *The Last Years of the Monroe Doctrine* (1994) p 88

⁹⁴ US policy in Indonesia is a further interesting example of US intervention during this period. See: Robert McMahon, “The Point of No Return: The Eisenhower Administration and Indonesia, 1953-1960” in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (2006)

in order to try and meet the challenges posed by those incidents rather than considering intervention. Similarly, in Brazil, disagreements over the bilateral economic relationship and the subsequent collapse of the incumbent administration would not lead to any proposals of intervention either; instead, the Eisenhower administration would attempt to repair its position through policies in keeping with American objectives. The legacy of Guatemala, then, was not that it paved the way for similar interventions throughout the Third World, but that it outlined the circumstances that would trigger US intervention in another country's political sphere – namely that both US economic and strategic interests had to be under direct threat. As we will see in Chapter Two, the case study of Brazil presents a fascinating contrast with that in Guatemala: whilst US-Brazilian economic relations were beset by mistrust and barely concealed rancour, there would not be any suggestion of possible US intervention. This is because despite the problems in the bilateral relationship, the Brazilian government neither advocated an economic program different to that promoted by the US nor directly threatened Washington's national security interests in a way that necessitated direct action.

REAFFIRMING THE SYSTEM: FORMING NSC 5432/1

As demonstrated, the overthrow of Arbenz was the ultimate manifestation of the twin aims of economic preponderance and the Cold War expediency of quelling anti-American dissent impacting upon US policy in Latin America. It was, though, a singular occurrence and was certainly *not* representative of the administration's policy. In fact, it would be five years before the two factors would collide to such an extent as to make such a form of intervention necessary again. For the purposes of this thesis, it is the aftermath of intervention in Guatemala that is of most interest. As we shall see, the policy pursued by the Eisenhower administration remained very close to the ideals and objectives that had been outlined in NSC 162/2 and NSC 144/1. However, the US role in Guatemala certainly marked the watershed for the early period of the Eisenhower administration's Latin American policy. The impact of their ousting of Arbenz would be

keenly felt throughout the hemisphere: not just in Guatemala⁹⁵, but also in the general context of US relations with Latin America. After Caracas there would be an unease amongst Latin nations clearly worried about their own future relationship with the US⁹⁶. It would also, though, impact upon the Eisenhower administration, as several officials began to air their belief that the US needed to modify its policies in the region. As the US began to plan for the Economic Conference at Rio, and to reappraise their policy in order to formulate a new policy document, there was an increasing debate within the administration as to the future conduct of US policy in Latin America.

The situation in Guatemala had begun as an issue of economic concern for the administration before mutating into a national security problem. Crucially, the difficulty for the US came from the fact that in pursuing this major security objective they had compromised their efforts in the economic sphere by agreeing to participate in an economic conference at Rio de Janeiro. The final progress report on NSC 144/1 indicated as much, when although it considered existing US policy to be 'satisfactory', it was markedly unenthusiastic about US achievements in the economic field. It stated: 'The outlook for foreign private investment has improved in Argentina and Panama and deteriorated in Costa Rica and the Dominican Republic. Elsewhere there has been little change.'⁹⁷ As outlined earlier, expanding foreign private investment was a key theme in the administration's policy and, thus far, US officials had not managed to meet their aims in this sphere; intervention in Guatemala had assumed primacy, and as a result, the US had overlooked its economic objectives whilst it sought to achieve a positive outcome there. The importance of economics in the inter-hemispheric relationship had been stressed in the planning meetings held before the Caracas Conference. Daniel Arzac, of

⁹⁵ The impact of Castillo Armas' regime and his successors devastated Guatemala. Blanche Wiesen-Cook (1981) writes, 'for the people of Guatemala, Eisenhower's 1954 legacy has been an endless battle against terror and death' p 292; Gaddis Smith, *The Last Years of the Monroe Doctrine* (1994) meanwhile is equally maudlin, stating that, 'The Castillo Armas regime in Guatemala and its successors into the 1990s mocked democracy and maintained a reign of terror against the poor' p 88; LaFeber, *Inevitable Revolutions* (1993) agrees: 'Guatemalan history was being recycled back to 1994, only this time, the revolution was to take a more radical and violent turn' p 127; Joseph Smith, *The United States and Latin America* (2005) p 122

⁹⁶ See LaFeber, *Inevitable Revolutions* (1993) who writes: 'In 1954, Eisenhower and Dulles saved the system temporarily, and, ultimately, at tremendous cost' p 127

⁹⁷ Third Progress Report on NSC 144/1, United States Objectives and Courses of Action with Respect to Latin America, May 25 1954, *FRUS 1952-1954. Volume IV* (1983) p 45-64

the Operations Coordinating Board (OCB) wrote, 'Latin America is an area of vital importance to the United States. This is especially true in the economic field.'⁹⁸ Reshaping the nature of their economic policy would be the defining feature of the administration's approach in the remainder of 1954: their security policy was already defined, with the support of authoritarian, non-communist and pro-US regimes being seen as the most viable short-term solution to the problem of quelling nationalist sentiment.⁹⁹

The faith of the US in the benefits of expanding foreign private investment remained undiminished. Siekmeier writes: 'Although policy makers did see limits to private sector, foreign capital-driven growth in the less industrialized world, they did not lose faith that ultimately it was the only proper source of development funding'; however, as 'private capital flowed only to certain countries and industries, by the mid-1950s the *norteamericanos* decided to give economic aid as a way to stimulating private sector investment.'¹⁰⁰ Once the decision was taken to rewrite US policy for Latin America on June 15, a draft policy statement quickly outlined the administration's approach. It stated:

Economic development in Latin America must be speeded up by increasing Latin American trade, helping to finance sound projects and encouraging a climate conducive to private investment; but without providing grant aid except to fulfil special commitments and in emergency situations.¹⁰¹

The quest to reaffirm American economic principles via a revised policy document (NSC 5432/1) would take place during an internal debate within the administration over the best way forwards for the US in attempting to achieve their economic aims in the area. Whereas the forging of NSC 144/1 had been mostly consensual, there would be a great deal more discussion within the policy making

⁹⁸ Memorandum from Daniel N Arzac Jr to Dr Horace Craig, February 4 1954 OCB 091.4 Latin America (FILE#1) (1) December 1953 – March 1954, Box No 71, OCB Central File Series, Eisenhower Library

⁹⁹ See Lars Schoultz (1998) who writes, '...the United States had to make certain that its friends held the reins of power in Latin America...the primary goal of United States policy toward Latin America was to prevent "another Guatemala" by ensuring that friends like Castillo Armas held power' p 344-5

¹⁰⁰ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 170

¹⁰¹ Draft Policy Document by the NSC Planning Board for the National Security Council, August 18 1954, Box No 13, NSC 5432/1 Policy Toward Latin America, White House Office - Office of the Special Assistant for National Security Affairs, NSC Series - Policy Papers Sub-series, Eisenhower Library.

apparatus as to *how* the US should pursue its economic objectives.¹⁰² The internal debate centred on the issue of whether or not the United States should provide more aid to Latin America: one group said yes, the other, predictably, said no.¹⁰³ However, the issue at stake is more important than a simple, partisan debate over whether the US should increase aid payments to the region; it was the beginning of a long, drawn-out, evolution within the Eisenhower administration's economic approach that would, eventually, lead to a change in stance in the mid to late 1950s. In the following chapters, we will see that this gradual shift in policy, coupled with the enduring vigilance that the administration retained against any overt anti-Americanism, would continue to exert an increasing tension onto the administration's approach. Therefore, the beginning of the debate in 1953-54 becomes more significant when it is applied to this longer-term context. Although those officials advocating an increased level of funding would prove to be relatively unsuccessful at this stage, they would manage to air ideas that would ultimately become more acceptable to the administration during its second term in office.

Milton Eisenhower, the President's brother and chief advisor on Latin American issues,¹⁰⁴ would be amongst the most influential officials to advocate a change in policy. He toured the region in 1953 at his brother's behest and, in his report,¹⁰⁵ he 'argued for increased economic aid.'¹⁰⁶ He also touched on potentially vital issues such as the exponential population growth in the region and the Latin Americans dependence upon the sale of raw materials. Although he concluded his report by recommending that, 'public loans for the foreign-currency costs of sound economic development projects, for

¹⁰² This coincided with a more concerted effort by the Latin American nations themselves to engender a change in US lending policy. The United Nations Economic Commission for Latin America (ECLA), run by Argentinean economist, Raul Prebisch, would conduct an in-depth study, which would conclude that although Latin America did, in fact, require an increased level of private investment, it also needed to be sanguine about the need for 'state-funded development.' For information on this, see: James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) pp 170-3; Stephen Rabe, *Eisenhower* (1988) p 75-6; Matthew Loayza, "An Aladdin's Lamp for Free Enterprise" (2003) p 97-100; Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil* (New York: Monthly Review Press, 1969)

¹⁰³ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 173

¹⁰⁴ For more information on the Milton Eisenhower's status on Latin American affairs within the administration, see: Stephen Rabe, *Eisenhower* (1988); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Mark Gilderhus, *The Second Century* (2000)

¹⁰⁵ Which, by his own admission, was relatively weak and lacklustre --- see: Stephen Rabe, *Eisenhower* (1988) p 66-7

¹⁰⁶ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 179

which private financing is not available, go forward on a substantial scale', and that, 'economic cooperation, extended to help the people of Latin America meet their great aspirations, will redound to their benefit and to ours,'¹⁰⁷ this was not a radical approach. As Matthew Loayza points out: 'Dr Eisenhower's celebrated 1953 report...which recommended increased lending to and stockpile purchases from Latin America, nevertheless emphasized that Latin Americans must rely primarily on private capital for their development financing.'¹⁰⁸ Not revolutionary, then, but certainly a softening of the hard-line fiscal approach to foreign economic policy rigorously maintained by Treasury Secretary George Humphrey.¹⁰⁹

Further arguments would be made along the same lines as Milton Eisenhower by Assistant Secretary of State, John Moors Cabot, and head of the FOA, Harold Stassen. Both agreed with Dr Eisenhower's premise that spiralling population and increasing dependency upon raw materials was certain to hinder Latin development, and that expanding foreign private investment might not be enough on its own to foster economic prosperity in the region. Cabot was, perhaps, more forthright in his analysis than Milton Eisenhower had been.¹¹⁰ According to Rabe, Cabot 'questioned whether foreign investment could resolve all of Latin America's economic problems', as even in countries that appeared to enact legislation attractive to trans-national corporations, 'foreign investors stayed away because of an inadequate economic infrastructure and poor human resources.'¹¹¹ Although Milton Eisenhower and Cabot's approach gained some sympathy from both Dulles and President Eisenhower,¹¹² it ran into the 'determined and relentless opposition' of Treasury Secretary Humphrey, who vetoed any significant shift in

¹⁰⁷ See: A Summary of Dr Milton Eisenhower's Report to the President, "United States – Latin American Relations", November 1953, Box No 4, Milton S Eisenhower Papers, Eisenhower Library

¹⁰⁸ Matthew Loayza, "An Aladdin's Lamp for Free Enterprise (2003) p 96

¹⁰⁹ For further information on Milton Eisenhower's trip to Latin America, see: James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 179-181; Stephen Rabe, *Eisenhower* (1988) p 66-7; Michael Weis, *Cold Warriors and Coups D'Etat: Brazilian-American Relations 1945-1964* (Albuquerque: University of New Mexico, 1992) p 70-72; Milton Eisenhower, *The Wine is Bitter: The United States and Latin America* (New York: Doubleday Press Inc, 1963)

¹¹⁰ Cabot had actually accompanied Dr Eisenhower on his trip of Latin America. See: Milton Eisenhower, *The Wine is Bitter* (1963); Stephen Rabe, *Eisenhower* (1988)

¹¹¹ Stephen Rabe, *Eisenhower* (1988) p 69

¹¹² James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 180-4; Mark Gilderhus, *The Second Century* (2000) p 150-1

economic policy towards Latin America.¹¹³ As a result of his stance, Cabot was ‘given the choice of changing his views, resigning, or becoming ambassador to Sweden’¹¹⁴; he chose the latter and was replaced by Henry Holland.

It would, though, be FOA Chief, Harold Stassen, that would make the most strident call for a change in policy. At the NSC meeting of September 2 1954, Stassen stated that, ‘he considered the Latin American situation serious and our program to meet it inadequate.’ He went on to quantify this remark by citing the case where the US had ‘greatly improved the situation in Iran by the expenditure of a modest sum of money’ and that ‘similar action was urgently needed in Latin America to check inflation, attract capital, and build confidence in the future.’ Stassen’s views were countered by Walter Bedell Smith and the new Assistant Secretary of State for Inter-American Affairs, Henry Holland. Smith felt that, ‘Congress would not appropriate funds for a large economic aid program’, whilst Holland argued that the administration’s new policy document (NSC 5432) would be sufficient to achieve US aims, stating that while he ‘would agree 100% with Governor Stassen on the need for a more vigorous program, he believed that vigorous implementation of NSC 5432 would result in a realization of US objectives.’ Stassen replied by stating his belief that: ‘It would be impossible, in his view, to change the present “climate” in Latin America without US Government action.’¹¹⁵

It is clear that since intervention in Guatemala there was certainly a more noticeable air of disagreement within the administration over the future of their Latin American policy. The reason for this is relatively straightforward: although the overthrow of Arbenz had met US national security goals and, had demonstrated the leverage that

¹¹³ Stephen Rabe, *Eisenhower* (1988) p 68

¹¹⁴ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 183; Stephen Rabe, *Eisenhower* (1988) p 68-9; Mark Gilderhus, *The Second Century* (2000) p 151

¹¹⁵ Memorandum of Discussion at the 212th Meeting of the National Security Council, September 2 1954, *FRUS 1952-1954 Volume IV* p 67-71; Anecdotal evidence for Stassen’s position was provided by another member of the FOA at a meeting of the OCB a week after the National Security Council met. Having just returned from a tour of Latin America, he reported that he had consistently been asked two questions: ‘The first of which was; why did we give so much aid to the rest of the world and so little to Latin America? The other question asked was: Did the US actually wish to impede Latin American trade with Europe?’ Memorandum for the Record of First Meeting of the OCB Working Group on NSC 5432/1, September 9 1954, OCB 091.4 Latin America (File #2) (5) July-December 1954, Box No 72, OCB Series, Eisenhower Library

Washington exerted over the region, it had also highlighted gaps in US policy. The difficulties that Foster Dulles faced in gaining Latin support for his resolution at Caracas pointed to a widening gap between US aims and the aims of the Latin nations. This had led to increasing anger in Latin America; in pursuing their security aims in Guatemala, the Eisenhower administration had undermined their economic aims. Robert Woodward, the Assistant Secretary of State for the region and the Chairman of the OCB working group on Latin America, highlighted this in a memorandum to the members of the OCB on June 30 1954. He wrote:

Insufficient attention has been given within the US Government to the interests and problems of the Latin American countries as a whole...it has now become necessary to restate our continuing political and economic interests in the Latin American area...There are continuing sources of irritation within the hemisphere which are exploitable for Communist propaganda purposes...it is important to take early action to eliminate or reduce these causes of friction since our failure to deal firmly and constructively with these problems means the continuance of the internal political situation in Latin America in which even friendly governments are driven to seek leverage through a show of acceptance of US support...it is necessary to redefine and develop our fabric of economic relations with the Latin American countries.¹¹⁶

The major differences between NSC 5432/1 and NSC 144/1, then, would be in seeking to address those areas that US policy had not, thus far, been successful in. The most pressing one of these was, of course, that of seeking to expand the role that foreign private investment played in fostering economic development in the region. However, in testament to the efforts of Milton Eisenhower, Robert Woodward, John Moors Cabot and Harold Stassen,¹¹⁷ NSC 5432/1 did include a slight change in the lending policy of the US. The document would allow for an increase in the level of financing provided by the

¹¹⁶ Memorandum from Deputy Secretary of State for Inter-American Affairs Robert Woodward to the Executive Officer of the OCB, "Special Report on the Implementation of NSC 144/1, June 30 1954, OCB 091.4 Latin America (FILE#1) (8) March – June 1954, Box No 72, OCB Series, Eisenhower Library

¹¹⁷ These were not the only US officials advocating a shift in US lending policy. At the 1954 Princeton Conference, CD Jackson instructed MIT economists Walt Rostow and Max Millikan to write a "new" economic policy for the administration. Although too radical to be accepted as policy, the plan did fit in with the ideas expressed by those other more liberal elements of the administration and had a strong influence on other members of the administration. See: James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 186-194; Blanche Wiesen-Cook, *The Declassified Eisenhower* (1981) p 328; Walt Rostow and Max Millikan, "A Proposal for a New United States Foreign Policy", 23 July 1953, File "Economic Policy (3)", Box No 2, Dodge Series, Eisenhower Library;

Export-Import Bank (Ex-Im or EXIM), stating that the United States should: 'finance through development assistance loans the initiation or acceleration of projects or activities which are in the basic US interest and which, in the absence of much additional assistance, would not be undertaken or, if undertaken, would not be carried forward at the rate required by US foreign policy objectives.'¹¹⁸

The key elements of NSC 5432/1 would be in seeking to redress the imbalance between security and economic aims that had been highlighted by the Guatemalan situation. In addition to the increase in Ex-Im Bank lending authority in the region, though, the document would also include a much more strident call for increasing the expansion of foreign private investment in the area, stating:

While recognizing the sovereign right of Latin American countries to undertake such economic measures as they may conclude are best adapted to their own conditions, encourage them by economic assistance and other means to base their economies on a system of private enterprise and, as essential thereto, to create a political and economic climate conducive to private investment, of both domestic and foreign capital.¹¹⁹

Elements related to security issues were not ignored, however, and NSC 5432/1 illustrated the fact that the administration had learnt from their experience in Guatemala and, at the same time, demonstrated the extent to which communism had become conflated with nationalism or anti-Americanism. Clause 3 of the document is of central importance as, in effect, it highlights the administration's commitment to solving those problems inherent in US-Latin relations and intrinsically links the problem of nationalism with the Cold War framework. It read:

Latin America needs US assistance for the solution of these problems and will become increasingly subject to Communist intervention and subversion unless such assistance is forthcoming. Realizing the increasing importance of helping Latin America to reverse those trends which offer opportunities for

¹¹⁸ Statement of Policy by the National Security Council NSC 5432/1, September 3 1954, *FRUS 1952-1954 Volume IV* p 81-86; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 182; Stephen Rabe, *Eisenhower* (1988) p 70

¹¹⁹ NSC 5432/1, September 3 1954, *FRUS 1952-1954 Volume IV* p 81-86; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 168-9

Communist penetration, the US should give greater emphasis than heretofore to its Latin American programs in order to safeguard and strengthen the security of the hemisphere.¹²⁰

But as we have already seen in this chapter, such a homogenous strategy was not compatible with the twin aims of economic preponderance and national security; this would be demonstrated in stark terms in Rio de Janeiro, at the economic conference promised by Dulles, in November of 1954. Here, the US would singularly fail to engage with the Latin agenda and would, instead, mount a strong defence of their existing economic position; this would be in keeping with their economic approach but, as we shall see, undermined US strategic objectives in the region.

CONCLUSION

The objective of this chapter was to take a broad sweep of US policy towards Latin America in the period 1953-54. Rather than being chronologically exacting, it was intended to draw out the major themes and characteristics of US policy in order to give a full appraisal of the aims and intentions of the Eisenhower administration in the region in order to aid our appraisal of US-Brazilian relations in Chapter Two. By starting with the death of Stalin and the evolution of NSC 162/2 (the New Look), the chapter established the basic precepts behind the Eisenhower administration's foreign policy: firstly, the vigilant containment of the Soviet "threat"; and secondly, the continuing quest to expand American economic influence and extend the American system of "free trade, free capital and free investment", as far and as wide as possible.¹²¹ Although the concepts contained within the New Look were debated throughout 1953, it is clear that the same principles

¹²⁰ Ibid

¹²¹ Niall Ferguson writes of this enduring aspect of US policy to try and "export" the American system, writing: 'It is often argued that American policy makers since Woodrow Wilson have renounced imperialism, seeking instead to encourage the spread of Wilsonian principles: international law, democracy, and the free market. Somehow – presumably because they are so self-evidently good – these ideas have "come to dominate international affairs." The most that the United States therefore needs to do is "act as the chief of the constabulary" to prevent any unenlightened forces from challenging this benign world order.' Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (London: Penguin Books, 2004) p 22-3

that would come to form the basis of US policy towards the Soviet Union would also be the central themes of US policy toward Latin America. The death of Stalin is vitally important in allowing us to witness the evolving debate within the administration as to how they should conduct their foreign policy: the resulting document, NSC 162/2, lay down the basic principles that would be at the heart of the Eisenhower administration's foreign policy. In Latin America, though, those guiding principles would take a different shape than that outlined for US policy towards the Soviet bloc. Understanding that the Soviets posed little discernible threat to the region, US officials would vigorously pursue their economic ideals whilst attempting to quell both Latin nationalism and anti-Americanism that might serve to undermine the American system.¹²²

NSC 144/1 that would lay down the defining principles of the US approach towards Latin America in the 1950s and, though it would be added to and refined throughout the decade, it would remain as the basic blueprint of the Eisenhower administration's approach. It sought to homogenise US economic and security aims into one coherent policy statement, viewing anti-Americanism as communism and conflating radical economic doctrines with security considerations. However, as was highlighted in the section on Guatemala, the fact that the US had two separate aims in the region would consistently serve to undermine US objectives. This will become even more apparent in Chapters Two and Three: Chapter Two will illustrate the US attitude towards economic policy in Brazil, which will be shown to hinder their national security aims as well as giving a more thorough appraisal of the details within the US strategy towards the region,¹²³ whilst Chapter Three will chart the administration's struggle to achieve their economic aims in the face of both Soviet economic expansion and a rising tide of Latin American nationalism --- a process that will begin with an analysis of the US stance at the Rio Economic Conference in November 1954. What will become increasingly apparent is that in spite of the administration recognising their problem with respect to

¹²² David Ryan, *US Foreign Policy in World History* (2000) writes: 'Nationalist opposition to US power and hegemony was rarely tolerated. Autarky diminished the sphere of the global economy, questioned the certainty of the preferred model of development, and questioned the credibility and prestige of the US civilisation' p 155

¹²³ This will include a more detailed examination of economic approach and the impact that the support of Latin dictators and the use of military aid had on the US standing in both Brazil and the region as a whole

their economic (and, latterly, their security) aims, the overwhelming tension that would be impacted upon to the US approach by the divergence between these two separate objectives would make it progressively more difficult for the administration to meet their aims. As was shown in the latter part of this chapter, administration officials recognised that their strident approach to meeting what had become a national security threat in Guatemala had hindered their economic aims. Consequently, NSC 5432/1 would contain clauses¹²⁴ that were designed to address this problem in US-Latin American relations.¹²⁵ The next stage in this thesis will be to examine the way that the major themes highlighted in this chapter impacted upon US-Brazilian relations, and to evaluate the administration's success in pursuing its economic and security aims in the Western Hemisphere.

¹²⁴ Including a more vehement statement of intent with respect to expanding foreign private investment in the region and increased lending capacity for the Export-Import Bank

¹²⁵ It would also call for a more successful utilisation of the Organisation of American States (OAS) as a forum through which to foster US-Latin cooperation, see: NSC 5432/1, September 3 1954, *FRUS 1952-1954 Volume IV* p 81-87

CHAPTER 2: US-BRAZILIAN RELATIONS 1953-1954 "THE (UN)SPECIAL RELATIONSHIP"

INTRODUCTION:

This chapter will outline the way that the Eisenhower administration's Latin American policies impacted upon US-Brazilian relations. Although the ongoing debate between Traditional and Revisionist historians will not be as evident in this chapter as in the last one, the major elements of that historiographic dispute – whether or not US policy was mainly focused on economic or security concerns – will again play an important role in aiding our analysis of US-Brazilian relations during this period. The narrative of US-Brazilian relations during the 1952-1954 period will reveal that an argument based on either economic or security considerations does not convince when applied to the Brazilian case study. The reasons for this will become apparent throughout this chapter; but it is necessary here to introduce them briefly. Firstly, as with the events outlined in Chapter One, we will see that the Eisenhower administration's approach toward Brazil was informed by both economic and security considerations, but with the emphasis in this early period firmly on the meeting of economic objectives. This came about due to the overwhelming problems in the bilateral economic relationship and due to the efforts of the US to try and reshape the Brazilian economic system in a way more in keeping with traditional American ideals.

Secondly, by imposing either the Traditional or Revisionist arguments upon the Eisenhower administration's efforts to achieve their economic aims in the region, we can see that neither manages to fully explain the intentions behind the US approach. For example, if, as the Revisionists argue, US policy was concerned with economic expansion and eliminating Latin economic nationalism, then the policies that the Eisenhower administration pursued in Brazil with regard to meeting its economic objectives make little practical sense. As will become clear, the administration's approach centred on eliminating the Joint Brazil United States Economic Development Commission (JBUSED) and opening up Brazilian petroleum reserves to foreign

investors in an effort to normalise the bilateral economic relationship and bring it more into line with the approach taken in the other Latin countries. However, the net result of this rather overt interference in the Brazilian economy was to strengthen Brazilian nationalism. Paradoxically, this factor also helps to refute the Traditionalist argument that US policy was solely concerned with security considerations. As we saw in Chapter One, fervent Latin nationalism was as much of a threat to US national security interests in Latin America as communism was. We also highlighted the fact that US officials were aware of this. Therefore, for the US then to pursue a policy that directly challenged both its economic and strategic interests strongly indicates that US policy must have been far more multi-faceted than the predominant historiography would suggest. There are, then, two major aims for this chapter. 1) To build on the framework outlined in Chapter One and reach a fuller, more nuanced understanding of the aims and intentions of US policy toward Brazil during this period; and 2) To answer one striking question that has, thus far, not been fully answered by scholars: just how did the situation arise whereby the Eisenhower administration pursued a policy in Brazil that seriously undermined its strategic interests? As we will see in this chapter, the answer to this question is that Washington made a conscious decision to prioritise the attainment of its economic objectives in Brazil; a move that ultimately undermined the US strategic position in the region. This will reinforce the argument outlined in the previous chapter and give a fuller understanding of why the administration pursued such an approach in Brazil.

In order to analyse the evolution of US-Brazilian relations in this period, the chapter will be divided into five distinct sections. Firstly, that which evaluates the state of US-Brazilian relations when Eisenhower came to power; secondly, a section looking at the attempts of the Eisenhower administration to end the “special relationship” between the US and Brazil that President Truman had attempted to rejuvenate; thirdly and most importantly, a section analysing the development of the economic relationship between Washington and Rio, including the termination of the Joint Commission and attempts to implement US standards in Brazil; fourthly, a consideration looking at the paradoxical strengthening of the relationship between the Pentagon and their counterparts in Brazil, a development that given the fractured nature of Brazilian political society that had a major

impact on the US position in Brazil; and finally, a section highlighting the deterioration of the bilateral relationship up until August 1954, when Getulio Vargas, the president of Brazil, committed suicide.¹

By looking at these periods we will be able to identify the way that US-Brazilian relations changed when the Eisenhower administration came to office in January 1953. The Truman administration had adopted a variable approach toward Brazil since the end of World War Two: initially, they had attempted to break-off the previously close relationship, but following the outbreak of the Korean War in 1950 Truman attempted to regenerate a close relationship in order to secure Brazilian support for US action in Korea; the direct consequence of this was the inauguration of the JBUSEDC. When Eisenhower came to office, however, US policy quickly adopted the ideals outlined in Chapter One and US officials began to implement a significantly different approach toward Brazil; the Joint Commission was terminated unilaterally and the US began to bring their relationship with Brazil into line with that which they had with the other Latin nations. This altered the whole dynamic of the bilateral relationship as Brazil's economic problems began to clash with the "trade not aid" approach of the Eisenhower administration. The outcome was a severe deterioration in bilateral accord, which, in part, led to the events of August 1954 and the collapse of the Vargas administration. We will also see that the US was continually unable to implement changes in policy toward Brazil easily due to the problems encountered in convincing the Brazilians of the viability of such a move; an obvious illustration of this point is the debate over the termination of the Joint Commission.² Furthermore, we will witness the continuing internal debate within the Eisenhower administration over the best way forward in terms of economic policy for the US, with the termination of the Joint Commission angering some officials. Most importantly, though, underpinning this evaluation of US-Brazilian relations will be the

¹ For good biographical and informative studies of Vargas, see: Robert Levine, *Father of the Poor?: Vargas and His Era* (New York: Cambridge University Press, 1998); Joseph Smith, *A History of Brazil* (2002) Chapter 4; Richard Bourne, *Getulio Vargas of Brazil, 1883-1954: Sphinx of the Pampas* (London, 1974); Thomas Skidmore, *Politics in Brazil, 1930-1964* (USA: Oxford University Press, 1967)

² For more on this, see: Max Paul Friedman, "Retiring the Puppets, Bringing Latin America Back In: Recent Scholarship on United States-Latin American Relations" in *Diplomatic History* (Volume 27, No. 5, November 2003)

indelible tension between US economic and security objectives, whereby in pursuing their economic agenda US officials quite evidently undermined their strategic interests.

A FLUCTUATING ALLIANCE: US-BRAZILIAN RELATIONS BEFORE 1953

Since the announcement of the Monroe Doctrine in December 1823, Latin America had been marked out as an area of direct US influence. In fact, the doctrine was a signal of both expanding American influence in their hemisphere and the deterioration of European interest in colonising that area of the world.³ It was, however, the end of the nineteenth century before American influence over Latin America began to assume the mantle of dominance that it has held ever since. A burgeoning American economy, and a growing political awareness as to the merits of the region, began to inform US policy and, by 1900, the US was exerting an increasingly powerful presence over the area.⁴ As US interests in Latin America increased, Brazil assumed a growing level of importance: it was the largest nation in the region; had a vast abundance of untapped raw materials; an extensive and strategically important coastline; and, offered potentially lucrative possibilities for American investors. The overthrow of the Brazilian monarchy in 1889, and the subsequent embracement of Republicanism, only increased the growing affinity between the US and Brazil.⁵ By 1945, the ties between the US and Brazil were fully

³ As Eric Hobsbawm has written: 'Neither the British nor anyone else saw a good reason for antagonizing the USA by challenging the Monroe Doctrine.' Eric Hobsbawm, *The Age of Empire 1875-1914* (London: Abacus, 1987) p 58: for more on the Monroe Doctrine see: Joseph Smith, *The United States and Latin America: A History of American Diplomacy, 1776-2000* (London: Routledge, 2005); Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000); Lars Schoultz, *Beneath the United States: A History of US Policy Toward Latin America* (Cambridge, Massachusetts: Harvard University Press, 1998); Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974); Walter LaFeber, *The American Age: US Foreign Policy at Home and Abroad 1750 to the Present* (New York: W.W. Norton & Company, 1989) 2nd Edition 1993

⁴ See: Mark Gilderhus, *The Second Century* (2000) pp 1-37; Joseph Smith, *The United States and Latin America* (2005) pp 42-60

⁵ Michael Weis, *Cold Warriors & Coups D'Etat: Brazilian-American Relations, 1945-1964* (Albuquerque: University of New Mexico Press, 1993) writes: 'Prior to the overthrow of the monarchy in 1889, Brazilian-American relations were cordial, but not close. United States politicians considered the existence of a monarchy in a "republican" hemisphere an anomaly...the US became the first non-Latin American nation to recognize Brazil's new government...American assistance in suppressing a rebellion to restore the monarchy in 1893 further advanced amity' p 8; Joseph Smith, *The United States and Latin America* (2005) p 55-7; Joseph Smith, *A History of Brazil, 1500-2000* (London: Pearson Education Limited, 2002) Chapter

forged. Brazil had offered staunch support during World War Two, and the US 'supplied half of Brazil's imports and bought over 40 percent of its exports.'⁶ For all intents and purposes, it appeared to be a strong, mutually beneficial alliance; however, that would change in the post-war era.

The relationship between the US and Brazil would alter dramatically in the post-World War Two period.⁷ As Michael Weis writes,

Although few were aware of impending changes, the joyous victory parades that greeted the return of the Brazilian Expeditionary Force in 1945 marked the end of a half-century of close collaboration or unwritten alliance between the United States and Brazil. Although this unwritten alliance had served both nations well, the new administration in Washington faced with global responsibilities and perspectives, abandoned this special relationship... Within but a few years the enormous amount of Brazilian-American goodwill constructed over many decades had been dissipated, and a growing ambivalence characterized Brazilian-American relations.⁸

In order to understand the reasons for this deterioration, we need to view US-Brazilian relations within the context of the evolving pattern of the US strategy for Latin America. As we have already seen, the perspective of US officials in the post-war era switched from a regional to a global view. Within this global structure, Latin America's role was clearly defined: it was to be a staunch ally in international organisations; to supply the US with necessary raw materials; and to act as a receptacle for the widespread expansion of foreign private investment and American economic principles.

As World War Two progressed, a consensus began to emerge within the administration of Franklin D. Roosevelt as to what approach the US should take with respect to Latin America once the war was over. This consensus was based around economic development. David Green writes, 'All during the war, the President had been

⁶ Noam Chomsky, *Year 501: The Conquest Continues* (Boston, Massachusetts: South End Press, 1993) Chapter 7

⁷ Excellent outlines of this period can be found in: Stanley Hilton, "The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship" in *The Journal of American History* (Volume 68, No. 3, December 1981) pp 599-612; Simon Hanson, "Brazilian-American Relations: Case Study in American Foreign Policy," *Inter-American Economic Affairs* 5 (1952) pp 3-35

⁸ Michael Weis, *Cold Warriors and Coups D'Etat* (1993) p 7; Elizabeth Cobbs, *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil* (New Haven: Yale University Press, 1992) p 5-6

stressing the idea that Latin American economic development would benefit the United States.⁹ The Latin nations expected to be rewarded for their support during the war through a “Marshall Plan for Latin America”; as Joseph Smith asserts, ‘They [the Latin Americans]...confidently expected that the close wartime relationship and the “Good Neighbour Policy” would continue into the post-war period.’¹⁰ This sense of expectancy was even more acute for Brazil who, as the largest of the Latin American countries, had its sights firmly set on becoming a great power in the post-war era. A clear sign that Latin America would not be accorded the importance they felt they deserved from the US came when Washington unilaterally cancelled ‘wartime contracts without notice before the end of 1945’; a move that forced Brazil to declare war on Japan in order to continue receiving lend-lease aid from the US.¹¹ The stance taken by US delegates at the Chapultepec Conference in Mexico City confirmed the fact that US policy in the post-war era would not be based around American funding of Latin economic development.¹² In keeping with the main argument of this thesis, we can already (in 1945) divine the presence of a clearly identifiable split in US policies between the economic sphere and the security sphere.

The signing of the Rio Pact in 1947 marked the highpoint of US-Latin cooperation in the post-war era. It was, though, a solely political agreement, making no reference to the economic issues that the Latin nations were so keen to resolve. Connell-Smith identifies it as being, ‘the first of the “Cold War pacts” and the forerunner of the North Atlantic Treaty’¹³; but it is more objective to consider the agreement outside of the Cold War context. Put simply, the pact was an attempt to extend American power in the region by asserting US dominance in the military and political spheres. Crucially, the

⁹ David Green, *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago: Quadrangle Books, 1971) p 129

¹⁰ Joseph Smith, *The United States and Latin America* (2005) p 111

¹¹ Michael Weis, *Cold Warriors and Coups D'Etat* (1993) p 17

¹² Mark Gilderhus writes: ‘To avoid “shortsighted” policies, Under-Secretary of State Dean Acheson affirmed his belief in free trade as the best means of expanding commerce, enhancing prosperity, reducing world tension, and promoting peace...Overall, the discussion placed the United States in opposition to Latin American efforts to escape from the “economic vassalage to the more industrialized countries.”’ Mark Gilderhus, *The Second Century* (2000) p 118; Joseph Smith, *The United States and Latin America* (2005) p 114; Gordon Connell-Smith, *The United States & Latin America* (1974) Chapter 6

¹³ Gordon Connell-Smith, *The United States & Latin America* (1974) p 196

debates surrounding the pact were not used to discuss economic issues.¹⁴ From the latter stages of World War Two it was apparent that US officials saw the economic future of Latin America as being dependent upon attracting large amounts of private investment. This was especially evident in the US approach toward Brazil, with Brazilian hopes of large-scale economic assistance being dashed by Washington's insistence that development be funded by an influx of private capital. As Stanley Hilton has argued, '[An] important ingredient in Brazil's failure to obtain the economic cooperation it desired was Washington's conviction that its development needs could best be met by private capital. Rio de Janeiro, in order to attract foreign investors, was expected to adhere strictly to a program of economic liberalism, eschewing statism and nationalism.'¹⁵

As the Cold War mindset evolved in Washington a clearly identifiable security element also became a major part of US policy in the region. The Rio Pact saw the US codify the Monroe Doctrine and assume *de facto* control over the political and military spheres of Latin America. This objective was completed in 1948 at the Ninth Pan-American Conference in Bogota, Colombia, where the Organization of American States (OAS) was formalised.¹⁶ Between 1946 and 1950, the Truman administration worked toward extending US control over the Western Hemisphere. However, the continued refusal of US officials to listen to Latin requests over economic development was beginning to exert an increasing tension on the relationship between Washington and their southern neighbours.

¹⁴ Joseph Smith writes 'While carefully avoiding discussion of economic matters, American officials displayed much keener interest in grasping opportunities to assert their country's exclusive political and military leadership of the hemisphere.' The Rio Pact essentially 'outlawed' war in the Western Hemisphere by stating unequivocally that, 'an armed attack by any State against an American State shall be considered as an attack against all the American States.' For the US, this severely reduced the likelihood of any conflict between the Latin nations, and, for the Latin Americans, it meant that the US would not "legally" be able to intervene in another Latin country without receiving an approval from two-thirds of the Latin American states. See: Joseph Smith, *The United States and Latin America* (2005) p 115; Michael Weis, *Cold Warriors and Coups D'Etat* (1993) p 19; Mark Gilderhus, *The Second Century* (2000) p 122-3; Gordon Connell-Smith, *The United States & Latin America* (1974) p 196-7

¹⁵ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 603

¹⁶ 'The OAS was valuable for American diplomacy because it provided a convenient tool that could be used to prevent external political influence and interference in the Western Hemisphere.' Joseph Smith, *The United States and Latin America* (2005) p 116

This characteristic of US policy was a disappointment for all the Latin nations. It was, though, most keenly felt in Brazil. The extent to which the bilateral relationship had deteriorated in the early Cold War era¹⁷ can be identified in the Brazilian response to Truman's attempt to elicit Brazilian military support when the Korean War broke out in 1950.¹⁸ The majority of the Latin nations refused the American request to send troops to Korea¹⁹; but the refusal of Brazil, who had been such a staunch ally in World War Two, is an illustration of how far the relationship between them and the US had deteriorated since 1945.²⁰ The main reason for this deterioration was due to the differing objectives that the two countries had in the economic sphere.²¹ Recognising this, Truman would attempt to regenerate the relationship between the US and Brazil in an effort to obtain Brazilian support for the war in Korea and to give the US a staunch ally in Latin America during this time of increased tension.²² 'For two years Truman officials sought to recreate a "special relationship" with Brazil.'²³ As Elizabeth Cobbs states, US officials 'saw advantages to the United States in strengthening Brazil's infrastructure and economy and

¹⁷ Michael Weis, *Cold Warriors and Coups D'Etat* (1993) details the disintegration of US-Brazilian cooperation in the early Cold War period. The situation was exacerbated by the actions of State Department official, Adolf Berle (who would also court controversy with his actions in Argentina). Berle attempted to give a speech promoting US support for democracy in Brazil (as Getulio Vargas the leader at the time did not have constitutional legitimacy); although a move to electoral governance was planned for later in 1950, Berle's speech 'seemed to place the US firmly on the side of the opposition and caused an immediate uproar in Brazil.' As a result, the Army overthrew Vargas. In 1950, Vargas 'still blamed Berle and (Spruille) Braden for the Coups...[and] never completely trusted the Americans again' p 18

¹⁸ The Korean War marked a significant shift in US foreign policy: it led to the implementation of NSC 68 and also initiated a new era in the Cold War. For information on NSC 68 and the Korean War, see: Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration and the Cold War* (Stanford, California: Stanford University Press, 1992); Bruce Cumings, *The Origins of the Korean War 2 Volumes* (Princeton, New Jersey: Princeton University Press, 1981, 1990); Joyce & Gabriel Kolko, *The Limits of Power: The World and United States Foreign Policy, 1945-1954* (New York: Harper & Row, Publishers, 1972); Michael Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State 1945-1954* (New York: Cambridge University Press, 1998)

¹⁹ Only a small 'token force' from Colombia accepted the US call to arms

²⁰ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 606-9; Joseph Smith, *A History of Brazil* (2002) p 191-2

²¹ As Weis writes, 'economic issues, especially development (industrialization), dominated post-war Brazilian-American relations.' Michael Weis, *Cold Warriors and Coups D'Etat* (1993) p 23

²² As Joseph Smith writes, the Brazilians were quick to blame US policy for the widespread antipathy towards the war in Korea: 'The Brazilian government pointedly blamed American economic policy for the negative response,' with Joao da Fontoura, the Brazilian Foreign Minister, reporting, "'If [Washington] had elaborated a recovery plan for Latin America similar to the Marshall Plan for Europe...Brazil's present situation would be different and our cooperation in the present emergency could probably be greater'" Joseph Smith, *The United States and Latin America* (2005) p 117

²³ Michael Weis, *Cold Warriors and Coups D'Etat* (1993) p 31

in sustaining among Brazilians a sense of reciprocity in their relationship with the US.'²⁴ The legacy of this rapprochement would be the Joint Brazil United States Economic Development Commission (JBUSED): a bilateral organisation set up to facilitate Brazilian economic development through the provision of agreed loans, but which would, in fact, turn out to be a further problem in the US-Brazilian relationship.²⁵

The ongoing debate between Washington and Rio over possible Brazilian support for the war in Korea took place in the period following the election of Getulio Vargas in 1950. Vargas had dominated Brazilian politics since 1930. Although the approach taken by the Eisenhower administration in 1953 and 1954 would impact severely on Vargas, it is important to recognise that it was he, more than anyone else, who was responsible for the state of Brazil by the 1950s. As Robert Levine has noted, 'He [Vargas] crafted a new role for government and a drive for industrialization, economic development and national integration. In a very real sense, we can say that modern Brazil was born in 1930 and came to maturity on August 24, 1954.'²⁶ In order to begin this process, Vargas imposed a dictatorship through two military-backed coups (in 1930 and 1937) and centralised the Brazilian political system. It was only in 1945 that he would allow free elections to be held; a move that led to both his removal from office and to the Brazilian Armed Forces turning firmly against him.²⁷ Vargas returned to office in 1950, though, winning the national election and eschewing the authoritarianism of before for a more democratic approach. However, his second period in office would be beset by political and economic problems. Firstly, Vargas would have to try and come to terms with a fractured and disparate political structure, which made it intensely difficult for him to govern effectively. As Joseph Smith has detailed, this was a severe problem for Vargas: 'Instead of ruling by decree as he had done for most of his previous period of power, he would now have to develop a working relationship with the politicians in the National

²⁴ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 75

²⁵ The mechanisms of the JBUSED and the problems that emerged with it will be discussed later in this chapter

²⁶ Robert Levine, *Father of the Poor?* (1998) p 2

²⁷ Robert Levine, *Father of the Poor?* (1998) p 72-4

Congress...several political parties existed and none possessed an overall majority.’²⁸ Secondly, Vargas had to try and reconcile the competing theories of economic development that were being put forward as ways of making Brazil an industrial powerhouse. With balance of payments and inflationary problems blighting the Brazilian economy at this time, the Vargas administration was forced to try and find a compromise between the route of economic liberalism – the market and the economy regulating itself, fuelled by foreign private investment – and the more centralised and parochial model being suggested by powerful nationalist elements within Brazil.²⁹ Fatefully, Vargas would not prove able to bridge this widening gap and it would be a major cause of the domestic instability that would be so apparent during the 1953-54 period. It was against this backdrop of economic disputes and a fractured political structure that US-Brazilian relations would take place after Eisenhower came to office. Whilst this was, in many ways, a legacy of Vargas’s near-two decades of dominating the Brazilian polity, it would also set the scene for the inherent problems that would confront the US in their attempts to implement their regional approach in Brazil. Some of these tensions were, however, already apparent during the Truman administration’s final year in office.

By 1952, the dominant trends in the US-Brazilian relationship that would endure throughout the Eisenhower era were firmly established.³⁰ The developments in the bilateral relationship during 1952 would directly illustrate the future problems that would confront the Eisenhower administration with respect to implementing their Latin American strategy in Brazil. During the Truman administration’s final year in office, the Brazilian leader, President Vargas, would come under increasing pressure from both powerful nationalist factions within Brazil (who wanted Brazil to pursue an independent economic policy) and the Brazilian military (who continued to exert a huge influence over Brazil’s political structures). In January, Vargas introduced a decree that limited the

²⁸ Joseph Smith, *A History of Brazil* (2002) p 157; Robert Levine, *Father of the Poor?* (1998) p82; Ronald Schneider, *Brazil: Culture and Politics in a New Industrial Powerhouse* (Boulder, Colorado: Westview Press, 1996)

²⁹ Thomas Skidmore, *Politics in Brazil* (1967) pp 81-100

³⁰ The period of close cooperation had come to an end; US economic policy had driven a wedge between Washington and Rio; cooperation in the security and military spheres was, though, still ongoing, and; internal problems relating to Brazil’s economic and political stability were beginning to have an increasing influence on Brazilian foreign policy.

amount of profit remittances on foreign capital invested in Brazil, thus directly hindering US efforts to attract foreign investment to the region. Vargas had been forced to act by the rather parlous domestic situation in Brazil. In response, the US had to try and broker a solution without appearing too overbearing: to do so would only serve to further inflame nationalist, anti-Yankee sentiments in Brazil.³¹ The dispute over profit remittances, though, was a minor issue compared to the continuing problems caused by the activities of the JBUSEDC. Although the precise nature of the problems caused by the Joint Commission will be dealt with later in the chapter, it is necessary to make reference to the strain that the Commission's activities were impacting upon the bilateral relationship. Although implemented to provide loans to aid Brazilian economic development, the Commission was run via the auspices of the World Bank and, as such, was controlled through strict US economic principles. A "turf war" between the World Bank and the Department of State had severely hindered the Commission's activities and this was putting an intense strain on both the bilateral relationship and Vargas's political position.³² As Eisenhower prepared to take office, US-Brazilian relations were at a crucial point. The implementation of the Joint Commission had been intended to repair the damage done to the bilateral relationship since 1945. However, the inherent problems within the Joint Commission's lending structure imposed new difficulties on President Vargas, as he sought to stave off intense domestic pressures, which included a lack of political support; continuing crises in the economic sector; and, staunch opposition from the Brazilian military.³³

³¹ Herschel Johnson, the American Ambassador in Brazil, told Assistant Secretary Ed Miller that: 'if we are patient and can convince President our sincere intent to assist economic development in Brazil, I am certain we shall work out a solution' Telegram from the US Ambassador in Brazil Herschel Johnson to the Department of State, January 5 1952, *Foreign Relations of the United States 1952-1954 Volume IV* (Washington D.C: United States Government Printing Office, 1983) p 571

³² More details on this turf battle within the US and the mechanisms and problems with the Joint Commission will be provided later in the chapter. For information on the JBUSEDC and the Vargas administration during the Truman era, see: Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) pp 75-93; Michael Weis, *Cold Warriors and Coups D'Etat* (1993) pp 48-56; Stanley Hilton, "The United States, Brazil, and the Cold War" (1982); Telegram from the US Ambassador in Brazil Herschel Johnson to the Department of State, May 8 1952; Telegram from Ambassador Johnson to the Department of State, May 22 1952; Memorandum from the Assistant Secretary of State for Inter-American Affairs Ed Miller to Ambassador Johnson, May 31 1952, *FRUS 1952-1954 Volume IV* pp 575-581

³³ Joseph Smith, *A History of Brazil* (2002) pp 155-9; Robert Levine, *Father of the Poor?* (1998) pp 82-6; Thomas Skidmore, *Politics in Brazil* (1967)

Between 1945 and 1950, the US attempted to achieve its economic aims in Latin America by refusing to negotiate over aid agreements and, instead, strongly promoting the use of foreign private investment as a viable source of development funding. At the same time, they used alliances such as the Rio Pact to assert their power over the region and to achieve their security aims in the region. As already stated, though, this impacted an intense tension on US policy; by 1950, the bilateral relationship had deteriorated severely due to Latin frustration with US economic policy in Latin America. As a result, the Truman administration attempted to revive the 'special relationship' through the use of the Joint Commission. Again, though, economic pragmatism would undermine US security aims and, by 1952, the bilateral relationship was floundering. All of this, though, was taking place at the same time that the political and economic situation in Brazil was evolving during President Vargas' second term in office. Increasingly, during the Eisenhower administration's first two years in office, Vargas' attempts to seek accommodation with the US and placate his internal political opponents, would clash with the policies being implemented by the White House. As we shall see in the next section, the approach taken by the Eisenhower administration would only serve to exacerbate those tensions: in strongly pursuing their economic policies and in dispelling any notions that the Brazilians might have had about a continuing "special relationship", the new administration would only serve to undermine the increasingly fragile stability of Brazil and, therefore, would come to directly threaten US security objectives in both Brazil and Latin America.

'PUTTING BRAZIL IN ITS PLACE'³⁴: RESCINDING THE SPECIAL RELATIONSHIP

The existing literature on US-Brazilian relations during the Eisenhower era is remarkably sparse: only Michael Weis in *Cold Warriors and Coups D'Etat*, and Elizabeth Cobbs in *The Rich Neighbor Policy* deal specifically with the bilateral relationship at this time. Even then, Cobbs cites her analysis of US-Brazilian relations

³⁴ Elizabeth Cobbs (1993) p 93

within the wider field of examining the activities of private individuals such as Nelson Rockefeller and Henry Kaiser. Weis, on the other hand, deals specifically with the bilateral relationship, analysing the deterioration in US-Brazilian relations from 1945 up until the overthrow of the Goulart administration in 1964; he does not, though, deal with the inconsistencies within US policy, especially with respect to the dichotomy between economic and security aims.³⁵ A similar approach can be found in Stanley Hilton's essay, "The United States, Brazil, and the Cold War."³⁶ Gerald Haines, in *The Americanization of Brazil*, examines the evolution of the relationship between 1945 and 1954, arguing that US policy was to deliberately hinder Brazilian economic development but within the context of the more orthodox Cold War framework.³⁷ There are, of course, other monographs that include details on US-Brazilian relations as part of a wider thesis³⁸, and these will be referenced throughout this chapter. However, by adopting a position that analyses the bilateral relationship within the wider context of the emerging tensions within US regional policy, this study will further develop the arguments of those scholars outlined above.

Upon coming to office in January 1953, the Eisenhower administration had two general problems facing it in Brazil. Firstly, how to reshape the bilateral relationship so that economic policy was centred on foreign private investment rather than loans; and secondly, how to formulate a bilateral relationship that was relatively amicable and which would eradicate instability in Brazil. For their part, the Brazilians wanted to continue with the renewed sense of amicability that had emerged in the final years of the Truman administration, but only if their warnings about economic development were taken

³⁵ Michael Weis, *Cold Warriors and Coups D'Etat* (1993); Elizabeth Cobbs, *The Rich Neighbor Policy* (1992)

³⁶ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981)

³⁷ Gerald Haines, *The Americanization of Brazil: A Study of US Cold War Diplomacy in the Third World 1945-1954* (USA: Scholarly Resources Inc, 1993)

³⁸ Examples of this include: Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: University of North Carolina, 1988); Joseph Smith, *The United States and Latin America: A History of American diplomacy, 1776-2000* (London: Routledge, 2005); James Siekmeier, *Aid, Nationalism, and Inter-American Relations: Guatemala, Bolivia and the United States 1945-1961* (New York: The Edward Mellen Press, 1999); Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974); Lars Schoultz, *Beneath the United States: A History of US Policy Toward Latin America* (Cambridge, Massachusetts: Harvard University Press, 1998); Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000)

onboard.³⁹ Michael Weis outlines the situation facing the new administration, also touching on the problems they faced in the military sphere and the internal problems that were so prominent in Brazil. He writes:

While Truman officials had made a determined effort to reconstruct the special Brazilian-American relationship, US objectives remained unfulfilled. The joint commission had not completed its work and Brazil's Congress had not ratified the MAP (Military Assistance Pact) treaty, or resolved the petroleum issue⁴⁰. Moreover, Brazil entered 1953 with economic disaster imminent; inflation and the balance-of-payments⁴¹ problem had worsened, and foreign private investment had ceased.⁴²

There were clearly, then, a number of impending problems confronting the Eisenhower administration in Brazil when they came to office. As we shall see, the administration's response would be to focus on the economic side of the relationship in an effort to expand the role that foreign private investment played in funding Brazilian economic development. This marked a definitive change in US policy; moving away from the Truman administration's latter-day policy of seeking accommodation to an overt policy of "putting Brazil in its place."

In adopting this approach and focusing on the economic principles outlined in NSC 144/1, the Eisenhower administration would neglect the security issues that had also

³⁹ In December 1952, Brazilian Finance Minister Oswaldo Aranha wrote to Secretary of State in-waiting, John Foster Dulles, and told him: 'Brazil believes that the new US administration and its eminent President are disposed to issue new directives which will contribute to the success of US foreign policy...Brazil remains today as in the past the country through which the United States can most directly influence the orientation of the hemisphere nations. It is indubitable that hemisphere policy, due to mutual errors, especially economic ones, in these last times has lost ground to communist propaganda and nationalist upsurings, and is tending towards collapse...leaving aside for the moment the other American countries, Brazil alone, if aided in her economic development, will be a decisive factor in the Atlantic, not only in a peacetime economy...but also in war, to which Brazil can give as she always has given, the contributions which the US may require' Memorandum from Brazilian Finance Minister Oswaldo Aranha to Proposed Secretary of State John Foster Dulles, December 24 1952, Memoranda of Meetings – November 1952, Box No 8, Subject Series, John Foster Dulles Papers, Eisenhower Library

⁴⁰ In 1952, President Vargas had, under intense pressure from opposition elements including the military, signed a law banning foreign private companies from investing in the Brazilian petroleum industry and had, instead, created a state controlled corporation to deal with Brazil's petroleum industry – Petrobras

⁴¹ In the post-1945 era, balance-of-payments problems were a recurring theme for Brazil. This problem arose when the nations expenditures (or imports) totalled more than their incomings (or exports); it was a problem exacerbated by Brazil's huge debts, which when due to be paid back only deepened the balance of payments problems. Joseph Smith, *A History of Brazil* (2002); Thomas Skidmore, *Politics in Brazil* (1967)

⁴² Michael Weis, *Cold Warriors and Coups D'Etat* (1993) p 56

been apparent in the document. The consequence of this was that President Vargas's political position would, in fact, become even more precarious; the political capital he expended on seeking a close relationship with the US came to backfire upon him and he would eventually commit suicide in August, 1954. This led to a period of instability as the next presidential elections were not scheduled until 1955; in the meantime, the US would be forced to try and repair their position in Brazil and, at the same time, pursue their economic objectives whilst dealing with an interim regime. The same patterns that had become apparent in the US-Brazilian relationship between 1945 and 1952 will remain strongly in evidence. However, the Eisenhower administration's Latin American policy irrevocably altered the nature of the relationship between Washington and Rio. Analysing US policy in Brazil during 1953 and 1954 will reaffirm the central argument of this thesis: namely, that the US had two separate goals within their regional policy and that there was clearly an overriding tension between these two separate aims, which very often served to undermine their aims in the other area.

As already outlined in this chapter, the problems that had emerged within the bilateral relationship since 1945 had, in the main, been caused by two issues. Firstly, the disparity between the stated economic objectives of Brazil and those of the US; and secondly, because of Brazil's growing disenchantment at what they felt was a betrayal of their previously good relationship with the US. The policies pursued by the Eisenhower administration would, in effect, commit the US more heavily to both of those policies outlined as being a source of Brazilian frustration. The characteristics of US policy in Brazil are highlighted by Elizabeth Cobbs, who writes, 'the [Eisenhower] administration was...more willing to live with the disgruntlement of Brazil because of its strong commitment to private investment and its policy of minimizing the traditional bilateral relationship.'⁴³

For the Eisenhower administration uniform multilateralism was a key element of their Latin American approach. By not affording any one nation more importance than any of the others they hoped to construct a more cooperative hemispheric relationship. In

⁴³ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 95

NSC 144/1 the administration outlined the benefits to the US of treating all the nations of the region equally.⁴⁴ It stated that the 'United States should achieve a greater degree of hemisphere solidarity' by:

A greater utilization of the Organization of American States...which will avoid the appearance of unilateral action and identify our interests with those of the other American states...Consulting with the Latin American states, whenever possible, before taking actions which will affect them or for which we wish their support...Evidencing greater consideration of Latin American problems at the highest levels of government by according sympathetic attention to representatives of Latin America, by exercising care in public statements relating to the area, and through such methods as visits by high government officials and distinguished private citizens to Latin American states.⁴⁵

(Such sentiments were in keeping with Foster Dulles' now infamous remark to Eisenhower that, 'you have to pat them a little bit and make them think that you are fond of them'⁴⁶). This process began in earnest on April 12; Eisenhower spoke before the OAS, telling them,

Ours is an historic and meaningful unity. It has been --- for our whole continent --- an honest and productive unity. It can be --- for other areas of the world --- a prophetic and inspiring unity. For it is triumphant testimony, before all the world, that peace and trust and fellowship can rule the conduct

⁴⁴ An approach that was, in the argument put forward by Kenneth Osgood, in keeping with the administration's emphasis on the effectiveness of public diplomacy; especially with regard to the Third World. See: Kenneth Osgood, *Total Cold War: Eisenhower's Secret Propaganda Battle at Home and Abroad* (Lawrence, Kansas: University of Kansas Press, 2006) Chapter 4; Kenneth Osgood, "Words and Deeds: Race, Colonialism, and Eisenhower's Propaganda War in the Third World" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006); Jason Parker, "Cold War II: The Eisenhower Administration, the Bandung Conference and the Reperiodization of the Postwar Era" in *Diplomatic History* (Volume 30, No. 5, November 2006) pp 867-892

⁴⁵ NSC 144/1 "United States Objectives and Courses of Action with Respect to Latin America", March 18 1953, *FRUS 1952-1954 Volume IV* p 6-10; Stephen Rabe, *Eisenhower: The Foreign Policy of Anti Communism and Latin America* (Chapel Hill: University of North Carolina, 1988) writes: 'To demonstrate that the administration did not "neglect" Latin America, officials tried to "dramatize" US interest in Latin America' p 33

⁴⁶ Phone Call between Secretary of State Dulles and President Eisenhower, February 26 1953, 1-4/53 folder, Box No 10, Telephone Series, Dulles Papers, Eisenhower Library; Stephen Rabe, *Eisenhower* (1988) p 33; Lars Schoultz, *Beneath the United States* (1998) p 332; Michael Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1987); Jason Parker, "Cold War II" (2006)

of all nations, large and small, who will respect the life and dignity of each other.⁴⁷

Eisenhower's speech was specifically designed to appeal to the aspirations of the Latin nations, with the first progress report on NSC 144/1 noting: 'The appearance and message of the President before the Council of the OAS commemorating Pan American Day was the outstanding instance during the period of sympathetic attention to Latin American representatives.'⁴⁸ Further support for this approach came from Harry Guggenheim, a former US Ambassador to Cuba. He met with Eisenhower and told him, 'the State Department is not properly organized to give the sensitive South Americans the feeling that they are really important in our scheme of things.' Guggenheim recommended to the President that an "Ambassador at Large" be appointed for the Latin region. Eisenhower, who wanted to follow up on the decision to send his brother Milton on a tour of the region, supported the idea, telling Under-Secretary Walter Bedell Smith: 'If we should deem it desirable to continue the work Milton started by getting some outstanding American to accept the post of Ambassador at Large, I would be quite ready to go along with such a plan.'⁴⁹ The reasons behind this were outlined more thoroughly by Daniel Arzac of the OCB, who sent a memorandum to CD Jackson explaining,

The Latin Americans must be convinced of the friendliness of the American people and Government towards them. They must be convinced that we like and appreciate their culture, that we value their friendship and that we respect them as political equals. The solution does not lie in the field of propaganda. In order to convince the Latin Americans of these truths there must be more than official declarations and aspirations. Cynical as to our motives and doubtful that Americans at grass-roots level...are concerned about Latin America's problems, the Latin Americans will not be convinced so long as

⁴⁷ Address by President Eisenhower before the Council of the Organization of American States, April 12 1953, *Public Papers of the Presidents – Dwight D. Eisenhower – 1953* (Washington: United States Government Printing Office, 1960);

⁴⁸ Memorandum from Under-Secretary of State Walter Beedel Smith to the Executive Secretary of the NSC James Lay, "First Progress Report on NSC 144/1", July 23 1953, *FRUS 1952-1954 Volume IV* p 10-26

⁴⁹ Memorandum from President Eisenhower to Under-Secretary of State Walter Beedel Smith, August 7 1953, DDE Diary Aug 53-Sep 53 (2), Box No 3, DDE Diary Series, Whitman File, Eisenhower Library; Guggenheim repeated his sentiments early in 1954, see: Letter from President Eisenhower to Secretary of State John Foster Dulles, January 16 1954, DDE Diary January 1954 (2), Box No 5, DDE Diary Series, Whitman File, Eisenhower Library

we do not actually, consciously, and in practice...appreciate their culture, value their friendship, and respect their political equality.⁵⁰

Just before it left office, the Truman administration had attempted to repair its special relationship with Brazil, but the Eisenhower administration was determined to reverse this decision and put their relationship with Brazil on the same footing as their relationship with the other Latin nations. By doing this and by appearing to be more sympathetic towards Latin problems, the administration hoped to be able to foster a more cooperative spirit in the region, which would lead to a renewed sense of stability.

The effect that this change in approach had on US officials thinking with regard to the bilateral relationship with Brazil, can be seen in the responses of Milton Eisenhower and John Foster Dulles to a letter written by a prominent US citizen living in Brazil, Fleur Cowles, in October 1953.⁵¹ Ms Cowles recommended that the US afford more importance to Brazil in the context of US relations in Latin America. However, neither Milton Eisenhower nor John Foster Dulles agreed. Milton Eisenhower wrote to his brother and informed him:

I think you should be very careful in singling her (Brazil) out from among the other Latin American nations. The leaders and peoples of all Latin American countries are proud and sensitive. They could easily be offended if we indicated in any way that our relations with the largest powers of Latin America are more important to us than our relations with the smaller ones.

Secretary Dulles agreed in his own letter to President Eisenhower, stating,

I agree with Dr Eisenhower's analysis, in which he maintains that Mrs. Cowles has overlooked some important considerations with Brazil and warns against offending the other Latin American countries by singling out Brazil for special attention... American goals in Brazil could be affected best within our present program of increased attention to all the countries of this area.⁵²

⁵⁰ Memorandum from Daniel N Arzac of the Operations Coordinating Board for the Attention of CD Jackson on Cultural Relations between the US and Latin America, August 20 1953, PSB 091.4 Latin America, Box No 15, Psychological Strategy Board Central File Series, NSC Staff Papers, Eisenhower Library

⁵¹ Ms Cowles had, in fact, been the US representative at Queen Elizabeth II's Coronation earlier in the year

⁵² Letter from Dr. Milton Eisenhower to President Eisenhower concerning Fleur Cowles Comments on US-Brazilian Relations, October 9 1953; Memorandum from Secretary of State John Foster Dulles to President Eisenhower, November 10 1953. John Foster Dulles, November 1953, Brazil (11), Box No 4, International

With NSC 144/1 calling for a unified approach towards placating Latin sensibilities regarding the perceived lack of attention they had received from the US since 1945, there was no room in US policy for a “special relationship” with Brazil. US strategic objectives dictated that hemispheric stability was more important than the US relationship with Brazil.⁵³ As a result, the Eisenhower administration would deliberately distance themselves from the previous closeness of the relationship between Washington and Rio; or, as Elizabeth Cobbs states: ‘To Brazilians this meant being treated like “another one of the Latin American republics.”’⁵⁴ As a paper produced within the OCB pointed out, ‘Brazil is annoyed by the fact that whereas formerly Presidents of the United States and Secretaries of State treated Brazil as an important country, she is now relegated, along with Haiti and Honduras, as another Latin American republic.’⁵⁵ Although this reapportioning of emphasis damaged Brazilian prestige, and served as part of a concerted attempt to ‘run down’ the special relationship, it was merely a prelude to the problems that would emerge once the administration began to implement its regional economic policy in Brazil. In keeping with the strict fiscal approach underpinning US policy during the Eisenhower era, the administration would seek to be proactive in imposing its economic approach upon Brazil. The US had considered reapportioning the emphasis of their Latin American diplomacy as an expedient way of improving the general state of their relationship with the countries of the region. However, as we shall see in the following section, their economic approach in Brazil (centred on eradicating the Joint Commission and bringing US-Brazilian economic relations into line with the rest of the region) would have a seriously negative impact on the bilateral relationship, which would (unintentionally) undermine US aims in the security sphere.

Series, Whitman File, Eisenhower Library; Gerald Haines, *The Americanization of Brazil: A Study of US Cold War Diplomacy in the Third World, 1945-1954* (Wilmington, Delaware: Scholarly Resources Inc, 1989) p 76-9; Elizabeth Cobbs (1993) p 96; Milton Eisenhower, *The Wine Is Bitter: The United States and Latin America* (New York: Doubleday & Inc, 1963)

⁵³ Stanley Hilton, “The United States, Brazil, and the Cold War” (1982) p 612-3

⁵⁴ Republicetas means “little republics,” Elizabeth Cobbs (1993) p 96

⁵⁵ Memorandum for the Executive Officer of the OCB by Charles H. Taquey, May 6 1954, OCB 091.4, Latin America (File#1) (4) March – June 1954, Box No 71, OCB Central File Series, Eisenhower Library.

THE US ECONOMIC APPROACH: THE BRAZILIAN BALANCE OF PAYMENTS LOAN REQUEST

The aim of this section will be to illustrate the way that the Eisenhower administration's economic policy in Latin America manifested itself on the bilateral relationship and to examine the impact that this had on the US position in Brazil. As we saw in Chapter One, the administration's economic approach would be focused upon extending the role that foreign private investment played in funding Latin economic development. The administration wanted to engineer a significant change in America's economic relationship with the Latin nations. The president made this point at a Cabinet Meeting on July 3, 1953, bemoaning the fact that 'we put a coin in the tin cup and yet we know the tin cup is still going to be there tomorrow.'⁵⁶ In short, the president wanted to implement a policy that would prevent the 'tin cup' from reappearing.⁵⁷ This stance would have a major impact on US-Brazilian relations, with the edict of the time stipulating that, 'If the Latin Americans did not provide a propitious environment for private investment, the United States needed to prod them to produce such a situation'⁵⁸; a belief that was put forward with more urgency in the administration's second policy document, NSC 5432/1. Due to the methods used by the Truman administration to regenerate the previously close alliance between Washington and Rio, the bilateral relationship had become one that was dependent upon the provision of emergency loans. When Eisenhower came to office, the major challenge in Brazil was to move away from this reliance upon loans and, as per NSC 144/1, help to create an economic development system that was based on foreign private investment. It is here that Rabe's argument that US economic policy should be viewed as being part of their Cold War approach does not go into enough detail⁵⁹; the administration's efforts to expand their economic aims in

⁵⁶ Minutes of the Cabinet Meeting of July 3 1953, Box No 2, Cabinet Series, Whitman File, Eisenhower Library; Stephen Rabe (1988) p 65; Matthew Loayza, "An 'Aladdin's Lamp' for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-61", *Diplomacy and Statecraft* (Vol 14, No 3, September 2003) p 83

⁵⁷ Matthew Loayza, "An Aladdin's Lamp" (2003) p 83

⁵⁸ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 168

⁵⁹ Stephen Rabe, *Eisenhower* (1988) p 64-83; Mark Gilderhus, *The Second Century* (2000) writes: 'Ike's economic views conformed with convention by regarding free trade and private investment as the main requisites for peace and prosperity. Eisenhower regarded mass poverty, hunger, and insecurity as threats, that is, as incitements to the spread of communism' p 149-154

Brazil would only serve to undermine both the stability of the Vargas government and the strategic position of the US. This is in spite of the recognition in the annex to NSC 144/1 that US economic policies and financial disparity were causing an increase in Latin discontent.⁶⁰

Just how this approach would impact upon US policy in Brazil became apparent in the first few weeks of the administration's time in office, through their response to a Brazilian request for a balance of payments loan of \$300 million. It is important to recognise that the stance taken by the US with respect to this loan request was motivated solely by the economic objectives within the administration's policy. It was only in 1954, when the full consequences of their policies became apparent, that the security considerations that made up the other side of the US strategy would be taken into equal consideration. The reason that the administration felt able to pursue their economic agenda so forcefully was that they were convinced that they would be able to retain a healthy position in Brazil by their efforts at forging a strong military alliance between the Pentagon and their Brazilian counterparts. Extending the American economic system into Brazil, though, would prove to be a difficult task for the Eisenhower administration. As we have already seen, President Vargas' complicated political position, and the presence of powerful nationalist elements in Brazil, made the extension of free market capitalism a tough sell for the US. The Eisenhower administration would, however, display a stark determination in implementing their economic strategy and it would be led, in the first instance, by Secretary of State John Foster Dulles and Treasury Secretary George Humphrey.⁶¹

The Brazilian request for balance of payments assistance seemed to fulfil the worst fears amongst the fiscal conservatives within the Eisenhower administration as to the state of US-Brazilian relations. As Rabe writes, it conferred legitimacy onto the notion that, 'the Democrats had put inter-American relations on a "come and get it"

⁶⁰ See Chapter 1

⁶¹ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 613

basis.⁶² The consensus quickly emerged that the US should not fully accede to the Brazilian request. On February 20 1953, Deputy Assistant Secretary of State, Thomas Mann, wrote to Foster Dulles to tell him, 'the Brazilian Government has applied to the Export-Import Bank for a 3-year, \$350 million loan,' and that 'Under Secretary (Walter Bedell Smith)...had decided that the United States should not approve a loan in excess of \$100 million.' Treasury Secretary Humphrey agreed. Michael Weis notes: 'Within the US government, strong opposition to the loan emerged immediately...George Humphrey opposed the loan in principle as a bad precedent and unwarranted use of the EXIM (Export-Import Bank).'⁶³ Foster Dulles also agreed and attempted to force the Brazilians to accept a lower payment. However, they refused; telling the Secretary of State that, 'they had been led to believe by the previous administration that they would get \$250 million.' Dulles, sceptical about this claim by the Brazilians, called former Assistant Secretary of State Ed Miller. Miller told Dulles that, 'though he did not get into an exact figure', they had been 'trying to find a solution to the payments problem...no exact figure was involved but \$250 million was mentioned.' Miller's confirmation of the Brazilian story did nothing to weaken Dulles' resolve; he had already reported to President Eisenhower and told him,

they are threatening overthrow of the government, communism etc...he should tell the Ambassador that we will give them \$100 million and expect them to work it off with their creditors and not be blackmailed, for once we start paying out it will become a tremendous financial burden, for any country who wants to yell "communism" will come in for loans.

However, Eisenhower was growing increasingly concerned about the US reputation if they reneged on their promise to Brazil and began to soften his stance. Dulles called Treasury Secretary Humphrey and told him: 'The President is disposed in the circumstances to go ahead on this but shave it down as much as you can.'⁶⁴ At his staff

⁶² Stephen Rabe, *Eisenhower* (1988) p 65

⁶³ Memorandum by the Deputy Assistant Secretary for Inter-American Affairs, Thomas Mann, to the Secretary of State, John Foster Dulles, February 20 1953. *FRUS 1952-1954, Volume VI*. p 607; Michael Weis (1993) p 65; Stephen Rabe, *Eisenhower* (1988) writes, 'Eisenhower wanted to halve the loan, and his secretary of the treasury, George Humphrey, wanted to dump the "inherited mess"' p 65

⁶⁴ Memorandum by the Deputy Assistant Secretary for Inter-American Affairs, Thomas Mann, to the Secretary of State, John Foster Dulles, February 20 1953. *FRUS 1952-1954, Volume 4*. p 607; Phone Call

meeting four days later, Dulles explained Eisenhower's decision as having been motivated by the desire not to lay 'the new administration open to possible charges of bad faith with regard to commitments made with the old Administration.'⁶⁵ Eisenhower later confirmed this at the July 3 Cabinet meeting.⁶⁶

The inability of the administration to counter the Brazilian loan request had proven to be intensely frustrating for Secretary Dulles and George Humphrey. They saw it as a direct refutation of their economic policy and became even more determined to successfully expand foreign private investment in Brazil and Latin America. Humphrey made his feelings clear at the NSC meeting of March 18, 1953:

Humphrey informed the Council that it had already proved necessary for the Export-Import Bank to advance \$300 million to Brazil in order to enable it to pay for materials which it had purchased from private interests in the United States. This was a case, and a not very edifying one, of straight overbuying by the Brazilians. Unless something could be done to stop it...it would set the pattern for further expenditures and further requests for loans in the future...Secretary Humphrey said that this sort of transaction obviously needed to be much more carefully policed by this Government in the future. It was already too late when he got the chance to acquaint himself with this most recent transaction...these matters had very serious implications for the future, and it would be necessary for us to cut off in the near future.⁶⁷

Between Secretary of State Dulles and Former Assistant Secretary of State Ed Miller, February 20 1953; Phone Call between President Eisenhower and Secretary Dulles, February 20 1953; Phone Call Between Secretary of State Dulles and Treasury Secretary George Humphrey, February 20 1953 Telephone Memoranda January-April 1953, Box No 1, Telephone Calls Series, John Foster Dulles Papers, Eisenhower Library.

⁶⁵ Minutes of the Secretary's Staff Meeting, Department of State, February 24 1953. *FRUS 1952-1954 Volume IV*. pp 608-609; Stephen Rabe, *Eisenhower* (1988) writes: 'they agreed that the United States was "hooked", because the money had been promised and the Truman administration had in 1950 loaned \$125 million to Brazil's rival, Argentina' p 65; Michael Weis, *Cold Warriors & Coup D'états* (1993) p 65; Milton Eisenhower, *The Wine is Bitter* (1963) writes, 'He [Eisenhower] had scarcely sat down in the presidential chair when he learned that the Truman administration had committed the United States to a \$300 million balance of payments loan to Brazil' p 188

⁶⁶ 'In regard to Brazil, the president noted that he had opposed the recent loan until he saw that the United States good faith was involved' Minutes of the Cabinet Meeting of July 3 1953, Box No 2, Cabinet Series, Whitman File, Eisenhower Library; the Brazilian response is given in Milton Eisenhower, *The Wine is Bitter* (1963) who writes that they were 'furious with the United States for its erratic policymaking' p 152; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 177-8

⁶⁷ Memorandum of Discussion at the 137th National Security Council Meeting, March 18 1953, *FRUS 1952-1954 Volume IV* p 2-6; James Siekmeier, *Aid, Nationalism, and Inter-American Relations* (1999) p 177

In order to close off the avenue of the Export-Import Bank as a possible source of loans in times of crisis for the Latin Americans, President Eisenhower would, in the aftermath of the Brazilian loan situation, 'eliminate the EXIM as a source of development loans'; leaving it to concentrate on 'facilitating trade.'⁶⁸ Such determination in the economic sphere, though, could quite possibly damage the bilateral relationship. This was made clear by Fernando Lee, an Emissary sent by President Vargas, in a meeting with Secretary Humphrey. Lee made it quite clear that US economic policy was inflaming anti-American feeling in Brazil.

Without questioning the validity of United States policy since the war with respect to other areas, or of United States assistance on the grand scale to war devastated countries, Fernando [Lee] thought he represented the sentiment of a large body of articulate Brazilian opinion, which is normally very friendly to the US, by saying that Brazil felt neglected or forgotten by the country to which it was traditionally and directly committed as friend and ally. While Brazil could not, and did not, expect direct compensation for the blood and treasure it had donated to the common cause...it had not expected disregard or an attitude, as Fernando put it, of "please don't bother me now, I'm awfully busy." Brazil had perhaps, fallen into some bad habits during this period and its policies perhaps had become influenced by a relatively small body of chauvinists (aided and abetted by Communists), but he felt that official United States attitudes may have contributed to the development of positions and the adoption of measures by his own government inconsistent with its traditional policies, especially towards the United States...The successful frustration by relatively small, unfriendly, groups in Brazil, of the will of the people as a whole to permit the development of petroleum resources which he thinks are here, are in large measure due to the lack of assistance available to friendly Brazilians, and the lack of continuing goodwill and interest of the US toward this country. He said that he was convinced that if the US government does not insist on specific quid pro quos for the several measures of cooperation and assistance which Brazil needs from the US, the Brazilian Government will, in the reasonably near future, succeed in adopting legislation which will attract foreign capital into industries which will expand production of basic necessities and strengthen the fabric of Brazilian society.

⁶⁸ Michael Weis, *Cold Warriors & Coup D'états* (1993) p 65; Stanley Hilton, "The United States, Brazil, and the Cold War" (1981)

As we can clearly see, this comment illustrates that fact that US economic policies (especially attempts to export free market capitalism to the region) were having a negative impact on the level of anti-American and nationalist sentiment in Brazil (It was markedly similar in tone to the warning contained in the annex to NSC 144/1 highlighted in the previous chapter). It is testament to the single-mindedness of US officials in pursuing their economic objectives in Brazil that they did not choose to alter their position. In fact, Assistant Secretary John Moors Cabot, though recognising the validity of Lee's argument, replied unenthusiastically stating, 'Fernando's views are valuable as an expression of a responsible Brazilian friend, and they do indicate a problem we should try and solve.'⁶⁹ Despite this warning, however, the administration would continue with the stance taken over the Brazilian loan request in its policy towards the future of the Joint Commission.

US ECONOMIC POLICY: THE END OF THE JBUSEDCC

Since its inception in 1951, the Joint Brazil United States Economic Development Commission had endured a difficult time. Designed to rejuvenate the bilateral relationship it had, in fact, had quite the opposite effect. These problems were directly caused by the way that the Commission was designed. In an effort to devolve responsibility for the loaning process away from the White House, the Truman administration had designed the Commission in such a way that agreed upon loan requests would go from the Commission to either the Export-Import Bank or the World Bank. A fierce turf battle erupted between these two financial institutions as both wanted to be the main driving force behind the Commission's loan process. Eventually it was resolved that the majority of requests would go to the World Bank. As Elizabeth Cobbs writes: 'Under the terms governing the commission, it was the State Department, not the

⁶⁹ Letter from Minister-Counsellor of American Embassy in Rio Walter N Walmsley to Assistant Secretary of State for Inter-American Affairs John Moors Cabot on Meeting between Brazilian Emissary Fernando Lee and Treasury Secretary George Humphrey, March 21 1953; Reply by John Moors Cabot to Walter Walmsley, April 3 1953, Folder – Brazil, Box No 1, RG 59, Entry 1131, Records for the Assistant Secretary of State for Inter-American Affairs, John M Cabot 1953-1954, Country File, Lot 56 D 13, National Archives, College Park, Maryland

government of Brazil, that decided which of the two banks was to be approached on any given loan. The Eximbank approved all joint commission projects submitted to it. The World Bank, however, refused to consider the majority of loan applications ever submitted and in fact after 1954 did not make another loan to Brazil for four years.⁷⁰ The problem lay in the role of the President of the World Bank, Eugene Black, who came to dominate the Joint Commission's loaning process. A strict fiscal conservative, he would insist on applying a strict banker's perspective onto those loan requests submitted.⁷¹

The frustration caused by Black's intransigent approach had impacted upon not just the Brazilians but, also, those US officials assigned to dealing with the Joint Commission. Although Black was taking an economically prudent view of the Commission's activities, it was a stance that impacted a huge stress upon the bilateral relationship as Brazil came to consider the JBUSEDC as another case of the US not making good on its promises to Brazil.⁷² Tensions also arose, however, within the US government as those officials charged with implementing the Commission grew increasingly frustrated at the strict economic doctrine being applied to the Commission's work. Chief amongst these was State Department official Merwin Bohan, who had been an integral part of the Commission's workings and who was growing progressively more frustrated at what he felt was a betrayal of the Commission's objectives. The dispute between Bohan⁷³ and the World Bank is a crucial factor in analysing the role that

⁷⁰ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 80

⁷¹ Michael Weis, *Cold Warriors & Coup D'états* (1993) writes: 'Although just six months previously Eugene Black had given Lafer [Brazilian Foreign Minister] assurances of support, he slammed the door on Brazilian expectations' p 52; Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) outlines the role that Eugene Black and the World Bank played in stalling the Joint Commission's operations and highlights the fierce debate between the two banks over lending policy. She also outlines the economic approach taken by the Bank and outlines the reasons for such an approach. In fact, Black even went as far as to make further loans dependent upon Brazil introducing economic reforms. She writes: 'Eugene Black was dogmatic about not giving any more funds until Brazil mended its ways, and he opposed any new loans by the US government as well.' P 81-93

⁷² The delays that came to characterise the Commission's loaning process drove a severe wedge between the US and Brazil. As Cobbs writes, 'tensions between the World Bank and the Vargas government never really abated'; If anything, these tensions got worse, as Black attempted to use the World Bank's role in the JBUSEDC to try and force a change in the Brazilian petroleum code. Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 87

⁷³ Assistant Secretary of State Ed Miller was another State Department official that was concerned over the World Bank's position with respect to the JBUSEDC

economic objectives played in US policy and strongly points towards the existence of a separate economic agenda within the US approach.⁷⁴ The dispute between the World Bank and the Export-Import Bank would be finally settled when Eisenhower came to office. 'Policy under Eisenhower coincided much more closely with the views and interests of the World Bank...the administration entered with a bias against foreign aid and a determination to decrease the Eximbank's autonomy and scope,' notes Elizabeth Cobbs.⁷⁵ In addressing the future of the Joint Commission, the Eisenhower administration, like Eugene Black and the World Bank, would apply an economic conception to the issue; ignoring the political ramifications for President Vargas and without considering the impact on US security issues in Brazil. Again, we see the underlying tension between US security and economic aims.⁷⁶

⁷⁴ For more information on the dispute between Bohan and the World Bank, see: Resume of Discussion held at the Presidential Palace, Rio de Janeiro, July 5 1952; Minutes of the 197th Meeting of the National Advisory Council in International Monetary Fund and Financial Problems, October 10 1952; Memorandum from Assistant Secretary of State for Inter-American Affairs Ed Miller to the US Ambassador in Brazil Herschel Johnson, October 17 1952; Memorandum of a Conversation by Sterling Cottrell of the Office of South American Affairs between Merwin Bohan and Eugene Black, January 12 1953, *FRUS 1952-1954 Volume IV* pp 587-605; Michael Weis, *Cold Warriors & Coup D'états* (1993) p 54-56; Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 81-93

⁷⁵ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 94

⁷⁶ An illustration of how far the relationship between Bohan and the World Bank had deteriorated by 1953, can be seen in the record of a meeting between the two nine days before Eisenhower's inauguration. Bohan informed Eugene Black that when 'The Joint Commission was established in 1950, the most important political question was whether Vargas would lead Brazil towards cooperation with the US or towards an independent or opposition position.' The hope of financing a substantial part of Brazil's basic economic development through the help of the Joint Commission may well have tipped the scales in favour of a US orientation. Bohan was clearly concerned that the political advantages of forming the Commission (namely, bringing President Vargas more into line with US policy) were being threatened by the World Bank's insistence on applying a strict economic scale of reference to the Commission's work. Bohan informed Black that continued delays could, 'completely wipe out the prestige of the Joint Commission...profoundly affect US-Brazil relations and alienate President Vargas'; Black, in keeping with his conservative persona, informed Bohan that 'as a banking institution the IBRD would not and could not contravene fiscal sensibilities at the whim of the State Department' Memorandum of a Conversation, between Delegation from the Dept of State and the IBRD, Washington, January 12 1953. *FRUS 1952-1954 Volume IV*. p 603; Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) comments that: 'True to the "take-it-or-leave-it" style of negotiation...Black told US officials that if "the Department or the Joint Commission cannot work with the IBRD (World Bank)...they are free to seek other sources of financing. Considering that the bank had fought hard and successfully for a nearly monopolistic lending position, such a comment can most charitably be described as cavalier, less charitably as arrogant and tight-fisted' p 88

In April, 1953, the US informed the Vargas administration of its desire to terminate the Joint Commission.⁷⁷ Although it had been scheduled to end in 1953, the constant delays that had typified its existence meant that the Brazilians were hopeful that it would be allowed to continue beyond that date. Vargas needed to try and prolong the lifespan of the commission due to the intense political and economic difficulties that he faced domestically. Despite his public bluster in declaring that Brazilian difficulties ‘are faced and conquered with determined courage,’ the harsh realities of the situation in Brazil were all too apparent.⁷⁸ As *Time Magazine* reported, Brazil’s ‘foreign trade debts stood at an all-time high of \$850 million, the cost of living was up 30% in twelve months, strikes for wage rises of 40% to 50% were sweeping the country, and the outlawed Communist Party was flourishing.’⁷⁹ The extent of the financial problems in Brazil had also been hinted at during the March 18 NSC Meeting, where Under-Secretary Smith stated that the ‘State Department expected the Brazilians to come back very shortly with another request on the Export-Import Bank, this time for \$400 million.’⁸⁰ Due to fractured majority that served as Vargas’s power base, the Brazilian leader was unable to implement the wide-ranging reforms that were necessary to address Brazil’s chronic economic problems.⁸¹ US officials were insistent that adopting foreign private investment and the principles of “free trade, free capital and free investment” would ease the situation; but the nationalist tendencies in Brazil were so deep-rooted that any significant move in this direction was politically unfeasible for Vargas.⁸² We saw in Chapter One just how determined the administration was to achieve its goals in Latin America, as it aggressively pursued its main security objective of solving the problems posed by Arbenz. The situation in Brazil proves that this determination was equally prevalent in the administration’s attempts to meet its economic objectives.

⁷⁷ Stanley Hilton, “The United States, Brazil, and the Cold War” (1981) p 614-5; Thomas Skidmore, *Politics in Brazil* (1967) p 117-8

⁷⁸ For information on the continuing political and economic problems in Brazil at this time, see: Robert Levine, *Father of the Poor?* (1998) p 81-6; Thomas Skidmore, *Politics in Brazil* (1967) p 112-8; Joseph Smith, *A History of Brazil* (2002) p 174-7

⁷⁹ ‘Melancholy Anniversary’, *Time Magazine*, February 16th 1953.

www.time.com/time/archive/preview/0,10987,817947,00.html. Accessed on: 15th March 2005.

⁸⁰ Memorandum of Discussion at the 137th National Security Council Meeting, March 18 1953, *FRUS 1952-1954 Volume IV* p 2-6

⁸¹ Robert Levine, *Father of the Poor?* (1998); Thomas Skidmore, *Politics in Brazil* (1967)

⁸² Michael Weis, *Cold Warriors & Coup D'états* (1993) p 72-6

The parlous situation confronting Vargas domestically would force him to plead with the Eisenhower administration to extend the life of the Commission. The Brazilian leader had staked a great deal of political capital on the “special relationship” promised by Truman, and if this gamble failed he was likely to come under increasing pressure from both his political opponents and the Brazilian military.⁸³ Although both Merwin Bohan and the Vargas Government wanted the Joint Commission to continue in its work, the decision had already been taken and the US would move ahead with its plans to terminate it in June. The administration was being motivated by its desire to meet its economic objectives in the region and, as stated earlier, would only consider the ramifications in the security sphere in the summer of the following year. Until then, Washington would continue to rely on the alliance between the Pentagon and the Brazilian military as a way of trying to ensure that overt anti-Americanism or strident nationalism was kept relatively quiet. As highlighted throughout this section, though, nationalism was highly evident in Brazil and this is where Siekmeier’s argument does not go far enough: expanding the American economic system was not going to dissipate nationalist sentiments in Brazil⁸⁴, and although seemingly aware of this, the administration was so committed to the ideas of liberal capitalism that they could not see beyond their current policy. Michael Weis confirms the administration’s lack of foresight with respect to the political and security consequences of their actions in Brazil, writing:

Over the next four months, any goodwill established by the commission evaporated as the US pursued its termination while Brazil tried to salvage as much as possible...In their zealous pursuit of fiscal conservatism, the hardliners showed a complete disregard for the internal political consequences within Brazil and the stability of the Vargas administration if funding dried up.⁸⁵

⁸³ On April 27 the US Ambassador, Herschel Johnson, met with the Brazilian Foreign Minister, who told Johnson that for ‘purely internal political reasons’ the Vargas administration, ‘earnestly hopes we will accede to Brazilian requests which is contained in his draft note for termination of the Commission on December 30 instead June 30 this year’ Telegram from Ambassador Johnson in Brazil to the Department of State, April 27 1953. *FRUS 1952-1954 Volume IV*. p 609; Michael Weis, *Cold Warriors & Coup D’États* (1993) also details Vargas’ attempts to prolong the life of the Commission and, indeed, his attempts to expedite the funding process’ p 64

⁸⁴ As shown in the annex to NSC 144/1 and in Fernando Lee’s address to Secretary Humphrey

⁸⁵ W. Michael Weis, *Cold Warriors & Coup D’Etat* (1993) p 66-67

It was not just the 'hardliners' that were responsible for this stance, though; we have already identified the fact that in the early period of the administration's time in office there was a general consensus as to the best way forwards for the US in Latin America. It was only in the aftermath of the Caracas Conference and intervention in Guatemala that officials like John Moors Cabot, Milton Eisenhower and Harold Stassen became more vocal in their calls for a reappraisal of US policy.

Bohan, fighting against the economic emphasis of US policy in Brazil, continued to try and salvage some of the political goodwill that the commission had built up. In May, he sent a memorandum to the State Department, highlighting the options open to the US. They were:

1. To follow present policy that joint commission can be terminated on June 30 whether agreement reached or not with the Brazilians...
2. Acquiesce in desire to continue joint commission until December 31...
3. Complete program of the joint commission by reaching agreement on foreign financing plan prior to June 30 thus removing valid substantive objections to termination on that date.

In Bohan's opinion, the third option appeared to be the most attractive, as this would, 'permit meeting Brazilian public conception of the US commitment, relieve the US from joint responsibility of implementation program during the period when the Brazilian Government finds it particularly difficult to take sustained economic action and allow the US to retire from joint commission program with all flags flying.'⁸⁶ The evidence presented suggests that the leading policymakers within the administration were applying

⁸⁶ Telegram from Ambassador Johnson in Brazil to the Department of State, May 5 1953; Telegram from US Ambassador in Brazil Herschel Johnson to the Department of State, May 6 1953, *FRUS 1952-1954 Volume IV* p 612-613; President Vargas continued to try and broker a deal by sending Governor Amaral Peixoto to Washington to try and use agreements on Brazilian natural resources as a tool for extending the life of the Joint Commission. The Governor met with Eisenhower and 'handed him a memorandum regarding the possibility of a titanium contract...then handed the President a memorandum about uranium in Brazil,' before finally handing, 'the President a memorandum regarding Brazil's desire to continue the Joint Commission for Economic Development for another six months' Memorandum of a Conversation between President Eisenhower, the Governor of the State of Rio de Janeiro Amaral Peixoto & the Assistant Secretary of State for Inter-American Affairs John Moors Cabot, May 7 1953. Brazil (11), Box No 4, International Series, Whitman File, Eisenhower Library

a strictly economic appraisal to the Joint Commission. Although the administration had received several warnings as to the potential problems that their approach in Brazil might cause US officials were determined to implement their economic strategy; especially in the aftermath of the \$300 million balance of payments loan earlier in the year. As well as the administration's determination with respect to their economic approach, it is equally apparent that the US was giving little consideration to its security objectives in Brazil. Those security elements of US policy, which had been outlined in NSC 144/1, had been overtaken in importance by events in the economic sphere. Although the US continued to cultivate a close relationship with the Brazilian military they refused to consider the possibility that their actions in the economic sector might lead to a dangerous level of instability. Part of the reason for this is that it was assumed that if Vargas did fall from power then he would be replaced by the pro-US Brazilian military; however, this was far from certain and was something of a risk for the administration to be taking with Latin America's largest nation.⁸⁷

Despite the entreaties of President Vargas and Merwin Bohan, the decision had already been taken within the Eisenhower administration to unilaterally terminate the Joint Commission. On May 8, 1953, Secretary Dulles cabled Ambassador Johnson and informed him that, 'the Department believes Joint Commission should terminate on June 30.' Although Dulles was prepared to come to an arrangement over the outstanding loan applications that had been submitted via the Commission, he was adamant that any payments would be reliant upon the health of the Brazilian economy. He wrote: 'US Government, Brazilian Government and lending institutions all desire to see Brazil's economic development be financed as rapidly as possible'; but this had to be 'within Brazil's borrowing capacity to prevent the over-extension of credit and default of repayments. If this principle is accepted then Brazil's capacity becomes key and limit to financing.' There would be no 'advance commitments' that were not 'unrelated to Brazil's financial position.' Dulles wanted to ensure that Brazilian access to loans would be dependent on them meeting stringent economic performance targets. This would allow the US to begin implementing the economic criteria that they considered to be vital for

⁸⁷ Thomas Skidmore, *Politics in Brazil* (1967) p 122-131

the success of the policy objectives. For Brazil to receive the loans they desired, they would have to meet the strict economic criteria set down by Dulles.

In keeping with the security aims within US policy, though, Dulles also wanted to try and ensure that the decision to terminate the Joint Commission was not used by Vargas as a method of bolstering his political standing through the use of strident anti-Americanism or nationalism. He wrote:

[The] Department appreciates possible internal political repercussions and possible attacks upon the US as a result of terminating Commission...the extent of these developments will depend largely on how termination is presented to Brazilian public and officials. If no effort is made to place constructive view on above plan reaction could be severe. If intelligent sincere effort made by Brazilians and Embassy to present new plan in favourable light and early publicity initiative taken to forestall critics then repercussions could be minimized.⁸⁸

Dulles hoped to be able to shut-down the Joint Commission and, through the use of an 'intelligent' public relations operation, to prevent the outbreak of any serious political ramifications for the Eisenhower administration. It was, however, a flawed concept: by applying an economic approach to the Joint Commission's future, the US would overlook the political motivations that had underpinned the Commission's formation and, as a result, would severely undermine Vargas's political position. It is here that the crucial point surrounding the US decision to terminate the Commission comes to light. Although the US approach had been informed solely by their regional economic objectives, the consequence of their actions would be most apparent in the political sphere.⁸⁹ Merwin Bohan recognised this and wrote to the State Department to indicate the error that had been made in applying an economic approach to the work of the JBUSEDC.

[By] January 1953 there was no one in the Department with a personal knowledge of the events leading up to the establishment of the Joint

⁸⁸ Telegram from Secretary of State John Foster Dulles to the Embassy in Brazil, May 8 1953 *FRUS 1952-1954 Volume IV* p 613-614

⁸⁹ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 614-5

Commission or of its first year of operations. This explains...why the true nature of the Joint Commission began to be lost sight of, for the Commission was the heart of a political not an economic program...the objective was political – only the implementation was economic. Improving the balance of payments or bettering the managerial practices on Brazilian railroads, for example, were problems, not objectives.⁹⁰

Although Vargas was able to negotiate an extension to the Commission's lifespan, this would be in name only and the JBUSEDC would no longer exist as a functioning entity in the bilateral relationship.⁹¹ In an effort to meet Foster Dulles' aim of closing the commission amicably the US did need Vargas's consent to terminate the Commission, which is how the Brazilian leader was able to negotiate an extension with regard to the termination date.⁹² However, it was a minor concession, and for the US the major aim of terminating the commission and beginning to realign US-Brazilian economic relations had been achieved. It was to come at a major political cost, though: Vargas had staked a great deal of his political credibility on a strong relationship with the US, and the termination of the Joint Commission would impact a severe strain on Vargas's position. As has been shown throughout this section, the Eisenhower administration's implementation of the economic objectives outlined in NSC 144/1 had been pursued with a high level of determination. The stance taken over the \$300 million EXIM Bank loan had indicated that the bilateral economic relationship would be remodelled under Eisenhower; however, it was the approach taken by the US with regard to the Joint Commission that was most indicative of the key components within US fiscal policy. Ultimately, though, this had been pursued with scant regard for either the

⁹⁰ Memorandum from Merwin Bohan, the US Commissioner on the Joint Brazil-United States Economic Development Commission to the Department of State, May 20 1953, *Ibid*, p 617; Michael Weis, *Cold Warriors & Coup D'états* (1993) writes, 'Politically the joint commission was disastrous' p 70; Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 99

⁹¹ Until December 1953; the JBUSEDC stopped being an issue in US-Brazilian relations from the moment Milton Eisenhower came to Brazil as part of his 'goodwill tour' in July, see: Milton Eisenhower, *The Wine is Bitter* (1963); Michael Weis, *Cold Warriors and Coup D'états* (1993) p 68-70

⁹² Assistant Secretary John Moors Cabot told Walter Bedell Smith, that the 'Department desires a voluntary agreement with Brazil to close out the Commission, rather than terminating it unilaterally. Since President Vargas now feels strongly that he cannot agree to close on June 30, the Department has proposed an extension until August 31 or September 30 provided that the Brazilians will agree now to close on either of those dates' Memorandum from Assistant Secretary of State for Inter-American Affairs John Moors Cabot to the Under Secretary of State Walter Bedell Smith, June 1 1953, *FRUS 1952-1954 Volume IV*, p 621-622; Michael Weis, *Cold Warriors & Coup D'états* (1993)

political situation in Brazil or the status of US security aims, an eventuality that came about due to the disparate nature of US economic and security aims. As we shall see in the final sections of this chapter, the result would be political turmoil in Brazil and, in due course, the undermining of US political and strategic objectives. Although the close relationship that had been cultivated with the Brazilian military would remain, the level of political instability in Brazil would reach dangerous levels and would come to threaten US security objectives.

US SECURITY AIMS IN BRAZIL: STRENGTHENING THE MILITARY ALLIANCE

So far, this chapter has illustrated the way that the Eisenhower administration attempted to implement their regional policy in Brazil by focusing on the 'running down' of the bilateral relationship and on the efforts made to restructure the nature of Brazilian economic development. As we saw in Chapter One, though, there was also a clear emphasis on security issues within US-Latin American relations. The third way that US regional policy would transpose onto Brazil would be in the efforts made by the Eisenhower administration in the strategic sphere. As we have already seen, the quelling of overt Latin discontent was a major security objective for US officials in the region: American efforts at meeting their security objectives in Brazil would, like their regional approach, be constructed around the use of military assistance agreements as a method of quelling instability. The use of military assistance had been identified by administration officials as an effective way of achieving US security aims in Latin America. In Chapter One it was shown how the administration had used military assistance agreements with those nations bordering Guatemala as a way of boosting US influence and of increasing the pressure on Arbenz. More widely, however, the use of military assistance agreements had been highlighted as a relatively easy way of forming strong links between the US and the Latin nations. Traditionally, the military establishments in Latin America had held a great deal of political power, and by cultivating a strong, amicable relationship with them, the US believed that they would be able to meet their security aims and eradicate overt nationalist sentiment. Stephen Rabe highlights the logic behind US military policy toward Latin America, writing: 'Whereas the strategic benefits of inter-American military

cooperation may have been slight, the political advantages of military aid were significant. Training and assistance programs gave the Eisenhower administration access to the Latin American military caste...military officers either ruled or dominated many Latin American nations.⁹³

US military policy went further than just forging an alliance with Latin American militaries, though; it also sought to assert US control over both Latin military spending and what equipment they were supplied with. The purpose of this was twofold. Firstly, US officials wanted Latin nations to be armed well enough so that they would be able to contribute to hemispheric defense if the need arose, and secondly; it extended the level of American power in the region by intrinsically linking Latin military development to the role played by the US. NSC 144/1 clearly outlined the administration's intentions with respect to their military objectives. It read:

The United States should encourage acceptance of the concept that each of the Latin American states is responsible for maximizing its contribution to...the internal security of its own territory...the defense of its own territory...[and] the allied defense effort...The United States should take political, economic or military action, as appropriate, to insure the continued availability of US bases in Latin America...Where necessary the United States should assist in the protection of sources and processing facilities of strategic materials...In providing military aid and seeking military commitments the United States should not encourage Latin American nations to contribute to the military effort to an extent which would jeopardize their economic stability...In addition, the United States should...seek the ultimate standardization along US lines of the organization, training, doctrine and equipment of Latin American armed forces.⁹⁴

The Truman administration had recognised the usefulness of military cooperation as a diplomatic tool in their dealings with Latin America in the policy document NSC 56/2.⁹⁵ A large part of Latin America's importance to the US lay in its role as a vital strategic

⁹³ Stephen Rabe, *Eisenhower* (1988) p 36; Mark Gilderhus, *The Second Century* (2000) p 154; Lars Schoultz, *Beneath the United States* (1998) p 345

⁹⁴ NSC 144/1, March 18 1953, *FRUS 1952-1954 Volume IV* p 6-10

⁹⁵ Stephen Rabe, *Eisenhower* (1988) p 35; Joseph Smith, *The United States and Latin America* (2005) p 117

base for the US in times of war.⁹⁶ In keeping with the ideas that would form the basis of NSC 162/2 (the New Look), though, military policy in the Eisenhower era would retain an emphasis on being cost-effective. Put simply, although the administration would actively seek to cultivate a close relationship between themselves and the Latin military establishment it would not be at the cost of economic stability. The annex to NSC 144/1 outlined this stating,

Experience in military collaboration with Latin American countries since the war has shown that many of them have a desire for military equipment in excess of their economic capability to support...No matter how sound a policy and program for inter-American military collaboration may be, the difficulties of timing and implementation will require constant coordination of all the changing political, economic, and military factors affecting United States over-all security interests in Latin America.⁹⁷

The Eisenhower administration's military policy in Latin America would, then, retain the central elements that fed into its overall conception of foreign policy. Its intended purpose would be to strengthen the bonds between Washington and the Latin military elites, to assume control of Latin military spending and 'standardize' the equipment they received, and to create a strong, reliable ally in an area of huge strategic and financial importance to the US. In Brazil, military assistance would be used primarily to enhance the already strong bond between the Pentagon and the Brazilian military and to form a bulwark against the rising tide of nationalism. However, the continuation of a strong relationship between the Brazilian and American militaries would come to exacerbate the existing problems in the bilateral relationship; as the US imposed its economic approach onto Brazil, and as Vargas's political position continued to disintegrate, the increasingly disenchanted Brazilian military would move against the Brazilian leader. The problem for the US was that the military did not seek to form an alternative government; its intention was to oust Vargas from power, not to replace him.

⁹⁶ During World War Two, the Latin American nations had supplied the US with vital raw materials, strategic bases, harbours and support

⁹⁷ Annex to NSC 144, "United States Objectives and Courses of Action with Respect to Latin America, March 6 1953, NSC 144 – Latin America (2), Box No 4, Office of the Special Assistant for National Security Affairs, Eisenhower Library; Paper Prepared in the Department of Defense, "Defense Comments on US Military Standardization in Latin America (NSC 144/1)", June 23 1954, *FRUS 1952-1954 Volume IV* p 171-174

As a result of the administration's rigid fiscal approach to the region,⁹⁸ US military policy in Latin America would consistently fail to meet its objectives⁹⁹: no aid would be forthcoming to help facilitate Latin purchases of US equipment and the high prices and lengthy delays involved in procuring US military materiel would lead the Latin nations to seek the armaments they desired from Europe.¹⁰⁰ Despite these problems, however, the alliance between the US military and the Brazilian military continued to thrive in 1953 and 1954. This was mainly due to the strong links that had developed during World War Two. It was also down to the successful conclusion of a bilateral Military Assistance Agreement and the US policy of continuing to emphasise the "special relationship" that they enjoyed with the Brazilian military.¹⁰¹ After 'running down' the closeness of the traditional bilateral relationship, and realigning the economic relationship, the administration believed that the close military alliance would not only enable them to maintain stability in Brazil but, also, to exert more influence over the existing government.

When Eisenhower came to office a Military Assistance Agreement was awaiting ratification by the Brazilian Congress. Dulles proposed that Eisenhower use the occasion

⁹⁸ President Eisenhower outlined the extent to which US military policy would be dictated by economic imperatives in a speech to Congress in May 1953. He stated: 'To accomplish this objective we must avoid so rapid a military build-up that we seriously dislocate our economies. Military strength is most effective – indeed it can be maintained – only if it rests on a solid economic base' Special Message to the Congress on the Mutual Security Program by President Eisenhower, May 5 1953. *Public Papers of the Presidents – Dwight D. Eisenhower – 1953*. (1960) pp 256-258

⁹⁹ For details on the problems encountered in meeting US military aims, see: Memorandum by Under Secretary of State Smith to the Executive Secretary of the National Security Council, "First Progress Report on NSC 144/1", July 23 1953, *FRUS 1952-1954 Volume IV* p 10-26; Memorandum by Under Secretary of State Smith to the Executive Secretary of the National Security Council, "Second Progress Report on NSC 144/1", November 20 1953, *FRUS 1952-1954 Volume IV* p 26-39

¹⁰⁰ For details on US disquiet with the trend of purchasing arms from Europe and on the problems encountered with the slow provision of arms to the region by the United States, see: Paper Prepared in the Department of Defense, "Defense Comments on US Military Standardization in Latin America", June 23 1954, *FRUS 1952-1954 Volume IV* p 171-174; Draft Policy Document by the NSC Planning Board for the NSC Council, August 18 1954, NSC 5432/1 Policy Toward Latin America, Box No 13, NSC Series – Policy Papers Sub-Series, Eisenhower Library; Stephen Rabe, "Dulles, Latin America, and Cold War Anticommunism" in Richard Immerman eds, *John Foster Dulles and the Diplomacy of the Cold War* (Princeton, New Jersey: Princeton University Press, 1990) p 166-7; Michael Weis, *Cold Warriors and Coup D'états* (1993)

¹⁰¹ This emphasis was not publicly announced; it was, instead, illustrated through the private efforts made by the US to retain a strong and healthy relationship with the Brazilian military. Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 61

of his meeting with the Brazilian Minister of War to expedite the process. General Cardoso visited Washington in March 1953. Dulles penned a briefing memo for the president, outlining what topics he should discuss with the General. He wrote: 'Excellent effect would be achieved in Brazil through comment by you to the Minister on Brazil's military cooperation with us in World War Two and your hope for continued close collaboration...you might indicate that this Government has military equipment ready for shipment as soon as Brazil ratifies the Military Assistance Agreement.'¹⁰² Dulles knew that the Brazilian Army still had a powerful voice in Brazilian politics, and if President Eisenhower could convince General Cardoso of the merits of the US plan then that could provide the US with significant leverage over Vargas. 'Foreign participation in development would best enable Brazil to get on with the job and Army support of sensible legislation could be decisive.'¹⁰³ As we can see, Dulles and Eisenhower were fully prepared to use a close relationship with the Brazilian military as a means of meeting both their security and their economic aims. Ratifying the pending Military Assistance Agreement was vital if the US was going to be able to meet this aim.

The immense amount of political power that the Brazilian military continued to hold made them a desirable ally for the Eisenhower administration in aiming to meet its strategic objectives. Indeed, it is striking that as the US was terminating the Joint Commission they were also raising the possibility of establishing a Joint Defense Board with Brazil; a move that would further the alliance between the Pentagon and the Brazilian military.¹⁰⁴ An indication as to the closeness of the relationship between the US

¹⁰² As it was, the Brazilian Congress would ratify the agreement in the aftermath of the granting of \$300 million of EXIM loans. Dulles continued and recommended that Eisenhower use the prospect of an amicable relationship with the Brazilian Armed Forces as a way of preventing the Brazilian nationalisation of its petroleum industry. 'It would be helpful for you to stress to the Minister the military, as well as the economic, benefits to Brazil and to Western Hemisphere Defense if Brazil becomes self-sufficient in petroleum.'

¹⁰³ Memorandum from Secretary of State Dulles to President Eisenhower, March 4 1953, John Foster Dulles, March 1953, Box No 1, Dulles-Herter Series, Whitman File, Eisenhower Library; Michael Weis, *Cold Warriors & Coup D'états* (1993) p 60-62

¹⁰⁴ Despite a dispute between the Departments of State and Defense (over the name of the military board and who should actually comprise the membership), eventually these problems were ironed out and the a proposal was put forwards. It would though founder in the face of opposition from the State Department. Memorandum from Robert Murphy the Acting Deputy Assistant Secretary of State to the Secretary of Defense Charles Wilson, October 12 1953, *FRUS 1952-1954 Volume IV* p 631; Michael Weis, *Cold Warriors and Coup D'états* (1993) p 61, 76-78

and Brazilian military is provided by the fact that whilst waiting for the Military Assistance Agreement to be ratified, US officials were already working with delegates within the Brazilian Armed Forces to implement the plan once the Brazilian Congress had agreed to it. Walter Walmsley, the American Charge in Brazil, reported that: 'although Brazilian promulgation completed only mid June, the US and Brazilian military groups had anticipated planning phases, designating Brazilian units for hemispheric defense, and making plans for their supply.'¹⁰⁵ There was a clear line of communication open between the Pentagon and their Brazilian counterparts irrespective of the status of the diplomatic relationship; it was this allegiance between the two militaries that gave the Eisenhower administration the security to implement their economic policies and to terminate the Joint Commission. As Vargas's political position continued to collapse in the wake of the Joint Commission's termination and continuing economic crises in Brazil, a State Department official speculated that: 'A coup d'etat by the Army would not seriously affect our interests...it would be unfortunate in principle...though our practical security objectives might even be enhanced.'¹⁰⁶ This strategy, though, assumed that any collapse of the Vargas administration would lead to the installation of a Military government. As we will see, this would not come to pass. Instead, a dangerous political vacuum would emerge that would threaten US interest; a situation that had been increasingly likely in the later stages of Vargas's presidency due to the fractured nature of the Brazilian political system and the intense tensions that the Brazilian leader was under.

END OF THE VARGAS ADMINISTRATION: THE COLLAPSE OF THE BRAZILIAN GOVERNMENT

¹⁰⁵ Telegram from the Charge in Brazil Walter Walmsley to the Department of State, July 16 1953, *FRUS 1952-1954 Volume IV* p 624-626

¹⁰⁶ Michael Weis, *Cold Warriors & Coup D'états* (1993) p 77; Weis also details how the support of the Armed Forces helped the US to obtain Brazilian support at the Caracas Conference in March 1954. Vargas had, apparently, been intending to pursue an anti-American position but the Armed Forces were able to force his hand

By the end of 1953, the bilateral relationship was severely strained due to the effect that the implementation of US policy had impacted upon US-Brazilian relations.¹⁰⁷ The administration's retraction of "special relationship" status from Brazil had been part of the US strategy of homogenising their approach towards Latin America. The termination of the Joint Commission, however, had been informed by US economic objectives.¹⁰⁸ President Vargas had, in attempting to bridge the divide between the idealism of liberal economic theory and firebrand Brazilian nationalism, staked a good deal of his political goodwill on the benefits to be found in a close relationship with the US.¹⁰⁹ Between December 1953 and the summer of 1954 the relationship between Washington and Rio collapsed as the Brazilian leader sought to stabilize the internal political situation in his country and the Eisenhower administration continued to adhere to the guidelines put forward in NSC 144/1.¹¹⁰ US officials had made the extension of foreign private investment, and the implementation of American economic principles, the primary aim of their policy in Brazil. As shown in this chapter, they terminated the Joint Economic Commission unilaterally and resisted Brazilian calls for increased levels of developmental funding. However, this approach was quite clearly having an adverse effect on the status of US-Brazilian relations, and the US was increasingly being put in a position whereby it was turning down Brazilian requests for aid and loan payments.¹¹¹

Walter Walmsley, the American Charge in Rio, outlined this problem to John Moors Cabot in September 1953 and informed him that: 'I agree that we should avoid being "propositioned with bigger and better Brazilian plans", and I think we can do so, but we can not expect to keep friends by blows.'¹¹² The Brazilian perspective was made

¹⁰⁷ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981)

¹⁰⁸ As 1953 drew to an end, a further dispute over the renewal of a rare materials agreement would impact further strain on the relationship between Rio and Washington. Memorandum from Walter Bedell Smith, the Acting Secretary of State to the Embassy in Brazil, September 17 1953, *FRUS 1952-1954 Volume IV* p 628

¹⁰⁹ Thomas Skidmore, *Politics in Brazil* (1967) p 93-136

¹¹⁰ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 615-6

¹¹¹ A striking example of this was the US response to Brazilian calls for a "new" Joint Brazil-US Economic Board. See: Memorandum by the Assistant State for Inter-American Affairs Henry Holland to the Acting Secretary of State, April 16 1954 *FRUS 1952-1954 Volume IV* p 650-1

¹¹² Letter from the Chargé in Rio, Walter N. Walmsley, to the Assistant Secretary of State for Inter-American Affairs, John Moors Cabot, September 24 1953. Folder – Brazil, Box No 1, Record Group 59,

clear to US officials by the newly appointed Brazilian Ambassador, Joao Carlos Muniz, who on presenting his letter of credence at the White House, stated:

The Latin American peoples also are traversing a critical period in the process of their history. My country, whose territory is set in the heart of South America, could not possibly avoid sensing all the anxieties, all the aspirations, all the exigencies of the Latin American conscience. The Latin American movement is characterized by the awakening of its peoples to the imperative necessity of attaining living standards on a par with their conception of the dignity of man. The struggle against poverty, against endemic diseases, against ignorance, constitutes the absorbing concern of the peoples of Latin America today...the crucial problem of the Latin American peoples today is that of economic development.¹¹³

Despite the ongoing problems in the bilateral relationship, Brazilian officials continued to request aid in raising social and economic standards in their country. The American response was to stress the importance of the Latin nations attaining more private investment. But a report compiled for the National Security Council suggested that the problem in funding Latin development was not an indigenous one; instead, it illustrated the fact that the majority of economic capital in Latin America came from domestic sources and that there needed to be an increase in the amount of capital invested by US firms in the region as for the last couple of years this figure had begun to decline.

Since World War Two total domestic and foreign investment in Latin America has averaged about \$7 billion annually, with domestic investment accounting for over 90% of the total...During 1952 US private direct investment in Latin America amounted to \$582 million, of which \$278 million represented net inflow of new capital and \$304 million undistributed subsidiary earnings. In 1953 estimated net inflow of new capital dropped to \$113 million...recent changes in the private investment climate appear to be

Entry 1131, Records for the Assistant Secretary of State for Inter-American Affairs, John M Cabot, Country File, Lot 56 D 13, National Archives, College Park, Maryland.

¹¹³ Translation of the Remarks of the Newly Appointed Brazilian Ambassador Joao Carlos Muniz upon the Occasion of the Presentation of his Letter of Credence, October 14 1953, Brazil (1), Box No 4, International Series, Whitman File, Eisenhower Library

generally unfavourable. An intense spirit of economic nationalism continues to operate against the desire and the need for development.¹¹⁴

The message contained in the report was clear: the rising level of economic nationalism in the region was having a serious effect on the level of US capital that was being invested in Latin America, which was only deepening the financial problems in the area.¹¹⁵ This problem was especially prevalent in Brazil, where the intense political and economic problems confronting the Vargas administration were not only increasing the level of instability but were also providing nationalist groups with an increasing level of popular support. A National Intelligence Report highlighted the growing political problem in Brazil, stating:

The political situation in Brazil is characterized by growing social unrest and increasing nationalism. The chief factors in this situation are (a) Brazil's sustained effort to maintain a high rate of economic development with the emphasis on industrialization; (b) the accompanying inflation and rapid urbanization, which have caused particular distress among urban lower income groups; (c) Brazil's failure to obtain from the US the amount of financial assistance to which it feels entitled. These conditions facilitate ultranationalist and Communist agitation.¹¹⁶

We can discern, from the evidence presented, that US efforts at pursuing their economic agenda in Brazil had provided the catalyst for a serious deterioration of internal political and economic stability. Although Vargas was, to a large extent, responsible for the shape of the Brazilian polity by 1954, the policies pursued the Eisenhower administration had exacerbated those tensions that were already apparent within the Brazilian political structure.¹¹⁷ As a result, nationalist and communist support was increasing. This was a direct threat to Washington's strategic interests. The more

¹¹⁴ NSC 5407 Report Prepared for the National Security Council, February 17 1954, *FRUS 1952-1954 Volume IV* p 208-217

¹¹⁵ This analysis agrees with the argument put forward by James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) and Matthew Loayza, "An Aladdin's Lamp for Free Enterprise" (2003)

¹¹⁶ NIE-86, National Intelligence Estimate, 'Probable Developments In Brazil, December 4 1953, *FRUS 1952-1954 Volume IV* p 633-646

¹¹⁷ Robert Levine, *Father of the Poor?* (1998); Thomas Skidmore, *Politics in Brazil* (1967); Joseph Smith, *A History of Brazil* (2005)

vocal Brazilian nationalism became, the more chance there was of US credibility being undermined, which in the Manichean worldview being used by US officials became a boost for the Soviet Union. Furthermore, the climate for attracting foreign investment was also under threat. The Intelligence Report continued to say that, 'substantial foreign private investment is precluded by the prevalent nationalistic attitude toward such investment and by the uncertain economic outlook.'¹¹⁸ By the spring of 1954, events in Brazil were trapped in a relentless circle: the deteriorating economic situation required increased levels of capital investment, but the growing nationalist forces in Brazil prevented President Vargas from enacting the legislation needed to take such a step; the Brazilian military began to oppose Vargas's rule more stridently, further preventing him from altering his policies; and, with US policy continuing to ignore Brazilian objectives, Vargas took a fateful step to the 'left' and away from the US.¹¹⁹ In pursuing the aims laid down in NSC 144/1, the Eisenhower administration had exacerbated the problems that were so apparent within the Brazilian polity. The Brazilian leader had staked a great deal of political capital on a close relationship with the US and, as Washington terminated the Joint Commission and refused Brazilian requests for balance of payments loans and EXIM Bank funding, Vargas's position became increasingly difficult. In an effort to regain some popular support he moved away from the US and pursued a more nationalistic policy agenda.¹²⁰

Although these efforts had a negative impact on US-Brazilian relations, they were not enough to save Vargas's political position. The rancour that had emerged in the wake of the US decision to terminate the Joint Commission and the continuing problem of Brazilian economic disarray had taken hold of Brazilian political circles. The crisis deepened when the middle-class became enraged by Vargas's decision to issue a 100

¹¹⁸ NIE-86, National Intelligence Estimate, 'Probable Developments In Brazil, December 4 1953, *FRUS 1952-1954 Volume IV* p 633-646

¹¹⁹ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981)

¹²⁰ These efforts included implementing a more nationalistic economic policy and forming a state-run petroleum company, *Petrobras*, a move which directly opposed US aims to expand foreign private investment in the region. Further problems in the bilateral relationship were encountered with respect to Brazilian loan requests and through a new willingness to pursue an independent approach at the United Nations. See: Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 72-77; Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 616

percent rise in the minimum wage, and the situation came to a head in August 1954 when Carlos Lacerda, a newspaper editor and powerful anti-administration spokesman, was wounded by a group of Vargas's bodyguards. Opponents in the Brazilian Congress began calling for the president's resignation, and although the would-be-assassin was apprehended and tried, Vargas was to be held responsible. The Brazilian Military chose this moment to denounce Vargas's presidency. On August 23, more than thirty generals signed a manifesto calling for Vargas's resignation.¹²¹ After initially agreeing to take a leave of absence, Vargas instead committed suicide in the early hours of August 24. His death left a political vacuum in Brazil, as the next presidential elections were not scheduled until 1955. US officials had assumed that in the event of Vargas falling from power then the Brazilian military would form a new government, but this did not happen; instead, an interim administration would take office and the Eisenhower administration would be faced with the challenge of pursuing their aims with what was effectively a "lame-duck" government.

CONCLUSION

In this chapter we have identified the impact that the Eisenhower administration's reshaped global and regional policies had on US-Brazilian relations. As we have seen, the administration consciously decided to prioritise the implementation of its economic programme in Brazil. After taking over from Harry Truman, the Eisenhower administration quickly began to integrate its own brand of fiscal conservatism and economic development along traditional capitalist lines as being the major element behind its approach toward economic relations with Brazil: despite being ideologically compatible with pre-existing US aims with respect to achieving economic preponderance

¹²¹ The Manifesto said: 'considering that the criminal inquiry has brought to light ample corruption in circles closest to the President of the Republic...considering that these facts compromise the moral authority that is indispensable for the President of the Republic to exercise his mandate' and 'considering that the extended actual political crisis is causing the country irreparable damages in the economic area and could possibly end in serious internal commotions...the signatories below, generals of the army, conscious of their duties...feel that the best path to calm the people is the resignation of the President of the Republic' Manifesto to the Brazilian People, August 23 1954, Taken From: Jordan M. Young, *Brazil: End of a Civilian Cycle* (USA: Facts on File, 1972) p 15-16; Michael Weis, *Cold Warriors and Coup D'Etats* (1993) p78; Robert Levine, *Father of the Poor?* (1998) p 87-9; Thomas Skidmore, *Politics in Brazil* (1967) p 122-143

and constructing a flourishing economic world-system, this approach was wholly at odds with the aims and desires of the Brazilian government. Identifying this leads us to ask an important question: why did the US implement a policy approach that was so deeply unpopular with the Brazilians?

There are two possible answers. Firstly, it could be argued that the Eisenhower administration's approach was in keeping with the president's ideas on global containment and that by imposing US economic principles (such as foreign direct investment) on Brazil he was safeguarding it from slipping out of the capitalist orbit. Secondly, and in direct contrast to the first solution, it could equally be argued that the administration was acting in accordance with long-held economic objectives in Latin America; a set of objectives that – as we saw in the Introduction to this thesis – had been sharpened into a global strategy by the situation facing the United States at the end of World War Two. There is some merit in the first answer: Eisenhower did indeed see the extension of American economic principles as a bulwark against communist expansion. But, in the same way that the US was content to support undemocratic regimes in the region when it suited their strategic aims, it seems logical to suggest that had they been pursuing a predominantly strategic approach that they would have been flexible enough to adapt this policy once it became clear just how unpopular it was proving to be in Brazil. Therefore, we need to take the second answer into consideration: the lack of flexibility in US policy is instructive, and cannot be solely apportioned to Eisenhower's fiscal conservatism. Instead, we need to accept that there was clearly more behind the advocacy of Washington's economic approach than national security concerns. Rather than adopting the position that the administration misread the situation in Brazil, from the evidence presented it is evident that US officials had a clearly conceived idea of the program they wanted to implement: that was a return to basic US economic ideals that had been outlined by officials in the Roosevelt administration from 1943 onwards. The fact that this approach ran so contrary to US national security interests – as suggested in NSC 144/1 and outlined in Chapter One – strongly indicates that there was clearly more than one element underpinning US policy. As this chapter has demonstrated, in pursuing

their economic interests with such determination, the Eisenhower administration severely undermined its strategic interests in Brazil.

In order to offer a solution as to how US policy came to be undermining its objectives in differing spheres, it is necessary to view their pursuit of economic expansion and their pursuit of Cold War national security aims as separate objectives. The impact that this had on US policy in Brazil has been demonstrated throughout this chapter. By the autumn of 1954, Vargas' death had left a sizeable political vacuum in Brazil; one that would not, constitutionally at least, be filled until January 1956. US policy in the economic sphere had accelerated the disintegration of Vargas's power base as Brazil was hit by continual economic crises and major political instability. Even the man who had dominated politics in Brazil since 1930 could not remedy the set of circumstances that confronted him by February, 1954.¹²² The administration's aim of suppressing Latin nationalism and eradicating any overt anti-Americanism from the region was reliant upon hemispheric stability in both the political and economic spheres: their decision to make economic objectives a priority in Brazil had, in effect, negated their security aims and directly threatened the stability of the region. Chapters Three and Four will chart the evolution of US policy in the period between 1954 and the spring of 1958 – a period defined by a significant move in the nature of the Cold War. As the twin aims of US policy continued to clash, the evolving debate within the administration as to how to reshape their foreign policy in order to deal with the "new" phase in the Cold War began to impact significant changes on US-Latin relations.¹²³ The advent of a more assertive Soviet foreign policy would force the administration to give more emphasis in their policy to meeting their national security objectives; however, their success in this would be consistently hindered by their strict adherence to prevailing economic objectives.

¹²² Joseph Smith, *A History of Brazil* (2002); Thomas Skidmore, *Politics in Brazil* (1967)

¹²³ The most immediate example of this will come in the following chapter with an analysis of the Rio Economic Conference and the impact that this had on the US position in the region

CHAPTER 3: US-LATIN AMERICAN RELATIONS 1954-1958 “A CHANGE IN CONTEXT”

INTRODUCTION:

In 1956, the Soviet Union made a concerted effort to expand its economic and diplomatic relations in Latin America. This caused the Eisenhower administration to reassess its policy in the region, bringing about a rethink in US strategy and a significant shift towards trying to shore-up their security objectives in the area. This shift was part of a wider trend within global affairs, which saw the focus of the Cold War move away from the European mainland towards the less-developed areas of the world.¹ This chapter will identify the major changes in the global situation and assess what impact this had on US strategy, before going on to illustrate the effect it had on US policy in Latin America. What will become apparent is that the focus of US officials in Latin America would become increasingly directed towards strategic concerns. However, despite this, and in keeping with the central argument of this thesis, we will see that US policy in the region continued to be dominated by two separate objectives: economic expansion and meeting the administration's security objectives.²

Therefore, the basic goal of this chapter is to answer the following question: Why, when US officials were making a concerted attempt to repair their standing in Latin America, did they fail to instigate a change in their economic policy? In answering this question it will be made clear that there was, indeed, two separate aims underpinning the administration's approach and that the tension between these aims were increasingly undermining the US position in the region. This argument will be supported in Chapter

¹ See: Kenneth Osgood, *Total Cold War: Eisenhower's Secret Propaganda Battle at Home and Abroad* (Lawrence, Kansas: University of Kansas Press, 2006); Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of our Times* (Cambridge, UK: Cambridge University Press, 2005); Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman and Littlefield, 2006)

² The role of ideological constructs in US policy is explored more thoroughly in: Michael Hunt, *Ideology in US Foreign Policy* (New Haven: Yale University Press, 1987); David Ryan, *US Foreign Policy in World History* (London: Routledge, 2000)

Four, which will look at US-Brazilian relations in the same period: what will emerge there is that as they did regionally, the Eisenhower administration would attempt to cultivate an improved relationship with the Brazilian government in order to shore up their strategic position. However, this would be undermined by the impact that US economic policy had on the bilateral relationship; by the start of 1958, disagreements over economic policy had caused the bilateral relationship to reach its lowest point since 1945.

This phase in US-Latin American relations has often been played down by scholars. The reason for this is that it is the period in-between the cases of US intervention in Guatemala in 1954 and the crises in US-Latin relations that emerged at the end of the decade. This chapter will argue that it is, in fact, an important period in charting the evolution of US-Latin relations in the Eisenhower era. For it not only illustrates the evolution of US policy in the second phase of the Cold War, but also, starkly demonstrates the deepening tension between strategic objectives and economic principles within the US approach. The focus of US policy in Latin America would shift significantly, as Washington's national security interests became a much more prominent theme in US-Latin relations. This occurred for two reasons. Firstly, the change in the dynamic of the relationship between Washington and Moscow and the subsequent shift in the focus of the Cold War from the core to the periphery; and secondly, due to the fact that the USSR attempted to increase its diplomatic and trade relationships with the countries of the region, thus undermining the US position, and forcing US officials to re-examine their stance towards the Latin nations.

Neither the Traditional nor the Revisionist schools of thought provide satisfactory explanations for the inconsistencies within US policy in Latin America at this time, and both schools understate the importance of this period when seeking to understand US-Latin relations.³ Although James Siekmeier establishes the link between the

³ For the Traditionalist view see: Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism & Latin America* (Chapel Hill: University of North Carolina, 1988); Gaddis Smith, *The Last Years of the Monroe Doctrine, 1945-1993* (New York: Hill and Wang, 1994); Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000). For the

administration's global policy and its changing approach in Latin America, he does not interrogate the administration's national security agenda in enough detail.⁴ More importantly, both schools fail to address the following pertinent questions: why did the administration persist in adopting an inflexible stance with regard to its economic policy when this was certain to inflame Latin nationalism? And, why did the administration adopt the position it did at the Buenos Aires Economic Conference in 1957 when a growing number of US officials strongly recommended a change in approach? This chapter will provide an answer to both of those questions. In doing so it will demonstrate that despite the change in circumstances surrounding US policy in Latin America, the major characteristics of the administration's approach would, in fact, remain the same; it was the balance between their economic and security aims that had altered, with security considerations now becoming more prominent. This did not, though, mean that economic aims were ignored: on the contrary, the administration's economic agenda would continue to be a highly important part of US strategy in the region. Highlighting the incompatibility of these two aims will be the major theme of this chapter. The first task is to outline the changes in the global shape of the Cold War and draw out the major elements that this impacted upon the US approach towards the world's under-developed areas; once this is established, we will be able to analyse the affect that it had on US-Latin American relations.⁵

Revisionist view see: James Siekmeier, *Aid, Nationalism, and Inter-American Relations: Guatemala, Bolivia, and the United States 1945-1961* (New York: The Edward Mellen Press, 1999); Walter LaFeber, *Inevitable Revolutions: The United States in Central America* (New York: W.W. Norton & Company, 1983) Second Edition 1994; Matthew Loayza, "An Aladdin's Lamp for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-1961" *Diplomacy and Statecraft* (Volume 14, No 3, September 2003)

⁴ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) Chapters 6 & 7

⁵ For information on the changing role of economic aid in the Eisenhower administration's foreign policies during this period, see: Burton Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (Baltimore: John Hopkins University Press, 1982); Oscar Calvo-Gonzalez, "Neither a Carrot nor a Stick: American Foreign Aid and Economic Policymaking in Spain During the 1950s" in *Diplomatic History* (Volume 30, No 3, June 2006); Michael Adamson, "'The Most Important Single Aspect of our Foreign Policy?': The Eisenhower Administration, Foreign Aid, and the Third World" in Kathryn Statler and Andrew Johns (eds) *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006)

A SHIFTING PARADIGM: THE SECOND PHASE OF THE COLD WAR & THE RISE OF THE THIRD WORLD

Between 1954 and 1956 the focus of the Cold War shifted noticeably from the European mainland to those areas of the world that made up the periphery.⁶ This change in dynamic came about for three reasons. Firstly, the relative economic and political stabilisation of Western Europe meant that US officials could look towards achieving their aims in those areas that were outside of the core economic nations⁷; secondly, the reduction in the technological and nuclear gap between the US and the Soviet Union meant that the risk of direct confrontation in Europe began to recede; and thirdly, a new era in Soviet foreign policy began to impact a change on US-Soviet relations, as Moscow began to implement a more expansive foreign policy than that which had characterised the Stalinist era. Nikita Khrushchev's eventual rise to power impacted a significant change on US-Soviet relations.⁸ Although Stalin had expanded Soviet control over Eastern Europe, and provided support to both China and North Korea, he had not made any concerted attempt to build economic or diplomatic relations with any nations outside of the direct Soviet sphere of influence.⁹ However, his successors (especially Khrushchev) sought to expand the Soviet Union's influence on the world-stage. This change in the US-Soviet relationship brought about a change in American strategy. A paper prepared within the Department of State, commenting upon the policy paper NSC 5501¹⁰ in October 1955, commented that,

⁶ Obviously Europe remained a vitally important area for US officials, but in the 1950s there was a dramatic widening of the scope of US-Soviet tensions; moving firmly away from Europe to areas like Asia, Latin America, Africa etc

⁷ By the mid-1950s, the economic and political situation in Europe had stabilised: the initial threat of economic instability had been staved off and the possibility of a growth in the number of socialist governments in the region had been averted. For information on this period, see: Michael Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State 1945-1954* (Cambridge, United Kingdom: Cambridge University Press, 1998); Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, California: Stanford University Press, 1992)

⁸ Khrushchev's accession to power in the Kremlin was not immediate: Stalin was, at first, replaced by Malenkov, before Bulganin and Khrushchev came to prominence, before, finally, Khrushchev assumed power for himself in 1956. see: William Taubman, *Khrushchev: The Man, His Era* (USA: Free Press, 2003)

⁹ Eastern Europe or the Communist Bloc

¹⁰ NSC 5501 implemented on January 7 1955 was a basic National Security Policy document detailing how the US should act towards the USSR. NSC 5501, Basic National Security Policy, January 7 1955, *Foreign*

The underlying concepts of NSC 5501 were designed for a world situation in which flexibility had just begun to mark Soviet policy, in which the requirements of free world strength and cohesion had begun to shift from safeguards against imminent aggression to preparations for long-term competition, and in which the US had begun to ready itself for the possibility of negotiations with Soviet-Communist power...the coming period seems likely to be characterized by decreasing fear of overt Soviet aggression...full exercise of Soviet-Communist diplomatic resource; and by prolonged negotiations with the USSR, and possibly Communist China.¹¹

As Joseph Noguee and Robert Donaldson point out the shift in Soviet policy came about due to a number of key factors of both an internal and an external nature. 'New leadership brought to Soviet Foreign policy a capacity to adapt to new opportunities and a flexibility such as had not been seen in Moscow for some time,' they write. This, however, brought its own problems: 'Ultimately the Soviet aspiration for superpower status, strategic superiority over the West, and undisputed leadership in the [Communist] bloc would tempt its leadership to court greater risks than had the more dogmatic but also more cautious Stalinist regime.'¹² In addition to this, though, the new Soviet leadership also had to contend with the continued challenge of Mao Zedong's China for leadership of the Soviet bloc¹³, the continuing power struggle within the Politburo that would finally end with Khrushchev's accession to power in 1956, and the need to reassert Soviet authority in Eastern Europe following the outbreak of nationalist revolt in 1956 in the period following Khrushchev's "Secret Speech".¹⁴

Relations of the United States 1955-1957 Volume XIX National Security Policy (Washington: United States Government Printing Office, 1990) p 24-38

¹¹ Paper Prepared in the Department of State, "Department of State General Comments on NSC 5501", October 3 1955, *FRUS 1955-1957 Volume XIX* p 123-125

¹² Joseph Noguee and Robert Donaldson, *Soviet Foreign Policy Since World War Two* (Oxford: Pergamon Press, 1984) Second Edition 1985 p 102-4

¹³ For information on this see: Dmitri Volkogonov, *The Rise and Fall of the Soviet Empire: Political Leaders from Lenin to Gorbachev* (London: HarperCollins Publishers, 1999) p 230-4; Jung Chang and Jon Halliday, *Mao: The Unknown Story* (London: Jonathon Cape, 2005) p 421-433; Joseph Noguee and Robert Donaldson (1985) p 222-8; William Taubman, *Khrushchev* (2003) p 335-342

¹⁴ At the Twentieth Party Congress in February 1956, Khrushchev made a dramatic break with Stalin by denouncing the former leader's rule in a secret speech to party members: although this was supposed to stay secret, news quickly filtered out and began a process of rising independence in the Soviet bloc; a process most notable in Poland and Hungary. See: Joseph Noguee and Robert Donaldson, *Soviet Foreign Policy* (1985) p 215-222; William Taubman, *Khrushchev* (2003) p 171; Stephen Ambrose, *Rise to Globalism* (1998) p 155; Saki Dockrill, *Eisenhower's New Look National Security Policy* (1995) p 158; Dmitri Volkogonov, *The Rise and Fall of the Soviet Empire: Political Leaders from Lenin to Gorbachev*

As a result of all these varying factors, Soviet foreign policy became much more assertive, much more expansive and much less insular than it had been under Stalin. The most obvious example of this is Moscow's attempt to expand its influence in the Third World (most evidently in India and Egypt).¹⁵ The impact on the US was to usher in a more considered form of approach toward the USSR. As Secretary of State John Foster Dulles said in May 1955: 'we must explore carefully the possibilities that there may be some way forward toward just solutions of the problems that now cause tensions between the Soviets and the free world...The recent Soviet activities give us some reason for hope that progress may be made.'¹⁶

With both Soviet policy and the focus of US officials moving increasingly toward the Third World, the priority aim for the US switched toward ensuring that the 'Open Door' remained open¹⁷, and in being seen to be preventing any perceived Soviet (or communist) successes in expanding their influence. As David Ryan writes: 'The rise of US power in the post-Second World War period and the proliferation of nation-states within a bipolar context necessitated a formula that could ensure the preservation of the Open Door, the promise of modernity and material progress, and national security.'¹⁸ This shift to the periphery, though, coincided with a dramatic increase in nationalist sentiment within those newly formed nations in the Third World.¹⁹ This secondary phase

(London: HarperCollins Publishers, 1999); Robert Service, *A History of Twentieth Century Russia* (London: Penguin Books, 1997) p 338-341

¹⁵ Joseph Nogee and Robert Donaldson, *Soviet Foreign Policy* p 147-159

¹⁶ Outline for a Speech by the Secretary of State John Foster Dulles, May 19 1955, *FRUS 1955-1957 Volume XLIX* p 79-81

¹⁷ The Open Door is, of course, a reference to President McKinley's issuing of the Open Door Notes to China in 1898, which ensured that China remained economically "open" for the US in the face of Western Imperialism. See: Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (USA: Penguin Books, 2003) p 44, 259-261; Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (USA: Fontana Press, 1988) (1988) p 314; Michael Hunt, *Ideology and US Foreign Policy* New Haven: Yale University Press, 1987); Walter LaFeber, *The American Age: US Foreign Policy at Home and Abroad 1750 to the Present* (New York: W.W. Norton & Company, 1989) Second Edition 1994

¹⁸ David Ryan, *US Foreign Policy in World History* (2000) p 156-7

¹⁹ As Thomas McCormick notes: 'Worldwide, India's Nehru, Egypt's Nasser, and Yugoslavia's Tito collectively tried to make the periphery neutral in the Russo-American Cold War. They sought a "Third World" that would be tied to neither side but committed to the primacy of its own development and well-being. At the very moment at which the United States put such great store on stability in the periphery, much of the periphery seemed committed to a rapid, destabilizing alteration of the status quo. At the very

of the Cold War – the move away from the core economic countries towards those on the periphery – was, by 1955, inevitable.²⁰ These newly independent nations aimed to secure their own stability and future prosperity. The major issue for US officials was in ensuring that these nations were incorporated into the American-led economic world-order. However, in attempting to achieve this, the US would have to counter not just nationalist and neutralist sentiment in the Third World, but also the increasing presence on the world economic and political stage of the Soviet Union.²¹ This naturally heightened security considerations amongst US officials and, as we shall see in the case of Latin America, it caused them to incorporate the national security framework much more heavily into their policy deliberations. In Chapter Four, we will see that the same was also true in Brazil as the Eisenhower administration would attempt to bolster its relationship with the Brazilian government and shore up its strategic aims.

The major impact that this move toward the Third World had on US policy is that it added more impetus to the administration's reappraisal of its policy towards those regions of the world. Although Soviet foreign policy would have a major impact on the US approach towards the Third World, it was not the sole determinant in seeking to

point when the top American priority was to integrate the periphery more systematically into the process of rehabilitating core economies, much of the periphery seemed inclined to withdraw one foot or both from the world-system, or at least wanted to renegotiate the periphery's role within it.' Thomas McCormick (1995) p 118

²⁰ Paul Kennedy writes: 'The second main feature of the Cold War, its steady *lateral* escalation from Europe itself into the rest of the world was hardly surprising...the war had caused immense social and political turbulence, from the Balkans to the East Indies; and even in countries not directly overrun by invading armies, the mobilization of manpower, resources, and *ideas* had led to profound changes. Traditional social orders lay smashed, colonial regimes had been discredited, underground nationalist parties had flourished, and resistance movements had grown up, committed not only to military victory but also to political transformation.' Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (USA: Fontana Press, 1988) p 489-90; Similarly, Marc Selverstone has argued that, 'The ideological battle between capitalism and communism intensified in the post-war world as East and West sought to win political allies, and continued to rage during the 1950s and 1960s amid efforts to shape the economic and political futures of the developing world' Marc Selverstone, "The Past is More than Prologue: Reflections on the Cold War and the War on Terror", *Passport* (Volume 37, Issue 1, April 2006) p 4

²¹ Indeed, from this moment on the "waging" of the Cold War would quite obviously be removed to the periphery. There were, of course, obvious flashpoints within Europe --- Berlin etc --- but, in the main, it would be those areas of the world outside of the European mainland that would come to dominate US foreign policy. Examples of this are: South-East Asia, the Middle East, Africa, Latin America, China. For information on the 'shift' to the periphery and for further explanation of events in the Middle East, South-East Asia and China, see: Saki Dockrill, *Eisenhower's New Look National Security Policy* (1995); Stephen Ambrose, *Rise to Globalism* (1997); Richard Immerman eds, *John Foster Dulles and the Diplomacy of the Cold War* (Princeton, New Jersey: Princeton University Press, 1990)

explain the change in US strategy that would occur in the mid-1950s: in fact, as we have seen, the importance of the Third World had been recognised by US officials since the final days of World War Two.²² James Siekmeier supports this point, writing:

Seven months before he entered office, President Eisenhower wrote to Dulles, “the minimal requirement [for US foreign policy]...is that we are able to trade freely, in spite of anything Russia may do, with those areas of the world that are necessary to the health, strength, and development of our economy”...US officials thought that even without the threat from its primary Cold-War rival, the Soviet Union, the United States faced problems in its policy toward the non-industrialized nations of the world. Washington officials feared that the populous Third World would develop autarkically, outside of the economic orbit of the industrialized nations. The raw materials and potential markets of the non-industrialized world might then be out of reach of the United States.²³

Now, however, with a change in Soviet policy and the more stable situation in Europe, the context of US policy toward the Third World had changed (This will be even more evident in Chapter Five as the shift to the periphery became far more definitive and exerted a greater influence over US policy). US officials were deeply concerned about the problems posed by the rapidly increasing phenomenon of Third World nationalism.²⁴ As highlighted in Chapter One, US officials were highly critical of any form of nationalism that potentially withdrew that nation from the American economic system. This had been an important part of US economic strategy since 1945: by 1956, this process had been given an added level of importance by the emergence of a new Soviet foreign policy.

²² Burton Kaufman states, ‘the Soviet economic offensive in the Third World was by no means solely responsible for the United States’ re-examination of its foreign aid program.’ Burton Kaufman, *Trade & Aid* (1982) p 73

²³ James Siekmeier, *Aid, Nationalism, and Inter-American Relation* (1999) p 254-5

²⁴ Gaddis and David Ryan disagree over the US conception of the threat posed by Third World nationalism: Gaddis says it was tolerated as ‘long as it took truly independent [or non-communist forms]’, whilst David Ryan argues that: ‘Washington tolerated nationalism if it was confined to political self-determination...autarky diminished the sphere of the global economy, questioned the certainty of the preferred model of development, and questioned the credibility and prestige of the US civilisation.’ John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Post-War American National Security Policy* (New York: Oxford University Press, 1982) p 177; David Ryan, *US Foreign Policy in World History* (2000) p 155

Since coming to office in 1953 there had been a steadily increasing call within the administration to rethink US strategy in Latin America. Officials such as Milton Eisenhower and Harold Stassen did not believe that the existing policy was fostering the kind of economic development that best suited American aims. By 1955, though, this was not just a matter of economic importance; the willingness of the Soviet leadership to compete for the “hearts and minds” of the Third World, meant that US policy in these areas was now inextricably linked to the bipolar framework.²⁵ Again, though, it is important to reiterate that national security did not simply mean anti-communist or anti-Soviet; instead, it meant taking action against any event or regime that undermined US credibility or threatened the supremacy of the American system.

In focusing their attentions on national security issues during the mid-1950s, the Eisenhower administration would be seeking to re-assert their hegemony and secure their dominance against possible Soviet or nationalist incursion. However, their attempts to achieve this would be consistently constrained and, indeed, undermined, by their continued adherence to basic US economic principles. The resultant and deepening tension between these two objectives would cause the US position in Latin America to seriously deteriorate. The impact that this trend would have on US policy can be most strongly identified with regard to the administration’s approach in Latin America. As the rest of this chapter will illustrate, the period between the fall of 1954 and the spring of 1958 would see the Eisenhower administration attempting to define a policy approach that would quell Latin nationalist and anti-American sentiment and simultaneously meet traditional economic aims regarding the spread of “free trade, free investment and free capital.” In continuing to adhere to these economic principles, the Eisenhower administration would need to attempt to balance its foreign economic goals with those pressures being placed upon it by Congress. Indeed, in 1955 and 1956 the administration would face calls for increased protectionist policies to protect American goods and have to adopt a conciliatory approach toward a number of cases which actually ‘contravened the principles of free trade.’ In the period covered by this chapter, some elements of

²⁵ See: Kenneth Osgood, *Total Cold War* (2006); Kathryn Statler and Andrew Johns, *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006)

American society would actually attack the Eisenhower administration for its approach toward the principles of liberal capitalism. However, as we shall see, with regard to foreign economic policy – the principles of liberal capitalism would continue to lie at the heart of the administration’s approach.²⁶

US POLICY IN LATIN AMERICA 1954-1958: THE HISTORIOGRAPHICAL PERSPECTIVE

As stated earlier, academic appraisal of this period of US-Latin relations has tended to downplay the importance of the era in any analysis of US policy. This is especially true of the Traditionalist school. They see the period as sitting between the two main supporting incidents of their Cold War synthesis – US intervention in Guatemala in 1954 and the rise of Castroism in Cuba in early 1959. Gaddis Smith writes that following the overthrow of Arbenz, ‘no other Latin American government for four years after 1954 imitated the Arbenz regime’s toleration of the left, and official Washington could find no cause for alarm...President Eisenhower and Secretary of State Dulles paid no attention to Latin America.’²⁷ Stephen Rabe agrees, commenting that: ‘During the mid-1950s, the policies the Eisenhower administration “deemed appropriate” for preventing communism in Latin America included befriending dictators and belittling economic nationalism...these anti-Communist policies achieved the administration’s primary foreign policy goal for Latin America.’²⁸ By opting to view US-Latin American relations solely within a bipolar framework the Traditionalist school focuses too heavily on the Guatemalan and Cuban case studies. As a result, the importance of events in the mid-

²⁶ Burton Kaufman, *Trade & Aid* (1982) p 74-95; Michael Adamson, “The Most Important Single Aspect of Our Foreign Policy?” in Kathryn Statler and Andrew Johns, *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006)

²⁷ Gaddis Smith, *The Last Years of the Monroe Doctrine 1945-1993* (New York: Hill and Wang, 1994) p 88

²⁸ Stephen Rabe, *Eisenhower* (1988) p 99; Schoultz makes a similar point, writing ‘absorbed by events elsewhere, a large nation did what it wanted, and its small neighbors accepted what they could not avoid’, Lars Schoultz, *Beneath the United States: A History of US Policy Toward Latin America* (Cambridge, Massachusetts: Harvard University Press, 1998) p340; Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1899* (Wilmington, Delaware: Scholarly Resources Inc, 2000) p 150-160; Joseph Smith, *The United States and Latin America: A History of American Diplomacy, 1776-2000* (London: Routledge, 2005) p 122-127; Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974)

1950s is overlooked. Although the changes in US policy at the end of the 1950s are addressed, they are considered to have been motivated and informed by immediate strategic considerations.

The Revisionist school does give more attention to this period, however. James Siekmeier places a great deal of emphasis on the change that emerged within US economic policy in the 1956-58 period, seeing it as being vital in his attempts to demonstrate the administration's goal of defeating economic nationalism. 'Prodded by economic and political problems in Latin America, US officials would, starting in 1957, begin to go to much greater lengths to promote economic growth, political stability, and pro-United States regimes in the region. US officials feared that if they did not act quickly in this regard, nationalistic governments might spring up in the area, endangering the inter-American system,' writes Siekmeier.²⁹ Walter LaFeber makes a similar point, stating:

The problem, as the administration admitted in a 1954 report, was that its policy was trapped in an unrelenting cycle: Latin America could develop only if politically stable, but economic underdevelopment brought about *golpes* and instability. Private investors understandably remained leery, unless, of course, they could move into such quickly profitable areas as minerals and agricultural exports...Before 1957 Eisenhower thought he could trust in dictators, private investors, and the CIA, but the dictators and investors had failed to develop economic and political systems. The CIA had proved only that it could overthrow, not create, an ongoing government.³⁰

LaFeber argues that the administration's policy before 1957 had been predicated on the idea that by supporting Latin dictators, expanding the role of foreign private investment and hoping that the CIA could overthrow any regime that sought to withdraw from or challenge the American system, they would be able to control the region. By 1957, US officials were beginning to recognise that this approach had not worked. Both Siekmeier and LaFeber highlight the period between 1956 and 1958 as being the vital time in the change in the administration's economic policy. Rabe, however, disagrees stating that,

²⁹ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 289

³⁰ Walter LaFeber, *Inevitable Revolutions: The United States in Central America* (New York: W.W. Norton, 1984) Second Edition 1993, p128-138

'because it was winning the Cold War in Latin America, the Eisenhower administration saw little need to refashion its foreign economic policies.'³¹ The cause of these divergent opinions is that neither school of thought goes far enough in their interrogation of the administration's policies.

In contrast to the arguments put forward by the predominant schools of thought, this chapter will argue that, in fact, the Soviet Economic Offensive was an important moment in the narrative of US-Latin relations in the 1950s. This idea becomes more substantial when adopted alongside the earlier section detailing the change in Soviet foreign policy and the increasing shift toward the Third World in the Cold War. And as we will see in Chapter Four, US policy toward Brazil would also be characterised by the shift engendered by the Soviet Economic Offensive. In the remainder of this chapter, it will become evident that there were two major consequences of the Soviet Economic Offensive in Latin America: Firstly, as Siekmeier and LaFeber argue, there was, indeed, a *slight* change in Washington's economic approach, with the EXIM Bank initiating more loans and the administration demonstrating a willingness to possibly discuss the implementation of commodity agreements. This, however, would only represent a moderate change in US economic policy and certainly did not alter basic US economic principles. Secondly, and of far more importance, is the fact that from January 1956 onward, US officials began to increasingly view events in Latin America from a national security perspective. The Soviet offer of economic aid to the Latin nations raised the possibility amongst US officials that they might be seen to be "losing" the Cold War in Latin America; a shift that would directly challenge American hegemony in the region, which was of special importance due to the fact that Eisenhower was seeking re-election in the autumn. Therefore, in an effort to counter this threat, much more emphasis was attached to achieving US strategic aims in the region, with a new policy document – NSC 5613/1 – implementing a policy that focused heavily on military assistance policy as a way of boosting the US position in the region and eradicating any threat of Soviet influence.

³¹ Stephen Rabe, *Eisenhower* (1988) p 92

As we will see, however, the major problem with this approach was that it was out of touch with events in Latin America: the need for increased economic assistance continued to dominate the agendas of the Latin nations in their dealings with the US, and the Eisenhower administration's continued refusal to change the basic tenets and objectives of its economic policy meant that Latin nationalism continued to increase dramatically.³² The result would be the events of the Nixon trip in April and May 1958, when the US came to realise that their attempts to repair their position in the wake of the Soviet Economic Offensive had failed comprehensively. In Chapter Four we will see this pattern repeated with regard to US policy toward Brazil. There the administration would attempt to form a strong working relationship with the new government in an effort to be able to successfully conclude pressing military agreements and to boost the levels of US support in the region; however, the focus of the Brazilian government would be on bringing about a change in US economic policy – a dichotomy that made conflict inevitable.

REAFFIRMING THE SYSTEM: THE RIO DE JANEIRO ECONOMIC CONFERENCE

In obtaining an anti-Communist resolution at the Caracas Conference in March 1954, Foster Dulles had been forced to agree to American participation at a specially convened economic conference.³³ Dulles had been acting in accordance with US national security objectives.³⁴ But at the Rio de Janeiro Economic Conference in November, it would be the administration's economic aims that would determine their approach. Understanding this point is crucial in determining the intentions of US officials at Rio. What is clear is that US officials were pessimistic about the Conference. Siekmeier writes, 'the United States faced the unenviable prospect of another economic summit

³² Those changes outlined by Siekmeier and LaFeber did not bring about a change in basic US economic principles such as development being funded predominantly by foreign private investment

³³ US officials had been attempting to put off an intra-hemispheric economic conference since the end of World War Two. See: Stephen Rabe, "The Elusive Conference: United States Economic Relations with Latin America, 1945-1952" in *Diplomatic History* (Summer 1978) pp 279-294; Stephen Rabe, *Eisenhower* (1988) p 15-19

³⁴ As shown in Chapter One, the US position at Caracas was being informed by their national security agenda with respect to Arbenz and Guatemala; Dulles' promise was made with little regard for US economic objectives

with Western Hemisphere leaders...these meetings were unpleasant experiences for US leaders because Latin American delegations invariably made demands for changes in economic foreign policy that Washington refused to accommodate.³⁵ Stephen Rabe expands on this, stating: 'the Eisenhower administration faced the "evil day" of discussing economic issues with Latin Americans and making good on the promises Secretary Dulles had made at Caracas.' 'For a time, Dulles and Holland³⁶ hoped "things would develop so it wouldn't be necessary to hold it." But the United States had exhausted all credible excuses for not attending a conference that had been postponed repeatedly since 1944.'³⁷ The administration's goals for the conference differed wildly from those of the Latin Americans, who saw the conference as being their chance to engineer a change in US economic policy.³⁸

Just how wide the disparity was between the positions of the Latin Americans and the US, was demonstrated at a sub-cabinet meeting held to determine the position that the US would take at the conference. Harold Stassen, who was chairing the meeting, asked his colleague Mr Hardesty, 'what three things Latin American governments want from the conference?' Hardesty replied: 'The first is psychological - they want the US to give them treatment in development financing that is equal to that given to other areas of the world; second, the formation of a Pan American Bank, and third a floor under prices paid for their commodities.' Moreover, Hardesty was deeply concerned at what he perceived to be the negative attitude within the administration towards the conference, expressing 'concern that it appears to be the viewpoint of many members of the Sub-Cabinet

³⁵ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 184

³⁶ Assistant Secretary of State for Inter-American Affairs Henry Holland

³⁷ Stephen Rabe, *Eisenhower* (1988) p 70; Mark Gilderhus, *The Second Century* (2000) p 150-2

³⁸ In fact, Rabe writes that, 'the Latin Americans hoped that the Eisenhower administration would welcome their proposals', supporting this hope by citing Eisenhower's report to Dulles on a meeting with the Brazilian Ambassador, who told him that 'Latin Americans "expected great things from the Rio Conference" and that they hoped "the United States will come there with an Eisenhower Plan."' Stephen Rabe, *Eisenhower* (1988) p 76; An indication as to the overwhelming antipathy that the US had to meetings of this kind was revealed by Henry Holland, who revealingly told his fellow delegates: 'There are certain representatives at this conference who favor the adoption of a resolution to hold meetings similar to the one in which we are now engaged every year. Others favor holding such meetings every two years.' Holland suggested 'we might try to avoid committing ourselves to a fixed schedule so far as future conferences are concerned by agreeing to a conference in Buenos Aires in 1956.' Memorandum of a Meeting of Certain Members of the United States Delegation to the Rio Economic Conference, November 30 1954, *FRUS 1952-1954, Volume IV The American Republics*, (1983) p 360

Committee that we should be ready with a defense at Rio, anticipating how we can throw back the Latin American requests, rather than have a positive approach as to what we have to offer.' Hardesty repeated these concerns to Stassen in a later memorandum, stating: 'I feel a directive is needed which will say not how little can we do to appease Latin American desires for economic cooperation with the United States, but how much must we do to insure the security of the United States?'³⁹ Both Stassen and Hardesty believed that the US needed to take a positive stance at Rio in order to build a cooperative alliance between themselves and the Latin nations.

However, the administration's regional strategy did not allow for any change in policy. A report produced by the Operations Coordinating Board stated,

US interests in Latin America are three-fold: 1) political, to have friendly American republics that will support our international policies; 2) strategic, to have friendly American republics that will give us military support in war, permit the establishment of bases, and facilitate exports to us of raw materials and provisions; 3) economic, profitable opportunities for trade and investment.⁴⁰

By the end of August, a position paper for Rio had been developed by the Sub-Cabinet Committee, which ignored the position taken by the FOA⁴¹ in favour of traditional US aims in the region and, 'adopted the position that the economic development of Latin American countries will be best served by adherence to the principles of the private enterprise system; that the United States should exert constant but discreet practical pressure in favor of private initiative.'⁴² In keeping with the policy outlined in NSC

³⁹ Minutes of a Meeting held in the Executive Office Building on the Rio Economic Conference, June 21 1954; Memorandum by the Acting Regional Director of the Office of Latin American Operations, Hardesty, to the Director of the Foreign Operations Administration, Stassen, July 19 1954, *FRUS 1952-1954 Volume IV The American Republics*. (1983) p 323-327

⁴⁰ Memorandum for the Executive Officer of the Operations Coordinating Board, May 6 1954, Latin America (FILE#1) (4) March - June 1954, OCB 091.4, Box No 71, OCB Central File Series, Eisenhower Library

⁴¹ The Foreign Operations Administration, the head of which was Harold Stassen

⁴² The ideological basis for US policy in the economic sphere had been dictated by an Eisenhower address to Congress, when he stated: 'The national interest in the field of foreign economic policy is clear. It is to obtain, in a manner that is consistent with our national security and profitable and equitable for all, the highest possible level of trade and the most efficient use of capital and resources.' Position Paper by the

5432/1, the position paper called for an increase in the amount of money loaned by the Ex-Im Bank. But these loans would only be provided if certain preconditions were met first, and in order to, 'satisfy all applications for the financing of sound development projects which are in our common interest and which are not being financed by IBRD.'⁴³

The planning sessions for the Rio Conference revealed a growing debate within the administration. Even when the US position for the conference had been agreed upon, there was a clear divergence of opinion between officials over who should lead the US delegation. It was Milton Eisenhower, the president's brother, who made the strongest complaint, arguing that it should be he, not Treasury Secretary Humphrey that led the US delegation. Siekmeier writes: 'In October of 1954, when Milton Eisenhower found out that Humphrey was to lead the US delegation...he flatly told Dulles that he did not think Humphrey would uphold the new US policy of increased aid⁴⁴ to the region. Further, Milton informed Dulles he would not go to Rio if Humphrey led the US delegation.'⁴⁵ The importance attached by Dr Eisenhower to building a good relationship between the US and the Latin nations was outlined in his memoirs, where he wrote: 'Having spent a good many years trying to help improve relations among the nations of the Western Hemisphere...I contend that good relations in this area are truly imperative to our future – *more important, in fact, than our relations with any other area of the world.*'⁴⁶

Sub-Cabinet Committee on the Rio Economic Conference, September 1st 1954, Box No 5, Latin America (8), White House Office - NSC Staff Papers, Special Staff Series, Eisenhower Library

⁴³ In addition, this proposed method of lending would depend 'to a very considerable extent upon the degree to which the other country desires to obtain private and public capital and takes "house-in-order" actions to attract it.' Memorandum by John C. Cady of the Office of Latin American Operations to the Director of the Foreign Operations Administration, Stassen, August 27 1954, *FRUS 1952-1954 Volume IV* p 328; Rabe also highlights the debate between officials within the FOA, the Department of Defense and the CIA and the representatives from State and the Treasury Department; he writes, 'tension did arise, however, at the interdepartmental meetings planning the Rio Conference...both the CIA and the Department of Defense supported the FOA' Stephen Rabe, *Eisenhower* (1988) p 70-1

⁴⁴ This, of course, is the 'increased aid' outlined in NSC 5432/1, which called for increased use of existing lending institutions in Latin America – See Chapter One

⁴⁵ Memorandum from Milton Eisenhower to Secretary of State John Foster Dulles, October 24 1954, File Strictly Confidential E-H, Box 2, Correspondence and Memoranda Series, Dulles Papers, Eisenhower Library; James Siekmeier (1999) p 184-5

⁴⁶ Milton Eisenhower, *The Wine is Bitter: The United States and Latin America* (New York: Doubleday and Company, 1963) p 46; Stephen Rabe also highlights this dispute, writing that 'Milton Eisenhower protested to both his brother and Secretary Dulles: he doubted that Humphrey would implement NSC 5432/1 and labelled as "tragic" the choice of Humphrey to lead the US delegation.' Stephen Rabe, *Eisenhower* (1988) p 72; Mark Gilderhus, *The Second Century* (2000) p151-2; Michael Weis also writes '[Merwin] Bohan's

The selection of Humphrey to lead the US delegation was an important one. It highlighted the fact that Eisenhower and Dulles wanted the Treasury Secretary to reaffirm American economic principles at the Conference. Again, it is essential to reiterate that at Rio the US followed a strictly economic agenda, rather than the national security framework that had been in evidence at Caracas. Humphrey's opening statement confirmed US intentions. Michael Weis writes that Humphrey 'proceeded to confirm Latin American fears with a vigorous defense of laissez-faire capitalism and current US tariff policy, and stressed the role of IBRD and sound money in economic development.'⁴⁷ The *New York Times*, however, attempted to adopt a positive approach, writing:

The US pledged today increased financial support to Latin American economies in the form of accelerated loans. The pledge was made with the understanding that this was to be an encouragement to free enterprise rather than a displacement of it.

The reference to foreign private investment was highly prescient, and Humphrey would go on to further disappoint Latin delegates when he made only passing reference to the issue of stabilising the price of raw materials, 'as they were hoping the US might come up with some formula to halt wild fluctuations in the price of materials on which the economies of many Latin American countries are based.'⁴⁸

Rather than engaging with the Latin agenda at Rio, the US sought to neutralise Latin proposals, but without being overtly negative. This put the US in direct opposition to the Latin American nations – especially with regard to the rift between the development theories being outlined by the Economic Commission for Latin America (ECLA) and the leading Latin American economist, Raul Prebisch, and the model being

departure, combined with Milton Eisenhower's refusal to attend, left the orthodox hardliners (Humphrey, Hoover, Holland) in control of the US delegation and threatened the conference's success' Michael Weis, *Cold Warriors & Coup D'Etat: Brazilian-American Relations 1945-1964* (Albuquerque: University of New Mexico, 1993) p 82-3

⁴⁷ Michael Weis (1993) p 83

⁴⁸ Forwarded Clip of *New York Times* Article, November 24 1954, Henry Cabot Lodge 1954 (3), Box No 24, Administration Series, Whitman File, Eisenhower Library

espoused by the US.⁴⁹ As Michael Weis notes, 'Eisenhower had instructed Humphrey not to reject flatly any proposals with majority support, in order to deny the Soviets a propaganda weapon. Instead, the US abstained on a series of measures advocated in the ECLA report'; this 'emphasized the growing division between the United States and Latin America.'⁵⁰ The outcome was hugely disappointing for the Latin nations, who had hoped that the conference might bring about a new era in US-Latin economic cooperation.⁵¹ It was not just the Latin Americans that were disappointed, however; so, too, was Milton Eisenhower.

[President] Eisenhower knew that his brother was disappointed with the outcome of the year-long struggle over Latin America. But Milton had to understand geopolitical realities. "Countries like Burma, Thailand, and the remaining parts of Indochina are directly open to assault. This does not apply in South America." The United States wanted an enduring "good partner" relationship with Latin America, which could be encouraged by loans instead of grants.⁵²

The administration was content with the outcome of the Conference;⁵³ however, it had highlighted the growing discontent amongst some officials in the American government as to the future path of US policy in Latin America.⁵⁴ The position taken by

⁴⁹ See: Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil* (New York: Monthly Review Press, 1969); James William Park, *Latin American Underdevelopment: A History of Perspectives in the United States, 1870-1965* (Baton Rouge: Louisiana State University Press, 1995); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Max Millikan and Walt Rostow, *A Proposal: Key to an Effective Foreign Policy* (New York: Harper & Brothers, 1957)

⁵⁰ Michael Weis, *Cold Warriors and Coup D'Etat* (1993) p 83-4; Stephen Rabe, *Eisenhower* (1988) p 77

⁵¹ Mark Gilderhus writes: 'Latin Americans had hoped for more. According to the Brazilian ambassador, Joao Carlos Muniz, government leaders had believed ever since the Second World War that "the vast resources of the United States were going to be brought to bear on wide and rapid economic change in Latin America." But delay and inaction has caused "an intense process of disillusionment." Brazilians could not understand why the United States used large-scale programs of economic aid and assistance in the fight against communism in Asia and Europe but depended upon "politico-police" methods in the Western Hemisphere. Evolving Latin American economic theories dissented from the established orthodoxies in the United States' Mark Gilderhus, *The Second Century* (2000) p 152

⁵² Stephen Rabe, *Eisenhower* (1988) p 72; Letter from President Eisenhower to Milton Eisenhower, December 1 1954, 12/54 (2) folder, Box No 8, DDE Diaries, Whitman File, Eisenhower Library

⁵³ Rabe writes, 'administration officials were relieved that the United States was not publicly embarrassed at Rio', and 'because no significant agreements emerged from the conference, the final declaration merely emphasized the energy and frankness which characterized the discussions.' Stephen Rabe, *Eisenhower* (1988) p 77

⁵⁴ Stephen Rabe, *Eisenhower* (1988) p 77; Michael Weis, *Cold Warriors and Coup D'Etat* (1993) p 83-85; Mark Gilderhus, *The Second Century* (2000) p 151-153

the US had also caused a great deal of disappointment in Latin America. Economic concerns had clearly informed the US approach to the conference. With the region not of immediate concern in a Cold War context (unlike, for example, Indochina), the administration felt that they could be more proactive in implementing their economic principles.⁵⁵ The proximity of events at Rio to those in Guatemala five months earlier, have tended to obscure the importance of the US position at Rio. In selecting George Humphrey as head of their delegation, and in the terms of the position they adopted, the US was clearly following an economic agenda at the conference. By 1956, there was undoubtedly a significant change occurring in the nature of the Cold War and within US policy toward the Third World. The next stage of this chapter will be to examine what impact this had on US policy in Latin America and to identify those changes that became apparent in the wake of this evolving global scenario. What will become apparent is that even though US officials became increasingly aware of the need for them to adapt their policy, they would continue to be constrained by the fact that there were clearly two separate aims underpinning US policy. This meant that even when restructuring the relationship became an issue of strategic concern, officials within the Eisenhower administration would continue to adhere to long-standing American economic principles, which had been demonstrated at Rio. Consequently, there would be an intense tension exerting itself on US policy towards Latin America between the fall of 1954 and the spring of 1958.

A SHIFT IN CONTEXT: THE SOVIET ECONOMIC OFFENSIVE IN LATIN AMERICA

As already shown in this chapter, there was a significant shift in the nature of the Cold War in the mid-1950s. It is, however, vital to examine whether or not this had much of an impact on US policy in Latin America. Although US officials now saw the problems facing them in the region as being linked to the bipolar struggle, their adherence to both their economic and security objectives would prevent the US from considering the necessary changes in policy if they were to placate Latin nationalism. Crucially, however,

⁵⁵ As outlined in NSC 5432/1

the argument here is that there was a major change in US thinking; it is just that the changes made apportioned more emphasis to US strategic and national security interests rather than addressing the economic concerns of the Latin nations. Once again, adopting this approach toward the period offers a much fuller appraisal of US-Latin relations and moves this study beyond the Traditionalist versus Revisionist arguments detailed earlier.

The administration's failure in this respect would only deepen the problems they faced. Rabe writes: 'Critics in both North and South America charged...that the administration fawned over ruthless dictators and ignored Latin America's crushing poverty. They warned that Latin America was ripe for revolution.'⁵⁶ The change in the traditional world order is noted by Walter LaFeber:

Eisenhower...no longer presided over the post-war world that he and other North Americans had taken for granted since 1945. A new, more complex, and more dangerous international arena was developing, and it was doing so at the same time that the United States was losing its power to influence events in that arena...the first Cold War of 1945 to the mid-fifties occurred in a "Two camp" world of communism and capitalism in which the Soviets and the United States had forcefully maintained order in their respective camps. This simpler, bipolar world began to be transformed, however, in 1956 and 1957 with the anti-Russian uprisings in Poland and Hungary; a growing split between the Soviets and Chinese; the creation of the European Common Market and a new Japanese industrial powerhouse that challenged US economic supremacy; the Soviet launching of a space capsule ("Sputnik") that threatened US military and scientific leadership; and exploding nationalism in such newly emerging nations as Latin America, Africa, and Southeast Asia. Eisenhower started his second term in one post-war world and ended it four years later in a quite different world.⁵⁷

In fact, as we have already seen, the shift in the nature of the Cold War really began in the aftermath of Stalin's death; the sentiments put forward by LaFeber, though, are accurate. Nevertheless, the pertinent question remains: what impact did this change in the Cold War framework have on US policy in Latin America? The answer, as will be shown in the remainder of this chapter, is that it would alter the administration's conception of

⁵⁶ Stephen Rabe, *Eisenhower* (1988) p 84

⁵⁷ Walter LaFeber, *Inevitable Revolutions* (1993) p 139-140; Thomas McCormick, *America's Half-Century* (1995)

their position in Latin America significantly. In short, US officials would become much more concerned about the region's status with regard to national security imperatives than had previously been the case.

Once the Soviets made their offer of economic aid to the Latin nations, US officials perceived not only that the Cold War had "arrived" in the Western Hemisphere, but, more importantly, that their credibility was at stake. If the Eisenhower administration could not reassert their dominance in the region then, via the Manichean world view still dominant in Washington, US prestige would have been struck a damaging blow. Therefore, the focus of US policy in Latin America from January 1956 onwards, became to try and improve US-Latin relations and, also, to strengthen the links between Washington and the Latin nations. The major problem would continue to be the incompatibility of US economic principles and strategic objectives: in attempting to repair US-Latin relations, the administration would prove unable (and unwilling) to contravene its economic principles. As a result, the US position in the region would continue to be severely undermined by its reluctance to meet the Latin American economic agenda; the issue that had most bearing on anti-American nationalism in the region.⁵⁸

Following the successful resolution in Guatemala, President Eisenhower repeatedly invoked stark Cold War imagery in an effort to illustrate to the American people the fact that the US was "winning" the Cold War in Latin America.⁵⁹ However, by

⁵⁸ Burton Kaufman suggests that the evolution of the US-Soviet relationship and the changing nature of the Cold War suggested two things to the US. 'First, the apparent success of the Soviet's new policy made clear the prevalence of neutralism and nonalignment throughout the world and the limited success the United States would have in winning friends and allies in these regions'; and, 'second, the success of the Soviet offensive underscored again the urgent need for the United States to be more responsive to Third World development needs' Burton Kaufman, *Trade & Aid* (1982) p 73

⁵⁹ On August 19, 1954, Eisenhower spoke in Springfield at the Illinois state fair, where he stated: 'In Guatemala, the people of that region rose up and rejected the Communist doctrine, and said in the terms of the spirit agreed at Caracas, "You shall not come here and establish yourselves."' Eleven days later he told the American Legion Convention that, 'During the past year the nations of this hemisphere, at Caracas, jointly declared international communism to be a menace to all. Heartened by this resolute stand, the majority of the Guatemalan people rose to defeat the first specific attempt of Communist imperialism to establish a beachhead in this hemisphere. This public relations effort at extolling the success of US policy in Latin America continued into June 1955, when he addressed a joint session of Congress, telling them, 'In July 1954 Guatemalan patriots began an armed revolt to eject a government whose Communist sponsorship was becoming ever more obvious and to restore a free government...today Guatemala is again securely restored to the community of free nations. A challenge by world communism within our hemisphere has

August 1955, internal government reports were beginning to recognise the fact that a change in US-Soviet relations might necessitate a change in US policy toward Latin America.⁶⁰ At the National Security Council Meeting on September 8, it was made abundantly clear that several US officials were concerned about the US position in Latin America. Secretary Humphrey stated, 'the entire Progress Report⁶¹ sounded like a Pollyanna report to him. There were much more serious problems in Latin America than this progress report indicated.' Humphrey's views were seconded by Harold Stassen, who argued that, 'in fact the situation was not getting better but getting worse.'⁶² A more accurate appraisal of the problems facing the US in Latin America was provided in a National Intelligence Estimate in December 1955. It stated:

The political instability now evident in Latin America results primarily from serious disturbances of the traditional social order by new economic and social forces. This instability is therefore much more fundamental than that which characterized the personal politics of Latin America in the past... The Communists have no present prospect of gaining control of any Latin American state by electoral means, nor even of gaining direct participation in national politics equal to that which they formerly enjoyed in Guatemala. However, despite their small numbers, they posed a threat to US security interests in Latin America, largely because of the ease with which a relatively few Communists, operating through various fronts, can exploit the widespread social unrest and existing "Yankeeophobia." The USSR and its Satellites have shown a markedly increased interest in Latin America in recent years. This has been reflected in a great increase in Communist-sponsored trips of Latin Americans to Communist countries, an expansion of

been met and overcome.' Address by President Eisenhower in Springfield at the Illinois State Fair, August 19 1954, Taken From: <http://www.presidency.ucsb.edu/ws/index> Accessed on January 21st 2006; Address by President Eisenhower at the American Legion Convention, August 30 1954 Eisenhower would evoke similar imagery on at least thirteen more occasions during 1954, even using the occasion of a keynote speech to the National Council of Catholic Women in Boston (November 8) to remind his audience of the success in removing communism from Guatemala. Taken From: <http://www.presidency.ucsb.edu/ws/index> Accessed on January 21 2006; Message by President Eisenhower to the Congress Transmitting the Ninth Annual Report on United States Participation in the United Nations, July 15 1955. Taken From: Ibid.

⁶⁰ An OCB Progress Report stated that: 'Any change in the atmosphere of relations between the US and the Soviet bloc will require a careful review of the content of our information and related programs.' National Security Council Progress Report, "Progress Report on United States Objectives and Course of Action with Respect to Latin America", August 10 1955, *FRUS 1955-1957, Volume VI* p 6-12; National Security Council Progress Report on NSC 5432/1 by the OCB, February 3 1955, NSC 5432/1 - Policy Towards Latin America, Box No 13, White House Office, Eisenhower Library

⁶¹ The OCB Progress Reports of February 3 1955 and August 10 1955

⁶² Memorandum of Discussion at the 258th Meeting of the National Security Council, September 8 1955, *FRUS 1955-1957 Volume VI* p 13-15

Soviet Bloc diplomatic representation, and a growing interest in expanding trade...in the long run, as social pressures increase and if economic problems remain unsolved, at least temporary reversion to demagoguery and extreme solutions for meeting national problems is probable. This would in turn subject the Inter-American system to new strains and adversely affect political, economic, and military cooperation with the United States.⁶³

The NIE illustrated why the new Soviet foreign policy caused such a problem for the Eisenhower administration. In January 1956, the Soviet leadership made an offer of economic and technical assistance to the Latin nations.⁶⁴ Although US officials had been invoking Cold War imagery as a justification for their policy in Latin America since 1953 (and, indeed, hailing the triumph of American values in Guatemala), the prospect of an increasing Soviet influence in the region raised the prospect for the US that they might be perceived to be “losing” the Cold War in the Western Hemisphere. Since the Rio Conference, there had been a definite downturn in the fortunes of the US in the region.⁶⁵

⁶³ NIE 80/90-55, National Intelligence Estimate, “Conditions and Trends in Latin America”, December 6 1955, *FRUS 1955-1957 Volume VI* p 16-45; Stephen Rabe, *Eisenhower* (1988)

⁶⁴ Rabe writes: ‘On 16 January 1956, Soviet leader Nikolai Bulganin offered to expand diplomatic, economic, and cultural relations, extend technical assistance, and conclude trading arrangements with Latin American nations.’ ‘Bulganin’s offer was part of a Soviet “economic offensive” to expand its influence in the developing world. Soviet officials toured newly independent nations like Egypt, India, and Indonesia, promising lavish economic assistance programs.’ Stephen Rabe, *Eisenhower* (1988) p 90; Mark Gilderhus, *The Second Century* (2000) writes, ‘as part of a larger Soviet effort in the Third World, Bulganin’s initiatives anticipated more effective forms of peaceful competition’ p 154

⁶⁵ This scenario was being played out throughout the region at the national level: the US faced intense difficulties in its relationship with Argentina, Brazil and Costa Rica. Perhaps most worrying though were the problems that were emerging in Guatemala, where despite the “fortitude” shown by the Guatemalan people in facing up to the Communist threat, the US continued to be plagued by serious problems in the bilateral relationship. The inability of Castillo Armas’s regime to generate sufficient economic growth became a major problem for the Eisenhower administration. Having been directly responsible for bringing him to power, US credibility was now riding on the Armas government becoming a success. After returning from a visit to the region, Vice President Nixon stated: ‘Failure abundantly to insure stability this government would mark loss of opportunity which may not recur for years; will discourage oppressed peoples everywhere in world and would reflect unpardonable inaction on part US Government.’ Nixon’s sentiments were reaffirmed by Herbert Hoover Junior, in his capacity as Acting Secretary of State, who told President Eisenhower, ‘it is important that we support Castillo Armas...his fall would be a serious blow to the prestige of the United States.’

See: Telegram from Secretary of State Foster Dulles to the Embassy in Guatemala, January 22 1955; Letter from Secretary of State Foster Dulles to Director of the Foreign Operations Administration Harold Stassen, January 24 1955; Telegram from Norman Armour US Ambassador in Guatemala to the Department of State, January 25 1955; Telegram from Norman Armour US Ambassador in Guatemala to Department of State containing Vice President Nixon’s report on situation in Guatemala, February 15 1955; Memorandum from Acting Secretary of State Herbert Hoover Jr to President Eisenhower, June 21 1955. *FRUS 1955-1957 Volume VII American Republics: Central and South America*. (Washington: United States Government Printing Office, 1987) pp 50-87

Now US officials began to realise that the Soviet Union might be able to exploit the problems in the Inter-American relationship in order to expand their economic influence in the region. This is an important moment in the narrative of US-Latin relations in the 1950s: from this moment, US officials began to see their struggles in Latin America from a strategic perspective. US credibility was now being threatened, which raised the stakes immeasurably for the administration. The shift in the global political situation had altered the context of US-Latin American relations irrevocably and the result would be an ever-widening gap between Washington and the Latin nations.

The Soviet offer of economic assistance was, initially, well received by the Latin nations who had been requesting economic aid with very little success from the US since 1945. A report generated within the Department of the Joint Chiefs of Staff illustrated the reasons behind the Soviets success in entering the Latin market. It read:

Latin American countries have been increasing trade with the Sino-Soviet Bloc during the past two years. This, together with the recent conclusion of new trade agreements establishes a discernible trend toward closer and more substantial commercial relations between Latin America and Communist countries...these trends reflect the current Communist trade offensive, the alertness of the Soviets to exploit Latin American complaints against American economic policies...[and]increasing Latin America interest in easing trade problems by exchanging hard-to-sell raw materials for Communist capital equipment, fuel, and other imports required for internally-politically urgent economic developments.⁶⁶

This, however, was evidence of a wider trend, which saw Third World nations happy to play the two superpowers against each other.⁶⁷

⁶⁶ Memorandum from Edwin T. Layton, Deputy Director for Intelligence the Joint Staff, to the Joint Chiefs of Staff, 7th December 1955, OCB 091.4 Latin America (FILE#5) (2) December 1955, Box No 73, OCB Central File Series, Eisenhower Library.

⁶⁷ Thomas McCormick argues that: 'Almost without exception, neutralist countries pursued state investment and trade regulation that defied Western modernization theory and plugged for forced industrialization: India's five-year plans, Egypt's Arab socialism, Yugoslavia's mixed economy, Indonesia's fascination with Chinese economic planning, and Iran's nationalization of its oil holdings. Ambitious pursuits, but these capital-intensive industries required imported capital and technology. Turning to the West alone for such imports would assuredly bring insistence that state planning be modified and principles of economic internationalism be accepted. Turning to the Soviet bloc alone would probably mean too little capital and technology for the tasks at hand, and it might bring Soviet demands for

US officials faced two problems in seeking to counter Soviet policy: firstly, how could they nullify the overt threat to their national security interests caused by the Soviet move into Latin America; and secondly, how could they achieve this basic security objective without contravening their aims in the economic sphere? In keeping with the argument of this thesis, it will become clear that the administration could not adapt their Latin American policy to successfully meet the challenges posed by the new world-system. As the administration sought to address those issues that were now perceived to be feeding into the national security problems they faced in the area --- economic underdevelopment, social inequality, political repression and poverty --- they would also attempt to adhere to their economic objectives developed around the principles of "free trade, free capital and free investment." The result would be an increase in the level of anti-American nationalism in the region and the imposition of an overwhelming tension on US policy.

There had, in fact, been ongoing discussions within certain areas of the Eisenhower administration since 1954 on how US foreign economic policy should evolve; those officials involved in the debate sought to illustrate the stance that the United States should be taking toward the issue of global economic development. CD Jackson, sometime presidential advisor and speech writer, organised a conference at Princeton in 1954 to 'discuss the state of United States - developing world relations.'⁶⁸ A position paper produced at the conference stated that,

The growth of the free world economy is important to us for much more than economic reasons. We believe material progress to be a necessary foundation for more far reaching American aspirations for a civilization in which human dignity, freedom, and respect for the individual can flourish, and in which societies based on these principles can effectively defend themselves. The concrete specifics of foreign economic policy must be related integrally to this American dream both in our own thinking and that

deference inconsistent with the peripheral nation's autonomy. But, turning to both at once...offered a possible way to sustain their ventures in economic autarky, secure necessary economic and technical aid, and yet not become subservient to either American hegemony or Russian pretensions.' Thomas McCormick, *America's Half-Century* (1995) p 119

⁶⁸ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 186

of the rest of the world...[we] have an overwhelming interest in the development of world conditions which will free security from dependence on military strength. Where men's energies can be turned constructively and with some prospect of success to the problems of expanding standards of living in a democratic framework we believe the attractions of totalitarian forms of government will be much reduced...a characteristic which should be emphasized is that they are directed against nobody. We should make clear that we welcome into the partnership all those genuinely concerned with world economic growth and willing to contribute to it...it is a firm lesson of history that the growth and industrialisation of under-developed societies, in proper balance, leads to an expansion not a contraction of world trade. The United States has a major direct interest in bringing about this partnership and in sustaining it. This interest flows from the basic US political and security interests in a Free World.⁶⁹

The message, then, was clear: it was in the US national interest to become proactive in fostering widespread development in the Third World. By doing so it would be possible to check Soviet economic expansion and to assert American pre-eminence. The problem, however, was in formulating a policy that would enable the US to achieve the aims set out above, whilst still adhering to basic US economic objectives. Jackson asked two participants the Princeton Conference, Max Millikan and Walt Rostow⁷⁰ to 'write a proposal for a new policy' toward the developing nations of the world. 'Millikan and Rostow wrote a paper that strongly criticized US developing world policy...the United States had to counter the Soviet offensive by reaching out to the non-industrialized world.'⁷¹ Published in 1957, their proposal stated that: 'It is the thesis of this book that a much-expanded long term program of American participation in the economic development of the under-developed areas can and should be one of the most important means for furthering the purposes of American foreign policy.'⁷² In summarising their proposal, James Siekmeier writes,

⁶⁹ Notes on Foreign Economic Policy, May 15 1954; Draft Document on World Economic Policy, May 1954, Princeton Economic Conference 5/54 – Draft Papers, Box No 82, CD Jackson Papers, Eisenhower Library.

⁷⁰ Rostow and Millikan were both economists at the Massachusetts Institute of Technology (Boston). Rostow would later go on to become President Kennedy's National Security Advisor

⁷¹ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 186-7

⁷² Walt Rostow and Max Millikan, *A Proposal: Key to an Effective Foreign Policy* (New York: Harper and Brothers, 1957) p 1

The developing world, they argued, was “impressed by the undoubted achievements of the Soviet Union in building quickly a heavy industrial complex and by the speed of Chinese Communist land reform and unified national reconstruction.” The United States, along with the other non-communist industrialized countries, needed to demonstrate to the Third World that “rapid economic progress...[would be] possible” for them if they were to participate in the international capitalist order.⁷³

There was, however, a major problem with the course of action suggested by Rostow and Millikan. As they themselves admitted, ‘the program we propose would require US government expenditure somewhat larger than current spending for economic aid’; or, as Siekmeier writes, their proposal called for ‘stimulating developing world growth through a sizeable infusion of economic aid.’⁷⁴ Although the Eisenhower administration was deeply concerned about the Soviet incursion into Latin America’s economic sphere, they were not prepared to consider a solution that contravened long-standing economic principles. The Princeton Conference, and the subsequent ideas put forward by Rostow and Millikan, proved that there was a clear dichotomy between US national security objectives and US economic objectives. The administration’s refusal to sufficiently adapt their economic policies in an effort to facilitate closer US-developing world relationships would severely undermine the US position in Latin America.

There would, though, be some room for manoeuvre within US policy; the problem was that it was not sufficient to placate Latin nationalism.⁷⁵ As US officials sought to come up with a solution to the problems facing them in Latin America, they began to consider economic issues which had previously been non-negotiable. This was a strong indication of how seriously the administration was treating this new phase of the Cold War in Latin America. The fear this induced compelled President Eisenhower to proclaim, ‘the new Communist line of sweetness and light’ to be ‘more dangerous than their propaganda in Stalin’s time.’⁷⁶ It is important to recognise the reasoning behind the

⁷³ James Siekmeier *Aid, Nationalism and Inter-American Relations* (1999) p 188

⁷⁴ Walt Rostow and Max Millikan, *A Proposal* (1957) p 2; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 189

⁷⁵ For the development of Latin nationalism, see: Alan McPherson, *Yankee No!: Anti-Americanism in US-Latin American Relations* (Cambridge, Massachusetts: Harvard University Press, 2003)

⁷⁶ Stephen Rabe, *Eisenhower* (1988) p 90

administration's approach. Via the Manichean world view, any anti-American sentiment was perceived to be a boost for the communist forces; the shift of emphasis in the Cold War from the core to the periphery, coupled with the undeniable reduction in the 'gap' between Washington and Moscow, actually heightened American Cold War fears in the Third World. The fact that the Soviets were now able to challenge the US economically in Latin America was an issue of grave strategic concern for the Eisenhower administration. As a result, US officials were prepared to consider options that had not previously been available.⁷⁷ Significantly, though, they would not countenance a change in policy that contravened the basic principles of "free trade, free capital and free investment."

In seeking to explain Moscow's success in entering the Latin economic sphere, Assistant Secretary of State for Inter-American Affairs, Henry Holland, outlined the paucity of US aims in Latin America. He wrote,

Until sixty days ago our basic objectives in Latin America were: 1) To devise and apply policies that hold below danger levels complaints that the United States is not interested in the area. 2) To persuade governments to contain communist activities. 3) To achieve support in the United Nations and in our general policies outside this hemisphere... We have succeeded fairly well. Our policies have been the absolute minimum that would succeed.⁷⁸

The Soviets were also to capitalise on the Eisenhower administration's refusal to offer development loans in certain sections of the Latin economy that they felt could attract funding elsewhere; the most obvious sector in this category was petroleum, an area that US officials refused to provide funding for.⁷⁹ In an attempt to broker a solution, Holland

⁷⁷ Michael Weis states: 'The emergence of the Cold War in Latin America provided the stimulus for new policies that resentment alone could not force.' Michael Weis, *Cold Warriors & Coup D'Etat* (1993) p 93

⁷⁸ Memorandum from Assistant Secretary of State for Inter-American Affairs Henry Holland to the Secretary of State John Foster Dulles, February 22 1956, CFEP 537/1 - US Position With Respect to an International Coffee Agreement Box No 6, CFEP Series, Eisenhower Library

⁷⁹ This decision had been made at an NSC meeting in March 1955. Using the example of PEMEX (the nationalised Mexican Petroleum Company) to illustrate the depth of the problem, Vice President Nixon stated that if the US 'did assist Pemex, we would only be encouraging Pemexes in other Latin American countries.' This was backed up by Assistant Secretary Holland, who 'argued that it would be a major mistake for the United States Government to assist Pemex to finance itself,' as 'such a move would only encourage further expropriation and would, moreover, stifle those very encouraging signs of developing

began to consider proposals that marked a dramatic shift in the administration's foreign economic policy, including the possibility of negotiating over commodity agreements.⁸⁰ However, although the Soviet move had caused US officials to consider a shift in policy, this would not be at the expense of American economic principles: even in January 1956, where the Soviets directly challenged the position of the US, any solution would be designed to fit-in with long-standing US economic principles. When Holland did propose an answer to the Soviet offer, he stated that the US, 'must put the other country in a position where it is obvious to her that if she accepts Soviet credits we can quietly diminish or cut off continuing benefits which are more important to her than anything Russia can offer.'⁸¹ In other words, any solution should highlight the inherent disadvantages that would be incurred by any Latin nation seceding from the American economic system. This position would set the tone for the Eisenhower administration's response: although a revised US policy toward Latin America would recognise the need for the strengthening of US-Latin relations for security purposes, it would not do so by significantly altering or relaxing the administration's economic approach.

THE AMERICAN RESPONSE: NSC 5613/1 AND A CHANGE IN PERCEPTION

Ultimately, the Soviet offer of economic and technical assistance would falter as Latin dissatisfaction with the poor quality of Soviet goods, and a growing unease with Soviet policy in the wake of the Hungarian intervention, reduced the attractiveness of the

private enterprise which could be discerned currently in Mexico.' Report by Vice President Nixon on Latin American Trip, NSC Meeting, March 10 1955, Box No 6, NSC Series, Ann Whitman File, The Eisenhower Library. Henry Holland feared that the Soviet's would offer 'to finance one of the national monopolies' and that their offer 'would be hard to refuse.' For example, 'a Brazilian government that did so might well fall.' Memorandum from Assistant Secretary of State for Inter-American Affairs Henry Holland to the Secretary of State John Foster Dulles, February 22 1956, CFEP 537/1 - US Position With Respect to an International Coffee Agreement Box No 6, CFEP Series, Eisenhower Library

⁸⁰ Commodity agreements had long been requested by Latin officials in an attempt to stabilise the prices of the raw materials that their economies so depended on. The US, however, had consistently turned down Latin requests.

⁸¹ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 313

Kremlin's offer.⁸² The episode, though, had highlighted inherent flaws not just in US policy in Latin America, but, also, in their global approach to the changing nature of the Cold War.⁸³ It had challenged US assumptions about the Cold War and demonstrated the faults in the administration's Latin policy; anti-American sentiment, fostered by intense frustration at economic and social inequality and the belief that the US was 'neglecting' Latin America, had, it seemed, undermined US national security interests in the region. Recognising these faults in US strategy, Henry Holland wrote to Secretary Dulles and informed him that, 'we now have a new challenge, and I do not believe our existing policies will meet it.' An OCB report in March 1956 offered up a similar sentiment, stating that they considered the policy outlined in NSC 5432/1 to be 'inadequate to meet the intensified Soviet challenge and new Soviet tactics in Latin America.'⁸⁴ The subsequent reappraisal of policy – which would result in the policy document NSC 5613/1 – would see US officials give more emphasis to their strategic considerations in the region. But crucially it would also highlight the disparity between US security aims and US economic aims, as the new policy pointedly failed to recommend a shift in US economic policy.⁸⁵ Recognising this characteristic of the administration's policy is highly important as it demonstrates the continued gap between security and economics within US strategy; this feature of US policy has not been highlighted enough by either the Traditional or the Revisionist schools, which consequently, has led to the full significance of the impact of the Soviet Economic Offensive on US policy being overlooked.

⁸² In fact, Rabe states that: 'by the end of 1957 and early 1958, administration officials were satisfied that they had blunted the Soviet offensive and secured the hemisphere from communism' Stephen Rabe, *Eisenhower* (1988) p 91-92; Mark Gilderhus, *The Second Century* (2000) p 154-155

⁸³ On the administration's policy discussions and debates over its approach toward the Third World, see: Kenneth Osgood, "Words and Deeds: Race, Colonialism, and Eisenhower's Propaganda War in the Third World" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (2006) pp 3-25

⁸⁴ Memorandum from Assistant Secretary of State for Inter-American Affairs Henry Holland to the Secretary of State John Foster Dulles, February 22 1956, CFEP 537/1 - US Position With Respect to an International Coffee Agreement Box No 6, CFEP Series, Eisenhower Library; National Security Council Progress Report, March 28 1956, *FRUS 1955-1957 Volume VI* pp 46-58; Stephen Rabe (1988) p 88-92

⁸⁵ As a result, the new policy would be severely hindered in its implementation: social and financial disparity in the region continued to deepen; the growing move towards more representative forms of government allowed anti-American dissent to become more vocal; Nationalist sentiment continued to thrive, destabilising the region economically and politically; and, the Eisenhower administration would be unable to implement the strategies that the Latin nations desired --- and which could have gone some way towards repairing the American position --- due to their unquestioning adherence to both their security and their economic aims.

NSC 5613/1 would attempt to address the major problems in US policy toward Latin America. These included the continuing problem with regard to military assistance, the deepening nationalist and anti-American sentiment across the region, the impact of the Soviet economic offensive, and the crushing economic problems in the region, which included the administration's failure to meet its own economic objectives. The overwhelming aim behind all this was the desire of US officials to bring Latin America firmly back into the US sphere of influence and to secure Latin America from neutralism or anti-Americanism. The issue of military assistance, which will be discussed at more length in relation to US policy in Brazil in Chapter Four, would not be solved by NSC 5613/1.⁸⁶ It would, though, form a major part of the new document as the administration continued to see a successful military policy as being a reliable way to improve the position of the US in the region. Although the Soviet offer of economic aid had deeply concerned US officials it is vital not to misread their fears. They did not suddenly assume that the Soviet presence in Latin America had become dangerously high; rather, it was an issue of perception and a matter of whether or not the US appeared to be winning the Cold War.⁸⁷ The Soviet offer had quite clearly undermined the credibility and the supremacy of the US system, leading US officials to accord much more importance to the issue of national security in their Latin American policy. A paper prepared in the Department of State Office of Intelligence Research asserted that: 'the underlying objective of the Communists in Latin America is presumed to be the same as that of the Soviet Union – to weaken the United States.'⁸⁸ Anti-Communism, then, would form a

⁸⁶ Stephen Rabe, *Eisenhower* (1988) p 89

⁸⁷ The OCB illustrated the lack of American concern over the relationship between Moscow and Latin America, reporting that, 'The nature of international communist control of Latin American communist operations and sources of financing of these operations cannot be defined with concrete evidence' Operations Coordinating Board – Outline Plan of Operations Against Communism in Latin America, April 18 1956, OCB 091.4 Latin America (File#7) (2) April 1956, Box No 74, OCB Series, Eisenhower Library;

⁸⁸ "Communism in Latin America", Paper Prepared in the Office of Intelligence Research, Department of State, April 18 1956, *FRUS 1955-1957 Volume VI* p 83-89; Kenneth Osgood, *Total Cold War* (2006) p 143-9

much more substantial part of US strategy in NSC 5613/1 than it had in either of its predecessors.⁸⁹

As we have already established, the aims of the Eisenhower administration in formulating NSC 5613/1 were: to satisfy their own fears about the spread of communism; to strengthen the relationship between Washington and the Latin nations; and, to continue to uphold the long-term objectives of economic expansion and political and economic stability in the region. Rabe writes that, 'beyond trying to uphold liberal trade policies, the administration responded to the "intensified Soviet challenge and new Soviet tactics in Latin America" by stiffening its resolve to combat communism.'⁹⁰ The determination of the administration to protect Latin America from the renewed threat of communism (or overt anti-Americanism) can be clearly seen in NSC 5613/1. At the September 6 NSC Meeting, the Joint Chiefs of Staff pressed for the following passage to be included, which quite clearly called for unilateral action in protecting American interests:

If a Latin American state should establish with the Soviet bloc close ties of such a nature as seriously to prejudice our vital interests, be prepared to employ appropriate political, military and economic measures, in order to weaken the Soviet ties.⁹¹

'The statement, which seemed to codify and extend to Latin America the interventionist policies pursued against Guatemala in 1954, evoked little debate among NSC members.'⁹² The document's stated objectives were, like NSC 144/1 and NSC 5432/1, split between economic and security aims. They read,

- A. Keep the other American Republics friendly towards the United States and retain their support of our world policies.
- B. Encourage the development of stable political systems along democratic, representative lines.

⁸⁹ As stated earlier in this thesis, US officials often perceived anti-American sentiments within Latin America as being motivated by, or inextricably linked to, international communism. See: David Ryan, *US Foreign Policy in World History* (2000); Alan McPherson, *Yankee No!* (2003)

⁹⁰ Stephen Rabe, *Eisenhower* (1988) p 91

⁹¹ Memorandum of Discussion at the 296th National Security Meeting, September 6 1956, *FRUS 1955-1957 Volume VI* p 101-113; Stephen Rabe, *Eisenhower* (1988) p 91

⁹² Stephen Rabe, *Eisenhower* (1988) p 91

- C. Encourage the growth of sturdy, self-reliant economies based upon the free enterprise system.
- D. Reduce and eventually eliminate Soviet bloc and Communist influence in the area.
- E. Obtain adequate production of and access to materials essential to our security.
- F. Obtain the participation in and support of measures to defend the hemisphere.⁹³

Of these, it was the aim of reducing and eventually eliminating Soviet bloc and Communist influence in the area that most strongly indicated the administration's stronger stance towards national security issues. However, from reading the document fully, it is clear that US officials continued to recognise the problems caused by Latin nationalism, economic and social inequality and the prominent role that US foreign economic policy played in exacerbating these.

There are strong nationalist feelings in all of these [Latin] Republics which often are expressed as anti-Americanism. In some countries, this nationalism expresses itself strongly against proposals for the development of natural resources...because the national income of the United States is roughly 8 or 9 times that of the other American Republics combined, Latin America looks to us for assistance and expects that it should be forthcoming...some sectors in Latin America complain that our assistance is inadequate. Factors motivating these sectors include political pressure for more rapid economic development, domestic political considerations, and the feeling that any given level of US aid can be increased through complaints. These complaints are often reflected in the argument that the United States accords to Latin American an inadequate proportion of its total foreign aid...the desire for more rapid economic progress and higher standards of living is a major political issue in Latin America.⁹⁴

It is clear, then, that despite the emphasis on correcting the problems in military policy and satisfying US officials communist fears, the major problem in US-Latin relations continued to be that of economic development. And it was this problem that the policy outlined in NSC 5613/1 conspicuously failed to address. As Matthew Loayza writes: 'although Eisenhower and his advisors hoped to distance themselves from anti-

⁹³ NSC 5613/1 "Statement of Policy on US Policy Toward Latin America", National Security Council Report, September 25 1956, *FRUS 1955-1957 Volume VI* p 119-128

⁹⁴ *Ibid*; Stephen Rabe, *Eisenhower* (1988) p 92

American nationalism, their strict reliance on private initiative only created fertile soil for anti-American sentiment to flourish.⁹⁵ Even in light of the Soviet Economic Offensive, US policy continued to adhere to its economic principles and, therefore, encourage the growth of radical Latin nationalism. Just how striking this dichotomy between national security imperatives and economic pragmatism had become would be highlighted in the events surrounding the Buenos Aires Economic Conference in 1957; here, despite the growing number of officials recommending a change in policy, the US would continue to adopt a position similar to that taken at Rio in 1954. Before that, however, President Eisenhower would attempt to repair the position of the US in Latin America by meeting with all of the Latin heads of state in Panama City in August 1956.

The Panama Presidents Meeting was timed to coincide with the one-hundred-and-thirtieth anniversary of the first Pan-American Congress, and was intended as a ceremonial forum at which Eisenhower could visit Latin America, bestow his presence on the maximum number of leaders possible and boost the standing of the United States in the region. It was made quite clear to the Latin nations that they would not be able to negotiate any agreements or treaties at the meeting, and that it would remain as an “unofficial” event. In the wake of the Soviet move into the region, US officials saw the Panama Meeting as an excellent opportunity to reaffirm the healthy status of the US-led Western Hemispheric system. Secretary of State Dulles cabled the US diplomatic missions in the region and told them that the meeting would, ‘demonstrate to the world: A) warm relationship among presidents and peoples American Republics B) advanced development and successful performance OAS, and C) veneration accorded by all American Governments and people to memory of Bolivar and principles he espoused.’⁹⁶ Although the administration stressed the fact that this meeting was to be ‘ceremonial’ in nature and emphatically not a forum for discussing Latin economic complaints⁹⁷, US

⁹⁵ Matthew Loayza, “An ‘Aladdin’s Lamp’ for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-61”, *Diplomacy and Statecraft* (Volume 14, No 3, September 2003) p 83-103

⁹⁶ Circular Telegram from Secretary of State Dulles to all Diplomatic Missions in the American Republics, May 16 1956, *FRUS 1955-1957 Volume VI* p 440-441

⁹⁷ *Ibid*

officials were aware that the Latin delegates were highly unlikely to meet with President Eisenhower without, at some stage, raising their economic agenda. Rather than wait to be inundated with Latin requests for a change in economic policy, Eisenhower went to Panama with a suggestion of his own; namely, a multilateral economic commission. Having taken onboard familiar Latin complaints, the strategy advocated a system that was not controlled from Washington. Instead, this new committee would be run under the auspices of the OAS, which would give the impression that it was a regional body rather than one dominated by the United States.⁹⁸ The administration's actions at Panama were a clear attempt to try and achieve US national security goals through the very medium that had caused the problems in the first place: economic policy. Officials within the Eisenhower administration understood that the reason for the Soviets being able to make such a direct incursion into Latin America was because of deep-seated Latin resentment towards the economic policies of the US. It was, however, something of a hollow gesture as the commission had little actual power and certainly did not signify a wholesale shift in US foreign economic policy. As a result, those officials advocating a major change in policy – Milton Eisenhower, Thomas Mann, Harold Stassen, and Roy Rubottom – would continue to argue for a more dramatic change in US policy. Any change, though, would have to be gradual; US officials were not prepared to sacrifice their economic principles in order to meet their national security aims.⁹⁹

HOLDING THE LINE: THE BUENOS AIRES ECONOMIC CONFERENCE

⁹⁸ The thinking behind this approach was revealed by Harold Randall, the US representative to the Inter-American Economic and Social Council, who stated that the committee's intention was to, 'cause the Panama Meeting to produce something of concrete accomplishment of value to the Latin American countries and which will also contribute to US Foreign Policy objectives.' Further enticement for the Latin nations was offered by the added suggestion that the committee be made up of representatives chosen by the Latin presidents themselves. Randall again states that the recommendations discussed by the committee, 'having been developed by representatives of the Presidents themselves, will enjoy greater support from the Latin American governments than the activities of the OAS in this field have in the past' Memorandum by United States Representative to the Inter-American Economic and Social Council Harold Randall, July 16 1956, *FRUS 1955-1957 Volume VI* p 445; President Eisenhower's Briefing Paper for Panamanian Presidents Meeting, 19 July 1956, Panama Meeting of the Presidents-1956 Briefing Papers (3), Box No 3, Miscellaneous Series, Whitman File, Eisenhower Library

⁹⁹ As Michael Weis accurately summarises, the position taken by the US at Panama did not come close to addressing the full extent of the economic problems in Latin America. 'As with most inter-American meetings in the post war era, the Panama conference produced little except platitudes...the US had once again employed a delaying tactic instead of making genuine concessions or delivering more aid.' Michael Weis, *Cold Warriors and Coup D'Etat* (1993) p 99

The direct legacy of the Soviet Economic Offensive was the Eisenhower administration's realisation that their current Latin American policy was not capable of meeting US objectives in the face of the evolving shape of the Cold War world. Manichean tendencies compelled US officials to see the Soviet offer of economic aid as a direct threat to US national security. Moreover, it forced administration officials to establish a direct link between national security and the region's economic problems. This recognition provided the catalyst for a more concerted call for a change in US economic policy and was directly tied to the shift in the US-Soviet relationship from the core to the periphery.¹⁰⁰ All of a sudden, in 1956, which, crucially, was an election year in the US, the Eisenhower administration feared that they would be seen to be losing the Cold War in Latin America. But any change in policy was directly hindered by the twin aims that continued to underpin US policy toward Latin America. At the Panama Meeting the US had proposed a new forum to discuss economic issues; however, it was at best little more than a sub-committee with very little prospect of achieving a change in policy, and was designed to ensure that the focus of US policy remained "free trade, free investment and free capital". The debate within the administration as to the necessity of a change in policy continued to gather pace in 1957 but, as we shall see, the US position at the Buenos Aires Economic Conference would be as steadfast as it had been at Rio three years earlier.

In the period following the Panama Presidents Meeting, both George Humphrey and Henry Holland left the administration to return to the private sector. They were replaced by Robert Anderson and Roy Rubottom¹⁰¹, who were part of an influx of a new group of officials that were more open to the possibility of relaxing US economic

¹⁰⁰ See: Burton Kaufman, *Trade & Aid* (1982); Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006); Oscar Calvo-Gonzalez, "Neither a Carrot Nor a Stick" (2006)

¹⁰¹ Anderson became the new Treasury Secretary and Rubottom became the new Assistant Secretary of State for Inter-American Affairs

policy.¹⁰² This change in personnel coincided with a gradual change in economic policy, which, though hinted at in 1956, had still not emerged by 1957. James Siekmeier writes:

In order to improve both the opportunity for private capital in Latin America and foster closer United States – Latin American ties, Washington officials, beginning in 1957, significantly changed their traditional policy by offering more economic aid, supporting the concept of regional economic zones, and agreeing to participate in an arrangement to regulate the price of coffee.¹⁰³

The change in US policy had been encouraged by the events surrounding the Soviet Economic Offensive, but also enabled by the growing number of voices within the administration that were calling for a shift in the US position. Although Siekmeier argues that the definitive shift in US policy came after Buenos Aires,¹⁰⁴ the internal discussion had quite clearly begun in 1955 and 1956. It is important, though, not to exaggerate this change in policy: although the administration did indeed relax its position on commodity agreements, increase lending through the EXIM Bank, and inaugurate a new Inter-American Development Bank,¹⁰⁵ it did not relax its stance with respect to foreign private investment.¹⁰⁶ In short, despite some changes, the main principles underpinning US economic policy would remain the same. With the number of democracies and representative governments in the region beginning to rise, it was becoming clear that the administration could not rely on supporting military factions or Latin dictators in the long-term; instead, they would have to address the global problem of how to draw those nations within the periphery into the US sphere of influence.

¹⁰² This group also included the appointment of Douglas Dillon to Under Secretary of State for Economic Affairs and Thomas Mann to Assistant Secretary of State for Economic Affairs. For more see: Milton Eisenhower, *The Wine is Bitter* (1963)

¹⁰³ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 294-5

¹⁰⁴ *Ibid* p 302

¹⁰⁵ The introduction of the IADB would not, however, occur until 1959-60

¹⁰⁶ For information on the continued US commitment as to the virtues of foreign private investment see: Paper by the International Development Advisory Board, April 1957, which stated: 'It is the policy of the United States to encourage the development of the free world's resources as much as possible through private enterprise...President Eisenhower has also announced that it was to be part of his foreign economic policy to encourage the flow of private American investment abroad and to encourage a hospitable climate for such investment.'; Letter from Under Secretary of the Treasury Randolph Burgess to Dr Milton Eisenhower, June 4th 1957; Letter from Roy Rubottom to Dr Milton Eisenhower, December 17th 1957. Folder – Eisenhower, Dr Milton 1957, Box No 2, Papers of the Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom, Lot 59 D 573, National Archives, College Park, Maryland.

Officials within the administration knew that they would be put under significant pressure by the Latin nations at the Buenos Aires conference. New Assistant Secretary of State for Inter-American Affairs, Roy Rubottom, wrote to the Deputy Under-Secretary of State for Economic Affairs, Douglas Dillon, and told him: 'At the Conference...we can, I believe, expect to have a difficult task of negotiations due to the continuing impossibility of our acceding to Latin demands for money and measures that they say they need for economic development.'¹⁰⁷ In their attempts to correct the problems within their policy, US officials had sought to redress those issues causing concern without undermining their economic strategy. Latin officials, though, were not prepared to pass up another opportunity to try and secure an increased level of investment. By 1957, the situation was becoming increasingly critical for the Latin nations as the US economic recession and balance of payments problems impacted heavily upon the Latin economy.¹⁰⁸ In anticipation of the meeting, the Latin nations had issued an Inter-American Economic Agreement (which the US had agreed to discuss at the upcoming conference) that had been drafted by Secretariat of the Pan-American Union. Despite the administration's shift in policy, they were highly sceptical about the merits of the draft Economic Agreement. At a meeting held in the Treasury Department on 27 May, it became evident that Treasury officials still had 'very serious doubts' as to whether the US, 'should undertake to negotiate with the Latin American governments on a text of the kind drafted by the Secretariat of the Pan American Union.' As Roy Rubottom noted in the minutes of the meeting, though, the US had agreed to negotiate on the agreement at Buenos Aires, and therefore,

We should not hesitate to decide our position and then negotiate it as strongly and as effectively as possible... it was unlikely that the Latin American countries would be satisfied with another declaration or that it would fulfil our commitment to negotiate for an agreement.¹⁰⁹

¹⁰⁷ Memorandum from Assistant Secretary Roy Rubottom to Deputy Under Secretary of State for Economic Affairs Douglas Dillon, May 29th 1957. Folder – 1957 – Economic, Box No 2, Lot 59 D 573, Papers of the Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom, National Archives, College Park, Maryland.

¹⁰⁸ See: James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 293-300; Walter LaFeber, *Inevitable Revolutions* (1993) p 140

¹⁰⁹ Memorandum of a Conversation, Department of the Treasury, May 23 1957, *FRUS 1955-1957 Volume VI* p 503-507

Rubottom was aware that the US should not go to Buenos Aires and adopt the same stance as they had traditionally taken towards Latin economic requests. To do so again would undermine US national security objectives and increase the level of anti-American and radical nationalist sentiment in the region. Despite Rubottom's misgivings, though, the final recommendation of the sub-committee group set up to formulate US policy for the conference was: 'The US platform at Buenos Aires should be the same as at Rio – a strong presentation of the benefits of private investment and free private investment.'¹¹⁰ The position taken by US officials – even those more progressive ones like Rubottom and Dillon – can only be fully understood by accepting the argument that the administration was pursuing two separate aims in Latin America. Though the Traditional school argues that 'because it was winning the Cold War in Latin America, the Eisenhower administration saw little need to refashion its foreign economic policy'¹¹¹, and the Revisionist school contends that US policy would only change after the Buenos Aires Conference¹¹², neither argument offers a convincing explanation for the decision of US officials to take such a position at the conference. In fact (as Matthew Loayza accurately points out) even in the aftermath of Vice President Nixon's tour of the region, US policy did not change that much.

Historians generally argue that the Eisenhower administration did not question the effectiveness of the private capital development model until Vice President Richard M. Nixon embarked on a tour of Latin America...while it is certainly true that the Eisenhower administration became more willing to extend economic aid to Latin America in the wake of the Nixon trip, the extent of this policy shift has been exaggerated...it [the Eisenhower administration] never intended...to overshadow the importance of private capital investment.¹¹³

Within the context of the Soviet Economic Offensive in Latin America, the global shift in the Cold War from the core to the periphery and the fact that the Eisenhower

¹¹⁰ Summary Notes of a Meeting of the Subcommittee on the Buenos Aires Economic Conference, Department of State, May 28 1957, *FRUS 1955-1957 Volume VI* p 503-507

¹¹¹ Stephen Rabe, *Eisenhower* (1988) p 92; Mark Gilderhus, *The Second Century* (2000) p 155

¹¹² James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 302; Walter LaFeber, *Inevitable Revolutions* (1993) p 140-142

¹¹³ Matthew Loayza, "An Aladdin's Lamp" (2003) p 99; Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006)

administration clearly recognised that there was a need for them to appear more attractive to those nations in the Third World, neither the Traditional nor the Revisionist argument manages to convince when seeking to explain the administration's approach to the Buenos Aires Conference. For the Eisenhower administration to adopt a position that would inflame nationalist sentiment in Latin America so soon after the Soviet Economic Offensive and in the midst of an attempt to move closer to the Third World did not adhere to either US policy as outlined in NSC 5613/1 or the consistency of the administration's anti-communism. The US position for the conference was clearly being informed by an economic agenda, just as it had been three years earlier at the Rio Conference: this can only be satisfactorily explained by separating US economic principles from US strategic objectives. The impact that this split between economic and security issues had on US officials can be witnessed in the comments made by Douglas Dillon at a State Department Meeting on June 28. He stated that, 'the US views on the agenda topics of the Conference seem to be consistently negative but...we should make an effort to take a positive and accommodating position whenever possible'; however, he went on to retract this comment and state: 'since it may not be possible for the Latin Americans and us to reach accord on a General Inter-American Economic Agreement, we may wish to suggest at the Conference that, instead of a treaty, convention, or agreement, the delegates prepare a declaration or resolution.'¹¹⁴ As we can see, then, despite those officials advocating a change in US policy being much more prominent in the planning sessions for the Buenos Aires Conference, the US position was not significantly altered from that they had adopted at Rio. The gap between economic and strategic objectives

¹¹⁴ Roy Rubottom offered further evidence of this contradictory mindset when he reaffirmed Dillon's sentiments in a letter to Clarence Randall, the Chairman of the Council on Foreign Economic Policy, and told him: 'The recommended United States positions for the Buenos Aires Conference follow the familiar lines.' The final proof that the US would adopt a position at the conference markedly similar to that at Rio came in August when Dulles and Treasury Secretary Robert Anderson wrote to Eisenhower to inform him 'we plan to negotiate for a treaty in good faith, since we are committed to do so by earlier inter-American resolutions', but that in the absence of a viable agreement, 'further negotiation might be scheduled for the next suitable inter-American conference, or agreement might be reached on a non-binding Declaration as a substitute for the treaty. Either result would be satisfactory to the United States, since an economic treaty is not necessary to further our objectives in Latin America.' Memorandum of a Meeting, Department of State, June 28 1957; Letter from Secretary of State John Foster Dulles and Treasury Secretary Robert Anderson to President Eisenhower, August 5 1957, *FRUS 1955-1957 Volume VI* p 511-518; US Position on the Major Issues Expected to be Discussed at the Economic Conference of the Organization of American States, August 1 1957, CFEP 535 – Buenos Aires Economic Conference, Box No 6, CFEP Series, Eisenhower Library; Stephen Rabe, *Eisenhower* (1988) p 95; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 305

was, if anything, even wider than it had been in 1954 and the affect that this had on US policy can be witnessed by the outcome of the conference and in the deterioration of US-Latin relations in the period afterwards.

At the Conference itself, the US adopted a position strikingly similar to the one they had followed in Rio de Janeiro in 1954 and, 'reiterated their faith in the private-investment driven model of development for Latin America.'¹¹⁵ In fact, the Conference's final communiqué ended up 'reaffirming' US economic policy, as the American delegation refused to accept Latin proposals and forced the delegates to accept a final treaty that did not in any way alter the status quo.¹¹⁶ The American press, though, challenged administration officials over the idea that the conference had been a success. One reporter asked Roy Rubottom whether 'it was quite a disaster for us?' Rubottom replied: 'On the contrary, I think we came out of the conference very well. I think that we consider that the conference was a success.'¹¹⁷ However, despite Rubottom's public statement, it is clear that US officials – especially those advocates of change like Rubottom, Dillon, Milton Eisenhower and Thomas Mann – did not consider the Conference to have been wholly successful. Siekmeier writes,

Despite the final US stance at the conference, Dillon left the meeting with much different perceptions than had leaders of previous US delegations. He reflected that in the past "we [the United States] had been much too restrictive." Indeed, in the months following the meeting, he began to implement new, more activist policies. These changes can only be understood against the backdrop of lower US investment in Latin America, faltering intra-hemispheric trade, and rising political instability in the region.¹¹⁸

¹¹⁵ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 303

¹¹⁶ *Ibid* p 305

¹¹⁷ Press and Radio News Conference given by Assistant Secretary Roy Rubottom, September 12 1957, Folder – 1957 – Conference – Buenos Aires Economic, Box No 1, Lot 59 D 573, Records of the Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom, National Archives, College Park, Maryland.

¹¹⁸ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 306; Milton Eisenhower, *The Wine is Bitter* (1963) 206-209 takes a different perspective, claiming that 'At Buenos Aires the United States for the first time indicated a willingness to study the possibility of joining in the formation of a hemispheric development institution' p 207

The reaffirmation of existing policy, with the emphasis heavily on expanding foreign private investment and promoting the American economic system, ran completely contrary to the wishes of the Latin nations. Those officials who had been advocating a change in US policy, though, recognised that this approach directly hindered the stability of the region and, therefore, US national security objectives. It is striking how quickly after the conference officials such as Rubottom and Dillon resumed their calls for a change in US economic policy towards the region. A National Intelligence Estimate of 1958 would reveal to US officials what they already suspected: namely that, 'Political instability in Latin America will continue as a major obstacle to improvement in relations with the United States.'¹¹⁹ With Latin nationalism an ever-increasing problem, the policy of the US was, as Stephen Rabe writes, 'reaffirming a dismal status quo in the region.'¹²⁰ The tension between economic and security aims had reached a new high in this period: officials like Rubottom and Dillon recognised that in order to quell the increasingly strident Latin nationalism and meet their security aims they would have to engineer a dramatic shift in US foreign economic policy; one that would, however, continue to adhere to the long-standing economic principles of the administration. As we shall see in Chapter Four, the nationalist movement in Latin America had what Rabe describes as 'a new, influential spokesman,'¹²¹ that was Brazilian president Juscelino Kubitschek, who had come to power on a platform promising modernisation and who was determined to seek accommodation with the US in order to aid his policies.

CONCLUSION:

In April 1958, Vice President Nixon embarked on his ill-fated tour of Latin America. It was to be a turning point in US-Latin relations, although not as epochal as some commentators have suggested. Upon arrival in Caracas, Venezuela, Nixon's entourage was greeted by a 'group made up of ruffians and riffraff'; 'for fourteen agonizing minutes Nixon and his wife sat trapped in their separate limousines while the

¹¹⁹ "Latin American Attitudes Toward the US", NIE 80/90-59, National Intelligence Estimate, December 2 1958, *FRUS 1958-1960 Volume V* p 61; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 294

¹²⁰ Stephen Rabe, *Eisenhower* (1988) p 99

¹²¹ Stephen Rabe, *Eisenhower* (1988) p 96

press captured an occurrence unique in US history – enraged demonstrators spitting on the Vice President of the United States.’¹²² Roy Rubottom had previously indicated to Secretary Dulles that a visit by a high-ranking US official (preferably the Secretary himself) could help to get US-Latin relations back on track.¹²³ Although specific events in US-Venezuelan relations had been the catalyst for the ferocity of the protests,¹²⁴ it has been noted that Nixon’s tour saw, ‘latent anti-American sentiment’ emerge ‘at its most virulent.’¹²⁵

The dilemma confronting the Eisenhower administration was how to react to these events. As we have seen in this chapter, US policy had undergone quite a significant shift in the period between 1954 and 1958. The shift in the nature of the Cold War, which saw a dramatic change in US-Soviet relations and witnessed a significant shift from the core to the periphery, forced the administration to reconsider its approach in the region in an effort to appear more attractive to those increasingly important Third World nations. By 1956, these countries were not just important for economic reasons but, also, for strategic reasons: US credibility was now at stake in the contest between the USSR and the US to draw these nations into their respective spheres of influence, and, as a result, US policy clearly began to attach more emphasis to improving the relationship between Washington and the rest of the Western Hemisphere.¹²⁶ Now the inherent failings of the administration’s policy had been demonstrated publicly in an outpouring of nationalistic anger, US officials had to decide whether to make further changes to their policy or keep faith with their existing strategy.

¹²² Stephen Rabe, *Eisenhower* (1988) p 100; Lars Schoultz, *Beneath the United States* (1998) p 351

¹²³ Rubottom wrote: ‘The economic situation in the whole area has deteriorated due to the catastrophic price drops in metals, and even coffee is noticeably softening... a trip by you to South America at this time would contribute greatly to the cementing of our good relations with Latin America.’ Telegram from Assistant Secretary of State Roy Rubottom to Secretary of State John Foster Dulles, December 26 1957, John Foster Dulles December 1957, Dulles-Herter Series Box No 9, Whitman File, Eisenhower Library; Letter from Secretary of State John Foster Dulles, to Vice President Richard Nixon, March 6 1958, *FRUS 1958-1960 Volume V American Republic.* (Washington: United States Government Printing Office, 1991) p 222

¹²⁴ Most obviously, the granting of asylum to the recently ousted dictator Perez Jimenez and his reviled chief of policy Manuel Astrada

¹²⁵ Joseph Smith, *The United States and Latin America* (2005) p 123; Alan McPherson, *Yankee No!* (2003)

¹²⁶ As outlined in NSC 5613/1, the US attached much more emphasis to appealing to the Latin nations and in improving the state of US-Latin military relations

The overwhelming problem within US policy was that although security objectives were now a much more prominent part of US strategy, officials within the Eisenhower administration continued to be constrained by their adherence to American economic principles. This chapter has illustrated the way that this tension within US policy developed in the midst of a significant change in the very nature of the Cold War. As the Eisenhower administration's conception of Latin America's importance evolved from being predominantly economic to predominantly strategic in tone, those voices within the administration calling for a change in US economic policy in the area became more prominent. The Soviet Union's attempt to develop stronger links with the Latin nations raised fears within the administration that the credibility of the American system was coming under threat. In response they attempted to accord more significance to their relationship with the region and to address some of the major issues that were undermining their position in the area. Crucially, however, this would not include a significant change in economic policy. As a result, the biggest difficulty in US-Latin relations would remain and would, therefore, continue to undermine the administration's position in the region.

CHAPTER FOUR: US-BRAZILIAN RELATIONS 1954-1958 “FROM VARGAS TO KUBITSCHER”

INTRODUCTION:

Having identified the changes that occurred in US policy toward Latin America in the aftermath of the Soviet Economic Offensive and the shift in the nature of the Cold War, the next task is to analyse the impact that the events of the 1954-1958 period had on US-Brazilian relations. Like Chapter Two, this chapter will highlight the difficulties that the Eisenhower administration had in applying what was ostensibly a regional policy onto the bilateral relationship between Washington and Rio, focusing on the incompatibility of US economic and strategic objectives. This period can be divided into two distinct sections. Firstly, the period between Vargas's death in August 1954 and the Brazilian presidential election in 1955; and secondly, the period between Juscelino Kubitschek's election in late 1955 and the end of 1957, when the bilateral relationship had moved away from being predominantly about economics and now contained a more urgent national security element. What will be apparent across both of these sections is that in spite of what was motivating US policies, events in the bilateral relationship were very often dictated by the prevailing situation in Brazil. In the first period, chronic economic problems in Brazil and Washington's attempts to modify Brazilian economic practices (without jeopardising the upcoming election) would dominate events; whilst, in the second period, the agenda would be set by the actions taken by President Kubitschek, who came to office promising to revitalise Brazilian economic and social structures and his subsequent attempts to achieve this through close cooperation with the US. In each case it will be clear that the Eisenhower administration was not free to impose its Latin American strategy upon Brazil without first trying to solve the existing problems.

The argument in this chapter will be similar to that presented in Chapter Three. Namely that prior to 1956, the Eisenhower administration continued to view their position in Latin America from a predominantly economic perspective; but that following the Soviet Economic Offensive and the change in the nature of the Cold War, US officials became increasingly concerned about the status of their strategic concerns in

both Latin America and Brazil. As we saw in Chapter Three, much more emphasis was placed on improving US-Latin American relations through the use of a more successful military assistance policy and by affording more importance to US-Latin diplomacy. However, we also saw that such an approach overlooked Latin demands for a change in US economic policy; the result was the outbreak of Latin anti-American sentiment during the Nixon trip of 1958. The crucial point is that once again we will see that the Soviet Economic Offensive did impact a significant change onto US policy: the fact that it was ultimately unsuccessful is not as important as identifying the fact that there was certainly a strong change in Washington's conception and approach toward their position in Latin America. This change in policy would be highly apparent in Brazil and will, therefore, form a central part of this chapter.

US policy toward the interim Café Filho administration up to the Fall of 1955 continued to be concerned with successfully resolving Brazil's economic problems in a manner that was compatible with American interests.¹ In the six months between October 1955 and March 1956, though, three things altered the dynamic of US-Brazilian relations. Firstly, the pattern of the Cold War continued to shift toward the Third World; secondly, the onset of the Soviet Economic Offensive caused the Eisenhower administration to alter its Latin American approach; and thirdly, Juscelino Kubitschek was elected as the new Brazilian president. The US would attempt to build a strong working relationship with President Kubitschek and ensure that the American strategic position in Brazil was strengthened – this necessitated the construction of several US military installations on Brazilian territory and a political alliance build around anti-communist sentiments. There was, however, a significant problem. President Kubitschek's support for US policies was part of his strategy to secure a significant change in US lending policy. The Eisenhower administration, though, would make any change in policy conditional upon Brazil implementing a series of revisions to their domestic economic policies. With neither Washington nor Rio prepared to shift their position, the bilateral relationship would have deteriorated severely by 1958.

¹ Stanley Hilton, "The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship" in *American Historical Review* (Vol 68, No.3, December 1981) p 616-7

THE HISTORIOGRAPHICAL GAP:

Adopting this approach will significantly increase our understanding of not just US-Brazilian relations, but, also, US-Latin American relations. As with Chapter Two, the existing historiography on US-Brazilian relations during this period is demonstrably sparse. Whilst those studies looking at general US-Latin relations do give more consideration to the Kubitschek era than the Vargas and Café Filho governments, this is only a moderate increase and tends to focus on Kubitschek's Operation Pan America proposal, which we will examine in Chapter Six.² Even those studies dealing ostensibly with US-Brazilian relations have not provided comprehensive appraisals of the way that the bilateral relationship and US policy evolved in the period between 1954 and 1958. Elizabeth Cobbs, due to the focus of her work on the private network in Brazil, provides some references to the Café administration and provides a good overview of the climate for foreign investment in Brazil during this period, but does not look at the wider elements of US-Brazilian relations at this time.³

It is Michael Weis who provides the most in-depth study of US-Brazilian relations during the period covered by this chapter.⁴ Even here, though, there is a significant gap in the written work provided on the Café Filho administration: although Weis accurately summarises the nature of the bilateral relationship in this period he does not do so whilst offering a wider critique of US policy toward Latin America or identifying the underlying

² Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: University of North Carolina Press, 1988); Mark Gilderhus, *The Second Century: US-Latin American Relations since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000); James Siekmeier, *Aid, Nationalism and Inter-American Relations: Guatemala, Bolivia and the United States, 1945-1961* (New York: The Edward Mellen Press, 1999); Matthew Loayza, "An Aladdin's Lamp for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-1961", *Diplomacy & Statecraft* (Volume 14, No. 3, September 2003). All of these studies mention Kubitschek's presidency briefly and will be cited accordingly here and in Chapter Six

³ Elizabeth Cobbs, *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil* (New Haven: Yale University Press, 1992) p 201-231

⁴ Stanley Hilton deals with the Café administration, but does not go into explicit detail about the nature of the bilateral relationship during the 1945-56 period. Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 616-7

tension between economics and security within the US approach.⁵ It is this imbalance that this chapter will address, viewing US-Brazilian relations within the wider context of US regional policy and outlining the way that those themes which were so prevalent in Chapter Three impacted upon the bilateral relationship. Where this chapter will move beyond the work of Cobbs and Weis is in seeking to identify the evolution of US-Brazilian relations within the economics-security nexus outlined in the first three chapters. As the Eisenhower administration's emphasis shifted toward the achievement of its national security aims, the dominant features in US-Brazilian relations would alter accordingly. However, as outlined in Chapter Three, the change in the emphasis of US policy toward Latin America would not bring about a change in US economic principles. Therefore, as Washington and Rio moved closer together on issues of security and strategic importance, they would be pushed apart again by the inevitable disagreements over economic policy. The first stage, however, is to analyse the way that the bilateral relationship evolved in the period between Vargas's death and the 1955 presidential election.

CAPITALISM V NATIONALISM: US-BRAZILIAN ECONOMIC DISPUTES 1954-1955

The first year of US-Brazilian relations after Vargas's death revolved predominantly around economic diplomacy. As we have already seen, US objectives in Latin America during the first two years of the Eisenhower administration were mostly concerned with expanding the role that foreign private investment played in Latin development and encouraging the widespread acceptance of American economic principles. In Brazil, this process had led to the US termination of the Joint Commission in the summer of 1953; a decision that had quickly undermined the political stability of the Vargas administration in an effort to reshape Brazilian economic development more along the lines of Western capitalism. Upon Vargas's death, though, Brazil was in a

⁵ Weis writes that, 'while the US sympathized with the new regime, officials decided to keep Brazil on a "short leash" and refused to give any significant assistance.' Michael Weis, *Cold Warriors & Coup D'Etat: Brazilian-American Relations 1945-1964* (Albuquerque: University of New Mexico Press, 1993) p 80

parlous financial state: a crash in coffee prices and an impending crisis over foreign exchange had left the Brazilian economy in a worse position than that which had triggered Vargas's fall from power. As a result, the Café Filho administration's greatest priority would be to try and stabilise the situation in order that there might be a stable handover of power after the 1955 presidential election.⁶ Café Filho had become Vargas' vice president in 1950, despite the fact that he had been a fierce critic of Vargas' previous incarnation as the dictatorial leader of the Estado Novo in the 1930s.⁷ In essence, the new administration saw itself as being little more than a 'caretaker' regime, whose main responsibility was to "steady the ship" until a new leader was elected in the autumn of 1955.⁸ US policy was markedly different to this, however. The Eisenhower administration, as per the policy outlined in NSC 144/1 and NSC 5432/1, wanted to encourage Brazilian development through American economic principles.⁹ The fact that the Eisenhower and Café Filho administrations had such differing objectives impacted a heavy strain on the bilateral relationship as the US grew increasingly frustrated with the Brazilian government's refusal to adopt the changes they were recommending.

⁶ For Café Filho's own views on his administration, see: Conversation between Robert Alexander and Joao Café Filho, June 8 1966. Taken From: Robert Alexander, *The ABC Presidents: Conversations and Correspondence with the Presidents of Argentina, Brazil, and Chile* (Westport, Connecticut: Praeger, 1992) p 104-8

⁷ Robert Levine, *Father of the Poor?: Vargas and his Era* (Cambridge: Cambridge University Press, 1998) p 79-80; Ronald Schneider, *Brazil: Culture and Politics in an New Industrial Powerhouse* (Boulder, Colorado: Westview Press, 1996)

⁸ Weis writes, 'Without any support, save a national desire to maintain constitutional democracy, the administration saw itself as a caretaker regime and limited itself to pursuing stabilization...and maintaining order for October's congressional elections and the next presidential election.' Michael Weis, *Cold Warriors and Coup D'Etats* (1993) p 80; Joseph Smith, *A History of Brazil, 1500-2000* (London: Pearson Educational Ltd, 2002) p 161

⁹ Matthew Loayza explains this, writing: 'US officials believed that if Latin Americans accepted American tutelage, the results would redound to the benefit of the Latin American republics and the United States. The former stood to benefit from the importation of financial capital and managerial expertise desperately needed for economic development, whereas the latter would gain improved access to raw materials as well as new capital and commodity markets.' Matthew Loayza, 'An Aladdin's Lamp for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-1961.' *Diplomacy & Statecraft* Volume 14, No. 3, (September 2003). Frank Cass Publishers, p 84

Deepening economic problems were not the only obstacle to US objectives in Brazil, though.¹⁰ The growth of Brazilian nationalism continued apace; a trend boosted by the anti-American vitriol displayed by Vargas in his last testament. He wrote,

A subterranean campaign of international groups joined with national groups revolting against the regime of worker's guarantees. The law of excess profits was stopped in Congress. Against the justice of a revision of minimum salaries, hatreds were unleashed. I wished to create national liberty by developing riches through Petrobras, and no sooner had we begun than a wave of agitation was raised...profits of foreign enterprises reached 500 per cent yearly...the coffee crisis came, and increased the value of our principle product. We attempted to defend this price and the reply was a violent pressure upon our economy to the point of being obligated to surrender.¹¹

US officials recognised that the situation in Brazil was growing increasingly serious.¹² In response, Secretary Dulles attempted to persuade James Dunn, the US Ambassador to Spain,¹³ to take on a similar role in Brazil. He wrote:

I am told that you do not look with favour on a tour of duty in Brazil...I do want personally to urge you to reconsider the possibility of a year to eighteen months in Rio...I want you to know from me personally that I feel the situation in Brazil is one with peculiarly calls for you ability and type of expertise...the death of Vargas has created many problems. The economic situation is precarious. The Rio Conference next November and its immediate aftermath will be particularly significant.¹⁴

¹⁰ The best overview of Brazilian politics at this time can be found in: Thomas Skidmore, *Politics in Brazil, 1930-1964* (Oxford: Oxford University Press, 1967) Chapter 4

¹¹ Suicide Letter of President Vargas, August 24 1954, Jordan M. Young, *Brazil: End of a Civilian Cycle* (USA: Facts on File, 1972). p 16-17; Robert Levine, *Father of the Poor?: Vargas and his Era* (Cambridge: Cambridge University Press, 1998) p 88-9

¹² Weis notes that, 'Vargas's political testimony energized politics in Brazil, as a wave of indignation swept the nation' and 'crowds attacked US consulates in Porto Alegre and Belo Horizonte.' Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 79-80

¹³ Dunn was a long serving State Department official and, indeed, had been the US Ambassador to Italy in 1948 during the election where the CIA attempted to covertly ensure that the Italian Communist Party did not win the election. See: Kaeten Mistry, "The Case for Political Warfare: Strategy, Organisation, US Involvement in the 1948 Italian Election and the Role of James C. Dunn" in *Cold War History* (Vol 6, Issue 3, 2006)

¹⁴ Memorandum from the Secretary of State John Foster Dulles to the American Ambassador in Madrid James C. Dunn, August 31 1954, John Foster Dulles Chronological – August 1954 (1), Box No 9, General Correspondence and Memoranda Series, John Foster Dulles Papers, Eisenhower Library.

Dulles's sentiments were echoed at the NSC meeting on September 3 by Deputy Director of the CIA, General Cabell. He told the NSC members, 'the suicide of Vargas had been the climax of several years of deterioration in the situation,' and that 'although the new cabinet was competent, experienced, conservative, and pro-US, it would have to face a number of difficult problems, including inflation, a foreign exchange crisis, lack of parliamentary majority and national and state elections on October 3.'¹⁵ Despite recognising the problems confronting them in Brazil, the Eisenhower administration would spend the next twelve months becoming increasingly frustrated by its lack of progress in encouraging a shift in Brazilian economic policy. Brazil's severe domestic economic situation forced the interim Café administration to make economic policy the main theme in US-Brazilian relations. The US response was to adopt a hard-line position: no loans would be forthcoming unless significant changes in economic policy were made. However, the Café administration – politically weak and unwilling to risk further political instability – was reluctant to make those changes. As a result, an impasse developed that left the Eisenhower administration to wait until a new leader was elected in October 1955 for a possible relaxation in bilateral tensions. With US economic objectives toward Latin America remaining unchanged, the Eisenhower administration's economic approach toward Brazil would continue to be one rooted in the principles of free market capitalism.

On September 12, 1954, Ambassador Kemper cabled the State Department and outlined the severity of the economic situation in Brazil. Brazilian problems stemmed from the fact that their balance of payments were running at a heavy deficit: Brazilian expenditure dwarfed Brazilian income.¹⁶ If Brazil was unable to obtain additional funds to meet their repayment schedule on foreign loans then they would be forced to sell off some their gold reserves. As Kemper noted, however, this could have a serious impact on

¹⁵ Discussion at the 212th Meeting of the National Security Council, September 3 1954, Box No 6, NSC Series, Whitman File, Eisenhower Library

¹⁶ In fact, Ambassador Kemper projected Brazilian losses in the period up until the end of 1954 to be somewhere in the region of \$54.8 to \$65.3 million, increasing to \$155 million in the first six months of 1955. See: *Foreign Relations of the United States 1952-1954 Volume IV The American Republics* (Washington: United States Government Printing Office, 1983)

not just Brazilian politics but the future of the US-Brazilian relationship; unless, of course, the US agreed to provide Brazil with an emergency gold loan.

Brazilian authorities believe that if they are obliged to sell gold, domestic political consequences would be severe if not unbearable to present administration which is trying to gain support to face financial crisis and take necessary measures to reorient economic policy. Brazilian officials assert, however, government would sell gold before defaulting exchange contract. Domestic effects indicated are (1) bears would enter coffee market with resulting reduction in sales; (2) commercial bankers reduce credit lines; (3) severe political blow to prestige and popular support of present administration. Moreover refusal by the US to grant gold loan forcing sale elsewhere would diminish US influence [over] new administration impairing our ability to persuade Brazil to take sound economic measures.¹⁷

For the US to be able to exert any influence on the Café administration to adopt American economic practices, then they needed, in Kemper's opinion, to offer the Brazilians some support at this time of impending financial crisis. Yet this was a difficult idea to countenance for the Eisenhower administration as it contravened their global economic policy.¹⁸ The struggle to find some form of compromise between these two divergent positions would characterise the US-Brazilian relationship in 1954 and 1955.¹⁹

We saw in Chapter Three that many nations in the Third World were increasingly prepared to use the competing geopolitical interests of the US and the Soviet Union to play the two superpowers off against each other.²⁰ The continued efforts by US officials to impose their economic principles upon those developing areas of the world pointed to a misreading of Third World nationalism. As John Lewis Gaddis writes,

¹⁷ Telegram from US Ambassador in Brazil James Kemper to the Department of State, September 12 1954, *FRUS 1952-1954 Volume IV*

¹⁸ See: Burton Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (Baltimore: John Hopkins University Press, 1982)

¹⁹ This clash between US economic objectives and those of the Brazilians was part of a wider trend. As David Ryan writes: 'US aspirations to maintain its standard of living, "to maintain the position of disparity", and to enhance economic integration set up a contradiction between the aspirations of Third World states and those of the United States.' David Ryan, *US Foreign Policy in World History* (London: Routledge, 2000) p 143

²⁰ See: Thomas McCormick, *America's Half-Century: United States Foreign Policy in the Cold War and After* (Baltimore: John Hopkins University Press, 1989) Second Edition 1995 p 118-122

Much of the administration's difficulty in dealing with communism²¹ in the Third World stemmed from a chronic failure to distinguish deterrable from non-deterrable phenomena. The theory of deterrence implies that the behaviour to be deterred (1) represents something less than a total commitment on the part of the adversary, and (2) is under reliable central direction. Neither of these conditions could be assumed in the Third World.²²

Although Gaddis blurs the distinctions between communism and nationalism, his argument concerning the Eisenhower administration's lack of understanding with regard to the dynamics of Third World sentiment is essentially correct.²³ The strength of Brazilian nationalism could not be discounted and it was beyond US control to try and weaken its potency. And yet US officials still sought to try and engineer a change in Brazilian economic policy; the consequence of which was an increase in Brazilian nationalism and a weakening of pro-US sentiment in Brazil. In seeking to answer the question of why they did this, it is necessary to bear in mind the fact that US ideological constructs committed the administration to adhering to its long-standing economic objectives with regard to Latin America. This – as we shall see – meant that the more the Café administration raised the issue of economics, the more Washington would continue to follow its existing approach.

Much of the onus for relieving Brazil's economic situation fell to Eugenio Gudin, the Brazilian Finance Minister.²⁴ And, in September 1954, he travelled to the US 'for discussions with EXIM, IBRD, the Federal Reserve Bank, and private banks in New York, as well as with Treasury and State Department officials.' The characteristics of US economic policy were made quite clear to Gudin. Although he 'secured a 160-million-dollar Federal Reserve loan against a gold pledge,' US officials 'denied a request for a further 100-million-dollar EXIM loan to provide the regime with some breathing

²¹ In referring to communism, Gaddis was, like many Cold War historians, conflating nationalism with communism, which as we have already seen, is a common trait in Cold War historiography

²² John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy* (New York: Oxford University Press, 1982) p 180

²³ This confusion within Washington as to how potent a force nationalism was is similar to that confronting the Kennedy administration in Vietnam; a point that was made to the president by his French counterpart, Charles de Gaulle, who told Kennedy in Paris in 1961 that: 'Nationalism would always prove stronger than "any foreign authority."' Frederik Logevall, *Choosing War: The Lost Chance for Peace and the Escalation of the War in Vietnam* (Los Angeles: University of California Press, 1999) p 24-5

²⁴ Thomas Skidmore, *Politics in Brazil* (1967) p 143-4

space.²⁵ It was now, however, that the administration made the mistake of attempting to use Brazil's financial problems as a tool for both obtaining Brazilian support for the upcoming Rio Economic Conference and for gaining concessions in other areas relating to US objectives. Weis writes,

US officials offered Gudin the promise of future assistance if Brazil met a list of demands: changing the Petrobras law to allow US corporate investment; abrogating a 1938 treaty with Bolivia granting Brazil exclusive rights for oil development in order to allow US exploration; signing the new Joint Brazil-United States Military Commission agreement; revising the recent wheat-for-strategic-minerals agreement to give the US better terms; resuming exports of mica, industrial diamonds, and uranium; and collaborating with the US at the Rio economic conference.²⁶

We have already established that the US strategy for the Rio Conference was to meet its economic objectives and counter Latin proposals: this blatant extortion of the Brazilians, however, provides strong evidence of the administration's continued adherence to NSC 5432/1's stated aims and objectives. The Brazilian need for economic assistance was so desperate that the Café administration had little choice but to accept the terms put forward by the US. On October 29 Ambassador Joao Muniz told Assistant Secretary of State, Henry Holland, that: 'Brazil will support our policies at the Rio Conference and will attempt to persuade other governments to do so also...Brazil's position will become acute in December, and it will need help to meet its dollar obligations.'²⁷

In the short-term, the US achieved the objectives behind this approach; Brazil did support the US at Rio and also signed the Military Commission treaty.²⁸ However, in the long-term, it only served to exacerbate US-Brazilian tensions and highlighted the differences between the two nation's policies. US success at Rio could not disguise the

²⁵ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 80; Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 616-7

²⁶ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 80-81

²⁷ Memorandum of a Conversation between Assistant Secretary of State Henry Holland and Brazilian Ambassador Joao Carlos Muniz, October 29 1954, Folder – Brazil 1954, Box No 2, Record Group 59, Entry 1132, Country File, Records of the Assistant Secretary of State for Inter-American Affairs Henry Holland 1953-1956, Lot 57 D295, National Archives, College Park, Maryland

²⁸ Michael Weis, *Cold Warriors and Coup D'Etats* (1993) p 81-84; Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: University of North Carolina Press, 1988) p 71-77

fact that the major problem in the bilateral relationship was Brazil's chronic economic problems. How to solve them would be a recurring theme of discussions within the Eisenhower administration. Secretary Humphrey, after recognising that the US would probably have to provide further assistance to Brazil, recommended that the US appoint two officials to, 'go to Rio de Janeiro and examine the precise exchange situation of Brazil.'²⁹ A document produced in the Office of Financial and Development Policy summarised the unsolved problems in the relationship by asking: 'What is the financial position of Brazil, and is the new Government doing all that can be reasonably be expected? Should the US aid Brazil and if so what shall be the extent, timing and conditions of such aid?' The problem for the US was that by helping the Brazilians they would lose their ability to encourage the Café administration into making necessary economic reforms such as a change in petroleum and coffee policy.

If the US bails out the new Government they will doubtless relax, and while the program to control inflation and to institute certain other reforms will go forward, it will lose steam and the tendency will be not to deal with the main problems, particularly coffee and petroleum.

The solution put forward was to offer aid to Brazil on an incremental basis; only offering the next instalment depending on stipulated changes being made in Brazilian policy.³⁰

The US should extend aid to Brazil, but this should not be in one large sum. It should be extended piece-meal, and in each case without commitment to further amounts, which would depend upon developments and Brazil's progress in a constructive program... We should tell them that it appears they will not need aid until at least January, and that at that time we will consider aid for immediate needs, and that further amounts will depend upon developments. If the coffee and petroleum problems should be satisfactorily dealt with in the near future, and their need for aid existed the US might then modify the piece-meal approach.³¹

²⁹ Memorandum of a Conversation, Department of State, October 7 1954, *FRUS 1952-1954 Volume IV* p 661-662

³⁰ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 617

³¹ Memorandum by the Director of the Office of Financial and Development Policy to the Assistant Secretary of State for Economic Affairs Samuel Waugh, November 17 1954, *FRUS 1952-1954 Volume IV* p 662-664

By the end of 1954, the Eisenhower administration's approach toward Brazil was clearly still being informed by the economic ideals outlined in NSC 5432/1. What is surprising about this is that even in the aftermath of the collapse of the Vargas administration, and the subsequent affect that this had on political stability in Brazil, the US continued to see the economic part of the bilateral relationship as being most pressing. The problem for the US was that even those Brazilian officials that recognised the need for change in Brazilian policy - like Finance Minister Gudin - were powerless to implement all the changes that were necessary. Some of them, such as opening up Brazilian petroleum reserves to foreign investment, were politically unfeasible due to the strength of Brazilian nationalism.³² It was now that the gap between US policy and the Brazilian position began to dictate the nature of the bilateral relationship. Between January and August of 1955, US-Brazilian relations would be characterised by Washington's attempts to achieve their economic aims in the face of the Café administration's unwillingness to implement wide-ranging economic reforms.

In the period leading up to the 1955 Brazilian presidential election, US policy toward Brazil continued to focus on economic issues. On February 15, 1955, Secretary Dulles sent an instruction out to all the Diplomatic Missions in the American Republics, informing them of the criticisms being levelled at US economic policy and linking it to the problems in US-Brazilian relations. He wrote,

Criticism of the proportional amount of United States aid to Latin America, as compared with economic assistance in other areas...is so persistent as to constitute a serious factor in our good relations with other governments of this hemisphere. The criticism is voiced by the press, by political campaigners, by delegates at inter-American and international conference tables, and, both publicly and privately, by official spokesmen at the highest level. An even greater potential than criticism, however emotional and

³² In fact, Gudin was growing increasingly frustrated at his lack of progress in solving Brazil's economic problems and, in January 1955, was prepared to quit. The US, aware that Gudin was ostensibly on "their side", were concerned about this and both Secretary Dulles and Secretary Humphrey sent goodwill messages to offer their support to the beleaguered Brazilian Finance Minister. See: Telegram from the Ambassador in Brazil James Kemper to the Department of State, January 7 1955; Telegram from the Secretary of State to the Embassy in Brazil, January 12 1955, *FRUS 1955-1957 Volume VII American Republics: Central and South America* (Washington: United States Government Printing Office, 1987) p 627-629; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 84-86

inaccurate, is the popular conviction among many citizens of the other American Republics that most of their economic ills – whether due to inflation, falling world markets, unbalanced budgets, discouragement of foreign capital, or corruption in government – are due either to the asserting grasping, materialistic policy of the United States or to alleged United States blindness to Latin America's needs...This latter theory has at present the wider acceptance. It is being stressed, for example, in Brazil, a country that is traditionally our ally and that has a present administration which we can endorse and would be glad to assist, but that so far shows extreme reluctance to accept terms which would make US assistance remedial and not merely alleviating; such as, for example, permitting private enterprise to develop the immense oil resources which Brazil possesses but cannot itself develop, and taking practical measures to balance the budget so as to check the inflationary process. In view of the prevalence of this attitude in the hemisphere, the Department and the Agency³³ consider it essential that officers of the Embassy, especially those in frequent contact with leaders in public life and public opinions, make a concerted, concentrated effort to prove that the effectiveness of United States assistance cannot be measured accurately by dollar totals alone...United States relations with Latin America in the economic sphere have been and are entirely different. Latin America is the one sizeable area where there has been no war devastation and no impending threat of armed Communist aggression...United States assistance is motivated, not by the demands of an emergency, but by settled considerations of alliance and mutual interest, enunciated in the Good Neighbor policy and adhered to ever since as a permanent part of foreign policy.³⁴

Dulles' summary of the tensions in US-Latin relationships was an accurate one. Again, though, despite recognising the problems that their economic approach was impacting upon the US position in the region, administration officials continued to refuse to consider a change in basic economic policy.³⁵ The impact of this tension was especially prominent in Brazil and, in 1955, the tension between the two nation's economic objectives continued to impose a negative impact on the bilateral relationship. Brazilian hopes of a more benevolent US policy were raised when Nelson Rockefeller – who had a long history of activity in Brazil – was appointed as a Special Assistant to the

³³ The Department of State and the Central Intelligence Agency

³⁴ Instruction from the Secretary of State to All Diplomatic Missions in the American Republics, February 15 1955, *FRUS 1955-1957 Volume VI American Republics: Multilateral; Mexico; Caribbean* (Washington: United States Government Printing Office, 1987) p 300-303

³⁵ James Siekmeier, *Aid, Nationalism, and Inter-American Relations* (1999) Chapter Five; Stephen Rabe, *Eisenhower* (1988) Chapters Four and Five

President.³⁶ This would, however, prove to be something of a false dawn, as Rockefeller's attempts to bring about a change in US policy toward Brazil would ultimately fail.³⁷ In fact, Elizabeth Cobbs writes: 'Ironically, Rockefeller, in spite of the two official posts he held under Eisenhower³⁸, was listened to more by Democrats than by fellow Republicans...Eisenhower considered Rockefeller a spender and was reluctant to accept his advice on matters of foreign aid.'³⁹

There would not, then, be any significant changes in the bilateral relationship in the period leading up to the Brazilian presidential election in the fall of 1955.⁴⁰ The Eisenhower administration would continue to try and convince the Brazilian authorities that they needed to adopt the changes in policy they were suggesting, whilst the Café administration would continue to refuse to adopt any measures that might be perceived as being controversial. In reality the Café administration proved unable to take the measures being recommended by the US, even when they recognised the problems they faced – internal political and economic problems precluded any widespread acceptance of US proposals even when the Rio Government could see what steps needed to be taken. This much was revealed in a memorandum sent to Henry Holland by Rollin Atwood, the Director of the Office of South American Affairs.

Minister Gudin outlined in Washington, and later Brazil, a constructive program to meet Brazil's pressing economic problems. This program included: 1) Slowing inflation; 2) Increasing exports; 3) Encouraging private foreign investment; 4) Balancing the national budget; 5) Modifying the

³⁶ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 93-94; Cobbs also states that Rockefeller's overall goal in US-Brazilian relations was to promote 'Brazilian development under the mantle of US capitalism' p 117

³⁷ See: Memorandum from the Assistant Secretary of State for Inter-American Affairs Henry Holland to Secretary of State John Foster Dulles, March 18 1955; Memorandum from the President's Special Assistant Nelson Rockefeller to President Eisenhower, June 1 1955; Letter from the Assistant Secretary of State for Inter-American Affairs Henry Holland to the President's Special Assistant Nelson Rockefeller, June 3 1955, *FRUS 1955-1957 Volume VI* p 304-310, 327-330

³⁸ He was also Chairman of the Operations Coordinating Board

³⁹ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 98; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 84-5

⁴⁰ As Stanley Hilton has noted, Brazil did make an effort to reignite the "special relationship" in 1955, but this would prove to be unsuccessful. Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 617

petroleum legislation; and 6) Adjusting Brazil's external balance of payments.⁴¹

However, recognising what needed to be done was one thing; actually putting it into practice was quite another, and Gudin proved unable to implement the steps he himself had outlined as being necessary for Brazilian economic recovery. The failure of the Eisenhower administration to achieve their economic aims in Brazil posed a direct challenge to US officials: should they alter their policy toward Brazil, or should they remain steadfast in their approach? As Atwood wrote to Holland,

We have declined to give Brazil a sizeable standby credit or new outright loan because this would relieve the pressure now on Brazil to do everything in its own power to solve its problems. We have suggested a close mutual continuous review of Brazil's developing financial statement with a definite statement that the US is ready to cooperate. This is sound financial practice but is leading to an unsuccessful impasse because Brazil does not agree...if our reply (to a further Brazilian loan request of \$140 million) is negative, a bitter reaction is likely. Government officials and the press will probably claim that the US has abandoned Brazil in its worst crisis in years.⁴²

The internal debate within the administration as to what stance the US should take toward this problem continued throughout January 1955⁴³, and a growing frustration at the inability of the Café Filho administration to adopt a proactive stance became increasingly evident.⁴⁴ US officials kept coming back to the same conclusion: they could not provide substantial aid to Brazil unless that assistance would 'avert' and not 'merely postpone' a financial crisis.⁴⁵ Sterling Cottrell, the State Department Officer in Charge of

⁴¹ Memorandum from the Director of the Office of South American Affairs Rollin Atwood to the Assistant Secretary of State for Inter-American Affairs Henry Holland, January 19 1955, *FRUS 1955-1957 Volume VII* p 629-631

⁴² *Ibid*; for further information on deterioration in US-Brazilian relations, see: Telegram from Ambassador in Brazil James Kemper to the Department of State, January 20 1955, *Ibid*, p 631-2

⁴³ Memorandum of a Conversation at the Department of State on Brazil's Economic Problems, January 22 1955, Folder - Brazil 1955, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary of State for Inter-American Affairs Henry Holland 1953-1956, Country File 1953-1956, (Brazil-Chile), Lot 57 D 295, National Archives, College Park, Maryland.

⁴⁴ Despatch from the Ambassador in Brazil James Kemper to the Department of State, January 24 1955, *FRUS 1955-1957 Volume VII* p 633-636

⁴⁵ Memorandum from the Assistant Secretary of State for Inter-American Affairs Henry Holland to Secretary of State John Foster Dulles, January 28 1955, *FRUS 1955-1957 Volume VII* p 637-638; See also the record of a State Department meeting of January 26, where Holland ran through the options available to the US. He even mused on whether or not Washington should provide funding to Petrobras, although he recognised that they 'could be criticized for financing a foreign oil monopoly.' In the end, Holland's

Brazilian Affairs, attempted to put forward a solution to this problem in a memorandum to Rollin Atwood. Outlining three alternatives (1) Do nothing; 2) Loan them what they ask for; or 3) offer a loan which allows them to 'squeak through'), Cottrell favoured the third, stating: 'I believe our relations with Brazil will never be on a sound basis until Brazil "puts its house in order." As long as they postpone reforms, they will be broke and crying for help.'⁴⁶ The bilateral relationship during the Café Filho era saw the US attempting to decide upon an approach that would allow them to meet their economic aims and encourage the Brazilian government to adopt the measures that they deemed to be necessary for Brazilian economic recovery. At the same time, though, Washington proved unable to persuade the Café Filho administration to take those steps: the result was an impasse centred on persistent Brazilian loan requests and outright American refusal unless Brazil "put its house in order."⁴⁷

All of this, however, begs some obvious questions. Firstly, what impact did this have on US-Brazilian relations in the context of the evolving Cold War and the Soviet Economic Offensive after January 1956? Secondly, to what extent did this impasse between American capitalism and Brazilian nationalism continue during the Kubitschek period? And thirdly, why is the lack of consideration afforded by historians to the bilateral relationship during the Café period so important as to merit such attention here? The answer to all of these questions stems from a singular point – that of establishing a trend. Although the bilateral relationship during the Vargas administration had been fraught with difficulties, it was dominated by the Eisenhower administration's decision to terminate the JBUSEDC; events during the Café era therefore become vital as they established a strong precedent in the dynamic between Washington and Rio with regard

conclusion was, in effect, a reaffirmation of the existing (although deeply unsatisfactory approach): 'repulsive as this approach is, I don't think it is best. Over the long term I think it is best for us to maintain close scrutiny over any credit we extend...[as this would] provide a lever to bring them back to a course of righteousness and sobriety and should help us to postpone a future crisis.' Memorandum of a Conversation at the Department of State on Brazil's Financial Situation, January 26 1955, Folder – Brazil 1955, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary of State for Inter-American Affairs Henry Holland 1953-1956, Country File 1953-1956, (Brazil-Chile), Lot 57 D 295, National Archives, College Park, Maryland.

⁴⁶ Memorandum from the Officer in Charge of Brazilian Affairs Sterling Cottrell to the Director of the Office of South American Affairs Rollin Atwood, January 28 1955, *FRUS 1955-1957 Volume VII* p 638-9; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) 84-5

⁴⁷ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 617

to economic policy, which would continue in the post-1955 period. This enables us to examine whether or not US economic policy toward Brazil was affected by the change in approach that emerged in 1956 and whether that is consistent with the argument put forward in the previous chapter. As we shall see next, whilst US policy would begin to emphasise strategic issues more strongly, the economic elements within US policy would remain unaltered. This would lead to a growing tension in US-Brazilian relations over the clash between strategic and economic objectives.

THE STRUGGLE CONTINUES: THE 1955 BRAZILIAN PRESIDENTIAL ELECTION

The impasse that had developed between the US and Brazil in the period between August 1954 and February 1955 had convinced the Eisenhower administration that they would not be able to meet their objectives in Brazil whilst the Café Filho administration remained in office. On March 22, 1955, Sterling Cottrell outlined the aims of the US in Brazil, writing: 'our immediate objective, in view of Brazil's deteriorating economic situation, is to prevent an economic breakdown. Our secondary objective is to promote economic rehabilitation.'⁴⁸ Recognising that the Café Filho administration would not implement the changes necessary to solve Brazil's economic problems, the US was now faced with waiting for the election of a new president who would assume office in January 1956, whilst trying to ensure that the Brazilian economy did not collapse. Yet US officials doubted whether Café Filho's successor would be able to implement an economic reform programme either. A National Intelligence Estimate stated,

The new president to be elected in October is likely to be a man committed to meet labor-leftist demands, assuming that free elections are held. The strongest labor-leftist candidate is Juscelino Kubitschek...the election of such a man is likely to create a political situation similar to that which existed

⁴⁸ Memorandum by the Officer in Charge of Brazilian Affairs Sterling Cottrell, March 22 1955, *FRUS 1955-1957 Volume VII* p 662-3; See Also: Memorandum of a Conversation on Brazil's Financial Situation, Department of State, January 26 1955; Memorandum of a Conversation between Assistant Secretary of State Henry Holland and Brazilian Ambassador Muniz, Department of State, February 3 1955, Folder – Brazil 1955, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary of State for Inter-American Affairs, Henry F Holland 1953-1956, Country File 1953-1956, Lot 57 D 295, National Archives, College Park, Maryland

under the Vargas regime; i.e., chronic political tension between the executive and moderate-conservative elements, in Congress and especially in the armed forces... There is little chance that the administration to be elected in October will be able to deal effectively with Brazil's deep-seated and politically dangerous economic difficulties. In fact, as long as any Brazilian administration assumes that dollar loans are readily available, there is little likelihood that it will incur the political risk involved in stabilizing the economy. However, the administration would be even less willing to follow politically dangerous policies in the absence of dollar loans. Rather, it would be under extreme pressure to seek radical, nationalistic solutions to Brazil's economic problems.⁴⁹

The US did not believe that the next Brazilian president would be able to implement the changes in economic policy that they considered to be necessary; it was, however, the best prospect they had.⁵⁰

Within Brazil, the 1955 election marked the first chance to reconstruct the political system following Vargas' death a year earlier. Juscelino Kubitschek, the Governor of Minas Gerais, quickly became the front-runner. His hopes were bolstered by an alliance between two of Brazil's main parties – the PSD and the PTB – who embraced him as their candidate for president and who between them guaranteed highly effective electioneering in both the cities and the rural areas of Brazil.⁵¹ Once nominated, Kubitschek embarked upon a marathon election campaign in an effort to ensure victory. As Robert Alexander notes, 'he campaigned exceedingly hard, visiting virtually all parts of the country. He travelled...the equivalent of five times around the world.'⁵² The necessity of such exhaustive campaigning came from the opposition that was beginning to mass against Kubitschek: many of Vargas' former enemies – including his most vehement critic, Carlos Lacerda – saw Kubitschek as being a potential "heir" to the

⁴⁹ NIE 93-55 National Intelligence Estimate, "Probable Developments in Brazil", March 15 1955, *FRUS 1955-1957 Volume VII* p 646-661

⁵⁰ Although, again, US officials were not convinced that the election of Kubitschek would necessarily be a good thing: Ambassador Dunn commented, 'from our standpoint election of Kubitschek might pose serious problem.' Telegram from the US Ambassador in Brazil James Dunn to the Department of State, May 1 1955, *FRUS 1955-1957 Volume VII* p 664-5; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) highlights the fact that his nomination of Joao Goulart, a suspected communist, as his Vice President did little to appease US officials.

⁵¹ Thomas Skidmore, *Politics in Brazil* (1967) p 145

⁵² Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (Ohio: Ohio University Center for International Studies, 1991) p 140

former president and, as such, were predictably opposed to a Kubitschek presidency.⁵³ Kubitschek, however, continued with his campaign; his espousal of radical development techniques and the selection of the controversial Joao Goulart⁵⁴ as his running-mate increased concerns within the US about a Kubitschek win.⁵⁵ Some of the Eisenhower administration's reticence toward Kubitschek was probably motivated by the vehemence with which he stated his campaign promises – vowing to modernise Brazil at all costs and with great rapidity.⁵⁶ As was evidenced in the Guatemala case study in Chapter One, US officials were reflexively wary of politicians espousing radical development policies, which might lead to them acting outside of the American economic world-order.⁵⁷ With the US unable to exert any influence on the electoral process and equally unable to reach a working agreement with the Café Filho administration, US attempts to achieve their objectives in Brazil in 1955 had reached a stalemate.⁵⁸

For the remainder of 1955, then, US policy became one of waiting for Kubitschek's likely election to be confirmed. In the meantime, US policy should, in the words of Assistant Secretary Holland, be centred upon achieving three basic aims.

I believe our basic interests in the Brazilian situation are: (1) in having a new administration in Brazil which will be responsible and able to face and handle

⁵³ Thomas Skidmore, *Politics in Brazil* (1967) p 146-7

⁵⁴ Goulart was rumoured to be a communist with strong links to leftist parties in Brazil and had, previously, been forced to resign from the Vargas government due to his political stance. See: Robert Levine, *Father of the Poor?* (1998) p 84-5; Conversation between Joao Goulart and Robert Alexander in, Robert Alexander, *The ABC Presidents* (1992) p 155; Thomas Skidmore, *Politics in Brazil* (1967) p 127-132

⁵⁵ Stanley Hilton argues that Goulart's nomination increased US fears about communism in Brazil. However, they also appreciated that the future course of the bilateral relationship depended on a new leader coming to power in Rio de Janeiro. Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 617

⁵⁶ As Weis has written: 'Incorrigibly optimistic, the charismatic governor from Minas Gerais pledged to bring rapid and widespread prosperity and economic development to Brazil'; further to this, 'Kubitschek stated his policies clearly and often, using his immense political and public relations skills...as well as his boundless energy to mobilize the Brazilian people to a degree never before experienced.' Michael Weis, *Cold Warriors & Coup D'Etat* (1993) p 90; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 140

⁵⁷ Part of the problem with Arbenz in Guatemala was that he advocated a developmental structure outside of that prescribed by Washington; the obvious fear in Brazil had to be that Kubitschek would adopt a similar approach, with his planned development agenda not fitting in with the economic model that the US was suggesting for Brazil

⁵⁸ Any sign of overt American intervention, or support of a particular candidate, in the Brazilian presidential election could have led to nationalism, or latent anti-Americanism, becoming major themes in the election, which might lead to the voting in of a leader campaigning on an "anti-Yankee" platform

Brazil's many problems; (2) in doing what we can to keep Brazil's head above water until a new administration takes over; and (3) then helping Brazil regain some measure of economic stability. Until these three things happen, our relations with Brazil will be very difficult.⁵⁹

It is worth pausing for a moment to reflect upon the position that the Eisenhower administration found themselves in with respect to Brazil in the summer of 1955. Having seen the Vargas administration collapse, the US had been forced to try and achieve the objectives laid out in NSC 5432/1 – which although a mixture of economic and strategic were predominantly economic in tone with respect to Brazil – whilst dealing with an interim administration. This process, however, had been undermined by the crushing economic problems effecting Brazil and the unwillingness of the interim government to adopt any policies that might be deemed politically controversial. In Chapters One and Three we saw that the US pursuit of its economic aims in the 1954-55 period was consistently hindered by Latin nationalism. Brazil was no different and, by the spring of 1955, Washington had been forced to put the achievement of its objectives on hold.

Despite the problems that had characterised the bilateral relationship since January 1954, from the summer of 1955 onward the US had to consider what stance and what policies it would take toward the new administration once it came to office. The pragmatic response was to try and formulate a cooperative working alliance in order that Brazil's economic problems would be solved, the US could achieve its economic aims, and American leadership in the Western Hemisphere would be closer to being assured. This process would be derailed, though, by Kubitschek's economic agenda, which forced the US to confront the Brazilian leader over his continual calls for an expansion in US economic loan and aid payments. The gap between economic ideals and strategic aims within US policy would, in keeping with the argument of this thesis, impose an overt tension upon the bilateral relationship. Whilst Washington and Rio moved closer together over mutual strategic goals, they would be driven apart by their inability to

⁵⁹ Memorandum from the Assistant Secretary of State for Inter-American Affairs Henry Holland to the Under Secretary of State Herbert Hoover Jr, May 12 1955; Report by the Operations Coordinating Board, "Brazil – Special Status Report", June 14 1955, *FRUS 1955-1957 Volume VII* p 666-672

reach a compromise over economic issues. Michael Weis summarises this situation, writing,

Brazil under Kubitschek was an enthusiastic supporter of the United States, but like Vargas, Kubitschek expected the United States to reciprocate with increased economic assistance. This strategy proved unsuccessful and increasingly led to a sense of frustration, and ultimately forced Kubitschek to force the Eisenhower administration to give Brazil the aid it though it deserved.⁶⁰

A NEW ERA: US-BRAZILIAN RELATIONS IN THE EARLY KUBITSCHEK ERA

Despite the tentative concerns of the US, and in spite of the factions opposed to him in Brazil, Kubitschek did, indeed, win the 1955 election.⁶¹ Kubitschek was a much more flamboyant character than his predecessors, and had come to office vowing to modernise Brazil. In addition to this, he would, in the post-1958 era, assume the mantle of being the Latin nation's semi-official spokesman in calling for an Operation Pan America (OPA) – a Marshall Plan for the Western Hemisphere – and would be far more prominent than either Vargas or Café Filho had been, driving Brazilian modernisation forward at a rapid rate.⁶² Although he became synonymous with Operation Pan America⁶³, it is his grandiose development agenda that is of most importance in this chapter. For although Kubitschek was determined to energise Brazilian development, he was well aware that he would need a large amount of capital in order to achieve this,

⁶⁰ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 89-90

⁶¹ For in-depth appraisals of the 1955 election and the internal battles that nearly prevented Kubitschek taking office, see: Thomas Skidmore, *Politics in Brazil* (1967) p 149-158; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1992) p 145-160; Joseph Smith, *A History of Brazil* (2002) p 161-3

⁶² As Mark Gilderhus writes: 'Embracing the slogan "Fifty years of progress in five" and seeking dramatic results, he [Kubitschek] intended to stimulate economic growth by the unorthodox means of government action based on deficit spending. He also instituted a national development program for building infrastructure, roads and railroads, and created new state enterprises such as an automobile industry. Most spectacularly, he built a new capital city, opening up the interior and symbolizing the advance of progress. Brasilia, a showplace, attracted world attention because of its advanced architectural conceptions. But the high costs of such endeavors also had negative consequences, notably, high levels of debilitating inflation.' Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1899* (Wilmington, Delaware: Scholarly Resources Inc, 2000) p 156; Stephen Rabe, *Eisenhower* (1988) p 96-8

⁶³ Which will be discussed in detail in Chapters Five and Six

which realistically could only come from the US. As Elizabeth Cobbs has highlighted, this need for capital investment saw Brazil appealing more widely to the EXIM Bank. 'Under the strongly developmentalist Kubitschek administration, Brazil obtained hundreds of millions of dollars in loans from the Eximbank for port, railway, and power developments. The credit for this is due to Kubitschek's effective, activist leadership.'⁶⁴ However, as Michael Weis argues, EXIM loans were not as beneficial as they first appeared: 'EXIM was an adequate instrument for American foreign economic policy, but not for development. Loan recipients had to purchase US products that were frequently more expensive than what could be purchased elsewhere.'⁶⁵ Nevertheless, Kubitschek would prove to be highly determined to succeed in his ambitious development aims, even if this meant increasing the Brazilian budget deficit and causing high-inflation.⁶⁶ Although Robert Alexander has argued that Kubitschek's modernisation policies were highly successful, they were not underpinned by economic stability.⁶⁷ Writing in 1963, Milton Eisenhower stated that Kubitschek, 'literally printed new money to finance the grand new capital (Brasilia), and the salaries of government employees were paid with the same depreciated money. Prices skyrocketed.'⁶⁸ Consequently, by the end of the decade Brazil would be confronted by an intense balance of payments and inflation crisis that exerted huge pressure on the bilateral relationship.

Even before the Brazilian presidential election of October 1955 took place, US officials had decided that they would have to try and formulate a working relationship with the new administration. Although Kubitschek appeared to be the likely winner, the US would not know for certain whom the next Brazilian president would be until October. By the summer, plans were already being made to determine the basis of the bilateral relationship once the new government had been installed. In August, Henry Holland wrote to Foster Dulles, stating: 'I recommend that we obtain authority to invite

⁶⁴ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 98

⁶⁵ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 94

⁶⁶ Both of which, of course, had been major factors in the crushing economic problems that had confronted Brazil in 1954-55

⁶⁷ Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 160-7

⁶⁸ Milton Eisenhower, *The Wine is Bitter: The United States and Latin America* (New York: Doubleday And Company, 1963) p 131

the new president to visit the United States early in 1956.' Holland's reasons for this recommendation were:

1. The invitation would constitute recognition of the peculiar importance of US-Brazilian relationships in hemispheric affairs. 2. Immediately upon his election the new president will be subjected to intense pressures from nationalistic, anti-US sectors. Prompt extension of an invitation will somewhat offset these pressures and, perhaps, actually prevent commitments or decisions inimical to US interests which might otherwise be made. 3. Such a visit would give us an opportunity at the very outset of his administration to try to persuade the new president to a policy of close cooperation with the United States. The strength of the Communist party and of anti-US sectors in Brazil; the great importance of the problems, such as amendment of the petroleum code, Brazil's economic policies, measures to stabilize the coffee industry, Defense's needs for new bases in Brazil...justify the strongest effort on our part to establish at the outset effective working relations with the new president.⁶⁹

As we saw in Chapter Three, the increasing importance of the Third World to both the US and the Soviet Union was well underway by mid-1955. As a result, US strategic interests in Brazil began to become a much more prominent feature of the administration's policy. This planned cooperation would not stretch to a reshaped economic policy, however. On July 6, Holland told a meeting convened at the Department of State to discuss an Outline Plan of Operations for Brazil that, 'there was no question about forming or renewing anything like the joint Brazil-US Economic Commission...we should do our thinking now...before the new government comes in.' Mr Overby, the Treasury Department's representative at the meeting, concerned at what he perceived to be a potential relaxation of US economic principles, reaffirmed US economic aims, stating 'our objective is to achieve economic stability, not economic development to be financed with US grants.'⁷⁰

⁶⁹ Memorandum from the Assistant Secretary of State for Inter-American Affairs Henry Holland to Secretary of State John Foster Dulles, August 30 1955, *FRUS 1955-1957 Volume VII* p 673; Memorandum from Assistant Secretary of State for Inter-American Affairs Henry Holland to Acting Secretary of State Herbert Hoover Jr, September 19 1955, Folder – Brazil 1955, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary of State for Inter-American Affairs, Henry F Holland 1953-1956, Country File 1953-1956, Lot 57 D 295, National Archives, College Park, Maryland; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) 86-7

⁷⁰ Memorandum of a Conversation on Outline Plan of Operations for Brazil, Department of State, July 6 1955, Folder – Brazil 1955, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary

It was to be this developing dichotomy between economic and strategic objectives within US policy that would impact an unbearable tension upon the bilateral relationship. The reason that this occurred is relatively straightforward and can be explained by highlighting the differing objectives of Kubitschek and Eisenhower.⁷¹ Kubitschek's main aim whilst in office was to instigate a rapid level of Brazilian economic development: in order to achieve this he was well aware that he would require access to the vast capital resources of the US – both private and public – and, as such, he was prepared to ally himself closely with American security and strategic objectives.⁷² The Eisenhower administration, however, wanted a close relationship with Kubitschek in order that they would be able to achieve those aims from both the pre-1955 period and those that arose in 1956 following the shift in the Cold War and the Soviet Economic Offensive. Therefore, US economic principles in Brazil (and in Latin America as a region) would not change, whilst their strategic objectives did. This meant that whilst US and Brazilian aims in the strategic and security spheres were highly compatible, their aims in the economic sphere differed significantly.

It is important here, though, to illustrate the gap that exists in the prevailing historiography and outline the importance of this period to an understanding of US-Latin relations. First of all, as stated earlier, the majority of studies looking at US-Latin American relations have focused on Kubitschek's advocacy of an Operation Pan America as being the defining feature of his policy toward the US.⁷³ For a more detailed analysis of US-Brazilian relations during the early Kubitschek era we must again turn to

of State for Inter-American Affairs, Henry F Holland 1953-1956, Country File 1953-1956, Lot 57 D 295, National Archives, College Park, Maryland; Michael Weis (1993) 86-7

⁷¹ Thorough examinations of Kubitschek's development strategies can be found in: Thomas Skidmore, *Politics in Brazil* (1967) p164-185; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 164-186

⁷² As we shall see, Kubitschek tied himself closely to the US rhetoric of anti-communism and, also, allowed the US to construct military facilities on Brazilian territory; all the while, though, he was working to obtain US funding for his development projects.

⁷³ Mark Gilderhus, *The Second Century* (2000) p 156, 187-188; Stephen Rabe, *Eisenhower* (1988) 96-7, 109-110; Lars Schoultz, *Beneath the United States: A History of US Policy Toward Latin America* (Cambridge, Massachusetts: Harvard University Press, 1998) p 356; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 317-9; Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974) p 224-

Michael Weis.⁷⁴ He deals thoroughly with the events surrounding US-Brazilian relations in 1956 and 1957, offers up an appraisal which highlights the fractured political system in Brazil and, also, argues that, 'Kubitschek linked, even subordinated, Brazilian foreign policy to his economic development goals.'⁷⁵ His work is of great use in identifying the efforts made by Kubitschek to obtain American support for his developmental agenda. Where Weis does not go far enough, however, is in establishing the link between the evolving trends in US global and regional policy and the way that they impacted on the relationship between Washington and Rio; most specifically, with regard to the tension between US strategic and economic aims. The next stage here will be to illustrate the way that US-Brazilian relations developed in the early-Kubitschek era in order to demonstrate just how the bilateral relationship came to deteriorate so rapidly after January, 1956.

Unsurprisingly, given his need for American capital, it was Kubitschek that made the first move in trying to develop a working relationship with the US. Just two weeks after he won the election he met with Ambassador Dunn. Recognising that he had been tainted with allegations of communism during the election campaign, Kubitschek went to great lengths to stress to Dunn that this was not the case.⁷⁶ Kubitschek also used the meeting to outline his intention to visit the US as part of his drive to attract American capital for his economic projects. Dunn reported that Kubitschek, 'after receiving his certificate of election...hoped to be able to go to the US to discuss some of his economic plans with our officials and private financial circles.' In response, Dunn told Kubitschek that: 'our government would be well disposed toward him in his efforts to improve the economy of Brazil as it was one of our earnest desires to see Brazil improve and become strong in the development of its own resources.'⁷⁷

⁷⁴ Even Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) does not provide much analysis of US-Brazilian relations during the Kubitschek era, focusing instead on Kubitschek's domestic drive to increase Brazilian productivity and the role that private individuals such as Nelson Rockefeller and Henry Kaiser played in that process

⁷⁵ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 89-100

⁷⁶ Thomas Skidmore, *Politics in Brazil* (1967)

⁷⁷ Telegram from the US Ambassador In Brazil James Dunn to the Department of State, October 19 1955, *FRUS 1955-1957 Volume VII* p 678-9

The Eisenhower administration's intention to try and develop a working relationship with Kubitschek was revealed at the NSC Meeting the following day. Nelson Rockefeller stated that, 'the thing for the United States to do was to try to work with Kubitschek as much as possible and to bring him and his followers into the western camp', a viewpoint that both Treasury Secretary Humphrey and Vice President Nixon agreed with.⁷⁸ There was still an element of trying to use Kubitschek's need for US support as a tool for meeting American objectives, though. In August Henry Holland made sure that two of his subordinates were aware that US policy with regard to loan applications to the EXIM bank should not be approved 'without thoroughly investigating its trading value regarding the lands the Army wants.'⁷⁹ This sentiment was repeated by Holland in a letter to Samuel Waugh, the President of the Export-Import Bank, in November. 'Until we are sure that the policies of the newly elected administration in Brazil are consistent with EXIM bank objectives and compatible with United States interests in general, the loan policy of the Eximbank toward Brazil should be one of extreme caution,'⁸⁰ Holland wrote. Despite this, Kubitschek was invited to the US for a pre-inaugural visit and arrived in Florida on January 5, 1956, where he was due to meet with President Eisenhower at Key West.

Prior to the meeting, Eisenhower was issued with a briefing book reaffirming the US position with regard to economic policy: 'Requests for medium and long-term financial assistance should be given due consideration, but we should be careful not to encourage Brazilians to expect favourable action on our part until we see evidence of progress by Brazil in achieving economic stabilization.'⁸¹ Kubitschek's meeting with

⁷⁸ Memorandum of Discussion at the 262nd Meeting of the National Security Council, October 20 1955, *FRUS 1955-1957 Volume VII* p 679-681

⁷⁹ This referred to communications facilities that the Pentagon wanted to construct on Brazilian territory. Memorandum from Assistant Secretary of State Henry Holland to Mr Dearborn and Mr Rowell of the Office of South American Affairs, August 20 1955, Folder – Brazil 1955, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary of State for Inter-American Affairs, Henry F Holland 1953-1956, Country File 1953-1956, Lot 57 D 295, National Archives, College Park, Maryland

⁸⁰ Letter from Assistant Secretary of State for Inter-American Affairs Henry Holland to the President of the Export-Import Bank Samuel Waugh, November 2 1955, *FRUS 1955-1957 Volume VII* p 681-2

⁸¹ Briefing Book on Informal Visit to the US of President-Elect Juscelino Kubitschek, January 1956, Folder – Brazil 1956, Box No 2, Record Group 59, Entry 1132, Records of the Assistant Secretary of State for Inter-American Affairs, Henry F Holland 1953-1956, Country File 1953-1956, Lot 57 D 295, National Archives, College Park, Maryland

Eisenhower was conducted cordially, with both participants expressing the mutual goodwill between the US and Brazil. Eisenhower told Kubitschek that, 'he has a friendship here' whilst Kubitschek replied, in kind, stating that he had come to the US in the 'spirit of friendship.'⁸² A far more important discussion, however, took place when Kubitschek travelled to Washington to meet with Secretary Dulles.⁸³ The importance of this discussion lay not so much in what was said, but in the pattern that emerged during the conversation. Dulles and Kubitschek would agree with each other on matters relating to security, but, when it came to economic policy, Dulles would strongly reaffirm the existing US position. Kubitschek made a concerted attempt to align himself with the US Cold War agenda, beginning the meeting by asking Dulles if 'he would comment on the world situation generally.' Dulles did so, making direct reference to the developing Soviet Economic Offensive, strongly asserting the superiority of the west and "exposing" the hollowness of Soviet policy.

The Secretary said that there were many problems, but that he was neither frightened nor pessimistic. He pointed out that the Russians have gradually built up a considerable amount of industrialization, but they are unable to meet the needs of their own economy. He emphasized that the Russians in their offers of aid to other countries are carefully withholding this information from their own people because they fear that, if the Russian people were aware of the Russians' offer of aid to other countries, it would cause widespread discontent within Russia itself...[he] emphasized the need for close relations between Brazil and the United States...the United States should maintain with Brazil the same kind of relationships that we maintain with Canada.

This expression by Dulles of 'close relations' between the US and Brazil coincided with the position adopted by Kubitschek throughout his visit.⁸⁴ There was, then, clearly an agreement on issues of national security between Kubitschek and Dulles. However, Dulles also demonstrated the fact that US economic policy toward Brazil would not change in spite of their general agreement on strategic issues. 'He felt

⁸² Memorandum of a Telephone Conversation between President Eisenhower and Secretary of State John Foster Dulles, January 5 1956, *FRUS 1955-1957 Volume VII* p 685; Stephen Rabe, *Eisenhower* (1988) p 96-7; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 87

⁸³ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 618

⁸⁴ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) states: 'Kubitschek always expressed confidence in Brazil, promised amity toward the United States, and disarmed or deflected pointed questions with a smile, a joke, and a promise: "our policies will show our attitudes"' p 87

confident that there were substantial quantities of United States capital that would be glad to go to Brazil and make its contribution to the development of that country...the United States investor would be willing to go abroad where he had assurances of fair treatment and security against expropriation.’⁸⁵ Although Dulles’s reaffirmation of US fiscal policies was predictable, Kubitschek continued to believe that by developing his relationship with the US he would be able to bring about a change in the US approach. (The US commitment toward expanding the role that foreign private investment played in Brazilian development was highlighted further by President Eisenhower’s enthusiasm for the idea of sending a US emissary to Rio to discuss a change in Brazilian petroleum legislation; a move that would placate elements within the American Business lobby who were calling for increased oil production. US officials remained convinced that by “opening up” Brazil’s petroleum reserves, many of the deficit problems confronting the Brazilian economy would be solved and, therefore, Washington continued to advocate a change in the Brazilian petroleum code).⁸⁶

The developing cooperation between Washington and Rio over security issues continued into April, when Brazilian Vice President Joao Goulart visited the US. Although treated with barely disguised enmity by US officials due to his rumoured links to Brazilian communist groups⁸⁷, Goulart reprised the position taken by Kubitschek in January. As Weis has written: ‘Kubitschek...attempted to secure American support by communicating directly and forming a personal relationship with Eisenhower’, and also

⁸⁵ Memorandum of a Conversation between President-elect Kubitschek and Secretary of State Dulles, Department of State, Washington, January 6 1956, *FRUS 1955-1957 Volume VII* p 685-689; Stephen Rabe, *Eisenhower* (1988) p 96-97

⁸⁶ Eisenhower wanted to send a ‘friend down’ to ‘consult to see what he (Kubitschek) wanted to do and then...Kubitschek would propose his own plan.’ The idea was that under American tutelage, Kubitschek could concoct his own “petroleum plan” that fit US objectives. See: Memorandum of a Telephone Conversation Between President Eisenhower Secretary Dulles, January 11 1956; Memorandum from Secretary Dulles to President Eisenhower, January 12 1956; Memorandum from the Assistant Secretary of State for Inter-American Affairs Henry Holland to Secretary of State Dulles, January 13 1956; Letter from the Assistant Secretary of State for Inter-American Affairs Henry Holland to the Ambassador in Brazil James Dunn, February 20 1956, *FRUS 1955-1957 Volume VII* p 689-695

⁸⁷ In fact, Michael Weis writes, ‘if US officials were sceptical of Kubitschek, they clearly disliked Goulart...the former labor minister had a reputation for demagoguery, unscrupulous dealings with communists, and unabashed admiration for Juan Peron. Michael Weis (1993) p 98; see also: Memorandum from Robert Crenshaw of the OCB Staff to the Executive Officer of the OCB, November 9 1955, OCB 091.4 Latin America (FILE#4) (7) August-November 1955, Box No 73, OCB Central File Series, Eisenhower Library

'attempted to take advantage of the North American preoccupation with communism.'⁸⁸ In keeping with this aim, Goulart made great efforts to impress those US officials he met with.⁸⁹ Again, though, as with Kubitschek's visit the most striking factor that emerges from a reading of the historical record relating to the Goulart trip is the separation between strategic and economic issues in the position taken by US officials.⁹⁰ Whilst Goulart attempted to link Brazilian underdevelopment with communist expansion in an effort to elicit a more favourable attitude by the US, Dulles and Henry Holland both refused to consider a change in the US position with regard to providing capital to Brazil.⁹¹

We can quite clearly see the intention of the Brazilian approach: by aligning themselves firmly on the side of the US in the Cold War struggle, the Kubitschek administration hoped they would be able to attain a favourable relationship with the US, which would lead to an increased level of economic funding.⁹² For their part, the Eisenhower administration were seeking to reappraise its position in Latin America following the shift in the Cold War and the emergence in Latin America of the Soviet Economic Offensive and were happy to ally themselves with Brazil on issues of strategic concern. However, as we saw in Chapter Three, this reshaped US policy toward Latin America would not include a significant change in US economic policy. In order to demonstrate the bifurcated nature of US policy in the aftermath of the Soviet move and

⁸⁸ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 97

⁸⁹ He told Henry Holland and Foster Dulles that, 'every time Brazilian workers are in a difficult situation because of increased costs of living, the communists gain ground as they are bound to thrive on any hardships that beset large numbers of people.'

⁹⁰ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 618

⁹¹ Dulles chose to bypass Goulart's comments on underdevelopment and, instead, focused on the problem of communism and the importance of Brazilian-US cooperation, telling him: '1) The error of the Soviet leaders in wanting to become strong by ruling ever increasing numbers of subjugated peoples...2) Our realization that true greatness lies not in making people do what they don't want to do but in enabling them to fulfil their aspirations. 3) The basic fact that if we help one another there will be true greatness for all.' Goulart repeated his professions of avowed anti-communism at a further meeting with Holland and, again, the issue of economic development was bypassed. See: Memorandum of a Conversation between Secretary Dulles, Assistant Secretary of State Henry Holland, Brazilian Vice President Goulart and Ambassador Muniz, Department of State, Washington, April 30 1956; Memorandum of a Conversation between Assistant Secretary of State Henry Holland and Brazilian Vice President Joao Goulart, Blair House, Washington, May 2 1956, *FRUS 1955-1957 Volume VII* p 695-700

⁹² As we shall see, this will become even more obvious toward the end of 1956-57 when Kubitschek began making overt calls for increased US economic assistance to Brazil

the build-up toward NSC 5613/1, and to demonstrate the impact of the change in policy outlined in the previous chapter, it is necessary to illustrate the way that this impacted upon the bilateral relationship between Washington and Rio. A demonstration of US intentions with regard to the administration's national security concerns in Latin America after January 1956 is the negotiations between Washington and Rio over planned US military installations on Brazilian territory. Our first step in analysing US-Brazilian relations in the post-Soviet Economic Offensive era is to examine these negotiations in order to highlight not just the aims of US policy, but, also, the lengths that Kubitschek was prepared to go in order to secure a strong US-Brazilian alliance.

FERNANDO DE NORONHA: US-BRAZILIAN SECURITY NEGOTIATIONS

The effort made by Kubitschek and Goulart to build a strong, anti-communist alliance was so determined that Gaddis Smith has gone as far as to suggest that although, 'the conservatives of the Eisenhower Administration considered Kubitschek out of touch with reality...he was still a good friend of the United States.'⁹³ Although this viewpoint is somewhat simplistic, it is easy to see where the belief that Kubitschek was a 'friend' of the US might have come from; especially when considering his attitude during the early stages of the Fernando de Noronha negotiations. By acceding to American desires to construct a missile tracking facility on the Brazilian island of Fernando de Noronha, Kubitschek believed that he would be rewarded by a more cooperative US approach to Brazilian development. In attempting this, though, Kubitschek would have to balance the various competing political elements that he faced domestically – including the Brazilian military and the Brazilian Congress.⁹⁴ Crucially, however, the US - in keeping with its reshaped regional strategy - was acting solely in accordance with its heightened strategic concerns and did not see the negotiations as being part of any future discussions on economic policy; there would be no *quid pro quo* for the Brazilian government.⁹⁵ By highlighting the way that the negotiations over Fernando de Noronha evolved – and the

⁹³ Gaddis Smith, *The Last Years of the Monroe Doctrine* (1994) p 116-7

⁹⁴ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 101; Joseph Smith, *A History of Brazil* (2002) p 192

⁹⁵ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 618-9

risks taken by Kubitschek – we can begin to understand the impact that they had on the US-Brazilian relationship.

The Eisenhower administration would, during the course of their re-evaluation of NSC 5432/1, single out improving the status of their military objectives in Latin America as being vital in their attempts to shore up their position in the region and to improve the overall standing of US-Latin American relations. Since the first progress report on NSC 144/1 in 1953, US officials had recognised that they were failing to meet their military objectives in Latin America. The supply of military materiel was continually slow and expensive; leading Latin governments to seek replacement supplies in Europe. In an area where the military retained such an important role in terms of politics and prestige, the inability of the US to meet their targets was severely undermining the stability of the US position.⁹⁶ In light of the shift in the Cold War and the Soviet Economic Offensive, remedying this situation became of paramount importance for the Eisenhower administration. It would be within this context of attempting to improve the standing of Washington's strategic position that the Fernando de Noronha negotiations would take place. The reason that this context is of such importance is that the Brazilian military – who although continuing to be close to their American counterparts in the Pentagon were growing increasingly frustrated at US military assistance efforts – would attempt to use the negotiations as a tool for obtaining an increased level of military aid. Kubitschek, encumbered by the traditional splits within the Brazilian political structure, would have no other choice but to try and support the position of the military.⁹⁷ The negotiations

⁹⁶ See: NIE 80/90-55 which states, 'The military have not only continued to be predominant but have even further extended...their influence over Latin American politics...Many Latin American military and political leaders have been dissatisfied with the area's low priority in relation to Europe with respect to US military aid. Rivalries and mutual suspicions among Latin American states have also led to complaints about inequitable treatment in the bestowal of US aid...desired US equipment has not been made available or has been slow in delivery...continuation of this trend would not only create severe logistic problems in time of war but also undermine the US military mission program' NIE 80/90-55 National Intelligence Estimate, "Conditions and Trends in Latin America", December 6 1955, *FRUS 1955-1957 Volume VI* p 16-45; Stephen Rabe, *Eisenhower* (1988) p 88

⁹⁷ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 100 writes: 'Kubitschek sought to build military support with a policy of "bribing" the military...salaries for military personnel doubled and Brazil increased requests for US military assistance and purchases'; also see: "Department of State Biographic Information – Juscelino Kubitschek", Memorandum from Secretary of State Foster Dulles to President Eisenhower, January 4 1956, Brazil (10), Box No 4, International Series, Whitman File, Eisenhower Library

over Fernando de Noronha, then, would be split in three directions: between the US, the Kubitschek administration and the Brazilian military. The Brazilian military would make their agreement to the proposal conditional upon an increased level of US military assistance, whilst the Eisenhower administration wanted to buttress their position in the region through the construction of further military installations and iron out the problems in their military assistance policy in order to ensure a strong US-Latin relationship. Kubitschek was caught between the two.⁹⁸

Throughout 1955 officials within the administration had registered their dissatisfaction at the progress of US aims in the military sphere.⁹⁹ At a meeting in the Pentagon on December 12, Henry Holland told Gordon Gray, the Assistant Secretary of Defense, that:

Due to the lack of clarity in our Government's policy on military relations with Latin America the Latin Americans do not know what to expect from us. The lack of clarity in policy leads to three major consequences: (a) The Latin Americans make many unreasonable proposals and requests, and when we turn them down, the result is bad feelings towards us. (b) We make conflicting decisions. (c) We are less able effectively to discourage arms races in Latin America.¹⁰⁰

With US military policy lacking direction, the Latin nations – whose enthusiasm for “bigger and better” military equipment remained undimmed – looked toward Europe instead for a more reliable and cost-effective source of military materiel. This brought about three major problems for the US. 1) US hopes of preventing internal Latin arms races were severely diminished due to Washington's inability to halt the sales of

⁹⁸ As Weis has written: ‘perhaps the best example of Kubitschek's efforts to support the US and to cultivate military support is seen in his decision to accept and fight for congressional ratification in 1957 of the Fernando de Noronha treaty.’ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 100

⁹⁹ See: Memorandum from the Under Secretary of State Herbert Hoover Jr to the Deputy Secretary of Defense Robert Anderson, June 9 1955; Memorandum from the Director of the Office of Regional American Affairs Edward Cale to the Assistant Secretary of State for Inter-American Affairs Henry Holland, December 5 1955, *FRUS 1955-1957 Volume VI* p 234-238

¹⁰⁰ Memorandum of a Conversation between Assistant Secretary of State for Inter-American Affairs Henry Holland and Assistant Secretary of Defense Gordon Gray, The Pentagon, Washington, December 12 1955; similar sentiments on the need to clarify US military policy were also expressed by Holland in a memorandum to his deputy, Cecil Lyon. Memorandum from Assistant Secretary of State for Inter-American Affairs Henry Holland to Deputy Assistant Secretary of State for Inter-American Affairs Cecil Lyon, April 13 1956, *FRUS 1955-1957 Volume VI* p 239-241, 244-246

European arms to the region. 2) Funds that could have been channelled toward economic development were, instead, being appropriated for arms expenditure to nations acting outside of American influence. And 3) In the wake of the Soviet Economic Offensive, when administration fears about being seen to be losing the Cold War intensified, the most viable method that Washington had of repairing their standing with the Latin nations was failing to function successfully. One of the major intentions behind the reappraisal of policy that would become NSC 5613/1 was to eradicate the problems in US military assistance policies.¹⁰¹

As was hinted at in the previous chapter, however, this would not prove to be easy. In summarising NSC 5613/1, Rabe notes, 'the revised document...did not clarify the purposes of military aid.'¹⁰² The major question is: why were the administration unable to solve the problems inherent within their military strategy? It was not for a lack of purpose or awareness. In May 1956, Robert Murphy wrote Gordon Gray and informed him,

We are concerned over the apparent deterioration of the preponderant military influence of the United States in Latin America and the effect of this deterioration on our general relations with the countries of the area. To find solutions to the outstanding problems in our military relations with Latin America is, we believe, of the utmost importance. The significance of these problems is increased by the recent Soviet bloc offers of military equipment to several of the countries in Latin America.¹⁰³

Nor was it due to the fact that the administration did not recognise what the problems were in their military policy. We have already seen that US officials were well aware of both a lack of clarity and direction in their military strategy and of a certain powerlessness to prevent European sales of arms to the Latin nations. The problem was that not only were US officials struggling to clarify just what their military objectives in

¹⁰¹ For information on this decision see: National Security Council Progress Report, "Progress Report on United States Objectives and Courses of Action with Respect to Latin America (NSC 5432/1)", March 28 1956, *FRUS 1955-1957 Volume VI* p 46-59

¹⁰² Stephen Rabe, *Eisenhower* (1988) p 89

¹⁰³ Letter from the Deputy Under Secretary of State Robert Murphy to the Assistant Secretary of Defense for International Security Affairs Gordon Gray, May 8 1956, *FRUS 1955-1957 Volume VI* p 257-261

Latin America were¹⁰⁴, but the boundaries between economic pragmatism and national security continued to be blurred, preventing the administration from reaching a concrete conclusion about the future of US military assistance.¹⁰⁵ With the administration now, in the wake of the Soviet Economic Offensive, increasingly viewing Latin America via its relation to a strategic framework, eradicating the problems in the field of military assistance was a central component of the administration's revised strategy for the region.¹⁰⁶ Understanding the inherent confusion surrounding US military assistance policy is vital in analysing the Fernando de Noronha negotiations in Brazil: the role played by the Brazilian military during the negotiations exposed the continued flaws in US policy, and led to a situation which made an eventual agreement more difficult to reach.¹⁰⁷ As a result of the lengthy and arduous negotiations, the US would eventually relinquish its plans to construct further military installations on Brazilian soil.

The Defense Department had outlined the necessity of establishing a missile tracking station on Brazilian territory in 1952; however, the political instability of the Vargas administration, coupled with the unwillingness of the Café administration to court any kind of political controversy, meant that by early 1956 the plans were still in their formative stages.¹⁰⁸ Starting in July, the Eisenhower administration began to make a concerted attempt to broker an agreement with the Brazilians over the use of Fernando de Noronha. Crucially, they would encourage Kubitschek to become more vocal in

¹⁰⁴ For a discussion between the Departments of State and Defense over the objectives of US military policy, see: Memorandum from the Deputy Assistant Secretary of State for Inter-American Affairs Cecil Lyon to the Assistant Secretary of State for Inter-American Affairs Henry Holland, May 9 1956; Letter from the Assistant Secretary of Defense for International Security Affairs Gordon Gray to the Deputy Under-Secretary of State Robert Murphy, August 1 1956, *FRUS 1955-1957 Volume VI* p 261-3, 266-8; also of importance is the NSC meeting of September 6 where Foster Dulles and Admiral Radford, the Chairman of the Joint Chiefs of Staff, debated the intentions and objectives behind US military policy. See: Memorandum of Discussion at the 296th Meeting of the National Security Council, September 6 1956, *FRUS 1955-1957 Volume VI* p 101-113; Stephen Rabe, *Eisenhower* (1988) p 88-9

¹⁰⁵ Rabe writes: 'Over the next year, administrators...debated whether the United States intended to expand or restrict military aid.' Stephen Rabe, *Eisenhower* (1988) p 89

¹⁰⁶ As Rabe writes, 'the administration wanted powerful, anti-communist friends in Latin America...defining national security as anti-communism, the administration decide to bolster repressive, often murderous, governments' Stephen Rabe, *Eisenhower* (1988) p 89-90; Mark Gilderhus, *The Second Century* (2000) p 154

¹⁰⁷ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 619

¹⁰⁸ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 101; Memorandum from the Deputy Assistant Secretary for Inter-American Affairs Roy Rubottom to the Deputy Under-Secretary of State Robert Murphy, July 20 1956, *FRUS 1955-1957 Volume VII* p 714-717

linking his tacit support of the US security agenda to Brazil's need for increased development funding.¹⁰⁹ But, as we shall see, the Eisenhower administration would remain steadfast in their refusal to consider any significant change in their economic policy. The result would be a gradual fracturing of the bilateral relationship, as Kubitschek's continual attempts to elicit a more favourable fiscal policy from the US were consistently turned down. This was, of course, entirely in keeping with the policy outlined by the Eisenhower administration in NSC 5613/1 in September 1956.

Again, apart from Michael Weis' work, this period of US-Brazilian relations has been neglected by historians, which makes this study's linkage of it to regional events of primary importance. A strong indication that the Eisenhower administration's approach was being driven by the bipolar concerns raised by the Soviet Economic Offensive – rather than actual military necessity – came from the fact that it was the State Department (rather than the Pentagon) who were pushing the Fernando de Noronha project forward. Deputy Assistant Secretary of State, Roy Rubottom, sent a memorandum to Deputy Under-Secretary Robert Murphy. 'As you pointed out in your letter to him (Assistant Secretary of Defense Gordon Gray) of May 25, the [State] Department could not undertake to negotiate an agreement until such time as Defense gave us the draft it wanted negotiated. We received an advance copy of the proposed agreement...but formal Defense approval of the agreement was not received,' Rubottom wrote. He went on to further highlight the fact that the Defense Department had delayed the Fernando de Noronha negotiations. 'Mr Gray should be aware that his own Department has not handled this matter on a priority basis and that the difficulty we have

¹⁰⁹ By the time of the Panama President's Meeting, Kubitschek was becoming more direct in his linkage of Brazilian Cold War support of the US and the desperate need in Brazil for increased development funding. He told Ambassador Dunn that: 'it was his policy to commit Brazil to the closest collaboration with the US, but that the elements who were promoting extreme nationalism...were taking every advantage of this attitude to try to weaken his position before the country...if he did not have strong support from the US in carrying out his policies, he would be very much weakened and his administration would fail to achieve the high objectives which it had undertaken.' Telegram from the US Ambassador in Brazil James Dunn to the Department of State, July 3 1956; Telegram from Secretary of State Dulles to the Embassy in Brazil, July 17 1956, *FRUS 1955-1957 Volume VII* p 710-2; President Eisenhower's Briefing Book on Brazil for Panama President's Meeting, July 19 1956, Panama Meeting of the Presidents – 1956 Briefing Papers (3), Box No 3, Miscellaneous Series, Whitman File, Eisenhower Library; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 95-100

in getting answers from Defense has held us up considerably.’¹¹⁰ The fact that it was the State Department taking the lead on this issue highlights the way that national security had become a more prominent theme of US policy toward Latin America after January 1956.

It would, however, be January 1957 before any agreement between Washington and Rio would be reached. (In fact, in November 1956 it appeared possible that the negotiations might come to an end due to a breakdown in cordiality between US officials and Brazilian negotiators over the duration of the agreement¹¹¹). One of the major obstacles was the Brazilian military’s ‘lingering resentment’ at the slow-paced and unreliable provision of arms and military materiel from the US.¹¹² In mid-December, Kubitschek told Ambassador Ellis Briggs¹¹³ that he was hopeful that the ‘matter will be brought to conclusion soonest (i.e., “within the next few days”) with qualification however that he may decide...to submit project to Congress for approval’, which could slow down the agreement’s ratification considerably.¹¹⁴ The problem for Kubitschek was that he still did not have the full support of the Brazilian military or, indeed, the Brazilian Congress. Therefore, in an effort to obtain domestic approval he was prepared to submit the Fernando de Noronha treaty to the Brazilian Congress in an effort to confer legitimacy upon his efforts at forging a strong bilateral alliance. As the negotiations entered their final phase, there would be three issues to resolve: 1) Kubitschek would need to ensure that he could obtain Congressional and/or military approval for the treaty; 2) The US would need to make sure that Kubitschek felt that his strategy of bilateral accommodation was working; and, 3) a solution to the Brazilian military’s insistence on the treaty including a clause promising increased military aid in the future would need to be brokered.

¹¹⁰ Memorandum from the Deputy Assistant Secretary of State for Inter-American Affairs Roy Rubottom to the Deputy Under-Secretary of State Robert Murphy, July 20 1956, *FRUS 1955-1957 Volume VII* p 714-7

¹¹¹ See: Telegram from US Ambassador in Brazil Ellis Briggs to the Department of State, December 5 1956, *FRUS 1955-1957 Volume VII* p 724-5

¹¹² Michael Weis, *Cold Warriors & Coup D’Etats* (1993) p 101; Telegram from the Acting Secretary of State Herbert Hoover Jr to the Embassy in Brazil, December 12 1956, *FRUS 1955-1957 Volume VII* p 726

¹¹³ Who had replaced James Dunn in July 1956

¹¹⁴ Telegram from the US Ambassador in Brazil Ellis Briggs to the Department of State, December 13 1956, *FRUS 1955-1957 Volume VII* p 727

In order to break the domestic deadlock, Kubitschek decided to seize the initiative. Instead of waiting for the treaty to pass through Congress, the Brazilian leader decided to use unconfirmed promises of increased military aid from the US in an effort to break the impasse in the supply of military materiel and obtain the military's support. As Weis writes,

Instead of caving into nationalist opposition and lingering military resentment from long-standing equipment requests still pending, Kubitschek and Lott (War Minister Lott) decided to take the offensive. He [Kubitschek] leaked to the press a proposal for an enormous aid request as a *quid pro quo* for treaty approval, initially suggesting 500 million dollars in new equipment needed for Brazil's "increased responsibilities for hemisphere defense." The press leak gave Brazil the necessary leverage to secure much of the outstanding loan request.¹¹⁵

The US, too, played their part, with President Eisenhower sending a message to Kubitschek – via Ambassador Briggs – outlining his pleasure at the near-conclusion of the negotiations. He wrote:

I wish you to know that I have been following the negotiations closely because of my very great personal interest in the guided missile program, which is of the highest priority in the race against time, seeking to develop weapons vital for the defense not only of the western hemisphere, but perhaps of the entire free world. Your personal attention to this urgent matter is most gratifying to me, as is your agreement that the United States shall have access to a station on Fernando De Noronha Island...¹¹⁶

And yet, despite Kubitschek breaking the domestic impasse blocking the treaty, President Eisenhower indicating the friendship between Washington and Rio, and the US being so close to achieving its pressing security aims in the region, there still remained a problem. Once again it was the Brazilian military. Recognising that the Fernando de Noronha negotiations had been vital in enabling Kubitschek to speed up the supply of US military equipment, the Brazilian Generals wanted to guarantee that a clause was

¹¹⁵ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 101

¹¹⁶ Telegram from the US Ambassador in Brazil Ellis Briggs to the Department of State, December 15 1956, *FRUS 1955-1957 Volume VII* p 728-9; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 101

included in the document that would assure that future supplies were not subject to any similar hold-ups. The lack of clarity in US military policy (as outlined earlier) meant that the administration's response was inconclusive; the net result was that the agreed clause *did*, in fact, provide for future discussions on increased levels of military aid, despite Secretary Dulles's attempts to prevent it.

NSC 5613/1 had outlined a "new" military strategy for US policy in Latin America that was aimed at securing the US position in the region. Clause 34b of the document stated that, 'in order to be in a position effectively to supply military equipment on a reimbursable basis', the US should: '(1) Offer to Latin American governments military equipment at competitive prices and under competitive delivery dates. (2) Make sales of military equipment to Latin American governments on credit, which should normally be limited to three years.'¹¹⁷ The intention of US officials had been to streamline their military policy and make it more successful; thus addressing some of the strategic concerns that had arisen in the wake of the Soviet Economic Offensive. However, as Rabe highlights, although, 'the president and his closest advisors had discussed inconsistencies and contradictions in military aid to Latin America; they had not resolved them.'¹¹⁸ This was clearly highlighted in the final stages of the Fernando de Noronha negotiations as the US struggled to counter the position of the Brazilian military. It would be Clause 6 of the Fernando de Noronha treaty that would be the point of contention – calling, as it did, for vastly increased levels of US military aid to Brazil. Kubitschek informed Ambassador Briggs that the Military had 'insisted' on the inclusion of Article 6.¹¹⁹

Foster Dulles, however, refused to accept the Brazilian military's clause: instead, he replied to Ambassador Briggs, inserting a rewritten Clause 6, which only promised future discussions over expanded military aid to Brazil. Dulles' counter-proposal was an

¹¹⁷ NSC 5613/1 National Security Council Report, "Statement of Policy on US Policy Toward Latin America", September 25 1956, *FRUS 1955-1957 Volume VII* p 119-127

¹¹⁸ Stephen Rabe, *Eisenhower* (1988) p 89

¹¹⁹ Telegram from the US Ambassador in Brazil Ellis Briggs to the Department of State, December 18 1956 – 5pm; Telegram from US Ambassador in Brazil Ellis Briggs to the Department of State, December 18 1956 – 6pm, *FRUS 1955-1957 Volume VII* p 729-730

effort to adhere to US policy as outlined in NSC 5613/1 and to ensure that Washington was not committed to a significant increase in the amount of materiel they sent to Brazil. 'We regard [re]interpretation of Article 6 along above lines as essential to avoid future misunderstandings and the granting to Brazil of a virtual blank check against the US for military equipment', Dulles wrote.¹²⁰ Eventually, in early 1957, an agreement was signed for the US use of Fernando de Noronha. However, the negotiations had highlighted the continuing problems in the reshaped military policy that the administration had implemented in NSC 5613/1. And, in addition to this, the rewritten Article 6 did not conclude the issue of military assistance.¹²¹ US military strategy had been shown to be deeply flawed. Nevertheless, both the Eisenhower and Kubitschek administrations felt content once the negotiations were over. The problem, however, came in what the two nations expected after the agreement was finalised. Brazil would expect some form of "reward" – ideally economic assistance – for their support, whilst the US would consider this achievement of their strategic objective as wholly separate from their economic relationship. As we shall see next, the lack of middle-ground between these two positions would begin to seriously undermine the bilateral relationship.

A CRUMBLING ALLIANCE: US-BRAZILIAN ECONOMIC RELATIONS 1956-58

In order to understand why it was the economic relationship between the US and Brazil that caused the tentative alliance to gradually fall apart, it is necessary to understand three key factors. Firstly, a major part of Kubitschek's painstaking efforts to tie Brazil to the American Cold War effort had been in the hope of obtaining economic

¹²⁰ Telegram from Secretary of State Dulles to the Embassy in Brazil, December 22 1956; also telegram detailing a meeting between State Department official, Maurice Bernbaum, and Brazilian Ambassador Peixoto, where the US official 'stressed' the 'general US Government unhappiness over...indications Brazilian efforts to take advantage Fernando de Noronha station for bargaining purposes on military equipment and military assistance.' Telegram from Acting Secretary of State Robert Murphy to the Embassy in Brazil, December 31 1956; Telegram from the US Ambassador in Brazil Ellis Briggs to the Department of State, January 2 1957, *FRUS 1955-1957 Volume VII* p 732-7

¹²¹ Indeed, Weis writes: "Negotiations on the amount of military hardware due Brazil dragged on for months.' In fact, so disconcerted with Brazilian requests for military assistance were US officials that they 'quietly dropped plans for a communications facility in Maceio (an area of Brazil) in favour of Puerto Rico.' Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 102

concessions to aid Brazil's ambitious development proposals.¹²² Secondly, Kubitschek's efforts in this direction had been aided immeasurably by the onset of the Soviet Economic Offensive and the shift in nature of the Cold War – as this enabled Kubitschek to take advantage of the American desire for a reaffirmation of unity in the Western Hemisphere. And thirdly, as we have seen throughout this thesis, the Eisenhower administration's sustained adherence to its economic beliefs remained consistent throughout the period – even when they reappraised their policy in NSC 5613/1. The confluence of these three factors caused the deepening rift in the bilateral relationship that finally became irreparable in late 1958. A reading of the documentary record confirms that whilst Kubitschek was attempting to bring Washington and Rio closer together, there was a developing tension emerging in the bilateral economic relationship that severely hampered his plans.

It is highly evident that US-Brazilian relations in the period between January 1956 and March 1958 began to seriously deteriorate due to economic disagreements between Washington and Rio. Throughout this period there were strong signals that the US would not, in spite of Kubitschek's policy of close accommodation, alter their economic policy toward Rio. In fact, US officials were becoming increasingly concerned about the state of the Brazilian economy; as that concern increased, they would adopt an increasingly hard-line approach toward the Kubitschek administration. The first issue to deal with is that of why the US refused to consider a change in their economic policy toward Brazil. The argument put forward by the Traditional school – that the administration's economic approach was linked intrinsically to anti-communism – does not convince here. Even in the wake of the Soviet Economic Offensive, and an expected increase in Soviet-Brazilian trade¹²³, US officials were not prepared to consider a change in economic policy. It should also be remembered that this was in spite of the calls of

¹²² Michael Weis writes, 'because Kubitschek's economic-development strategy relied heavily on securing massive foreign investment and government aid, Brazilian-American relations retained its traditional, paramount importance.' Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 96

¹²³ A paper prepared in the Bureau of Inter-American Affairs highlighted the fact that: 'Brazil's trade with the Soviet bloc in 1955 showed a decided increase over the 1954 total of \$42,000,000...it [is] virtually inevitable that there will be some additional increase in Brazil's trade with the Soviet bloc.' Paper Prepared by Spencer King the Special Assistant in the Bureau of Inter-American Affairs, May 29 1956, *FRUS 1955-1957 Volume VII* p 701-2

some administration officials – Douglas Dillon, Milton Eisenhower, and Harold Stassen – for a change in America’s fiscal approach toward the region. Whilst there was an ongoing debate within the administration – State Department versus the Treasury Department, or officials like Milton Eisenhower versus George Humphrey, Foster Dulles and the president – there was a consensus amongst US officials that basic American economic principles *had* to form the centrepiece of US economic policy toward Latin America. Therefore, basic US objectives – based on the expansion of free market capitalism – would remain resolutely as the basis of US economic strategy in the region.¹²⁴

This position of intransigence was confirmed at a meeting of the National Advisory Council on International Monetary and Financial Problems in July 1956. Here the participants discussed whether or not the US should ‘refund’ EXIM Bank loans to Brazil.¹²⁵ Seeing such a move as ‘bad banking’, the decision was taken to postpone the repayment schedule, thus giving the Kubitschek administration part of what it wanted.¹²⁶ This decision, however, leaves something of a gap in the Traditional and Revisionist arguments: if it was not either anti-communism or economic principles driving US policy toward Brazil, then what was it? In order to answer that question we need to accept the argument that the US was pursuing a strategy based around both its strategic and its economic objectives in Latin America. We saw in Chapter Three that the shift in the Cold War and the Soviet Economic Offensive did not alter the economic principles underpinning US policy. Although there was some relaxation on certain issues – for example, commodity agreements – the overriding economic aims of the administration

¹²⁴ See: Michael Adamson, “‘The Most Important Single Aspect of our Foreign Policy’?: The Eisenhower Administration, Foreign Aid, and the Third World” in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

¹²⁵ ‘The Brazilians wanted the Bank to refund the balance of the \$300 million credit over 20 years.’

¹²⁶ See: Memorandum from the Assistant Secretary of State for Inter-American Affairs Henry Holland to the Deputy Director of the Office of South American Affairs William Belton, June 7 1956; Minutes of the 246th Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, July 3 1956, *FRUS 1955-1957 Volume VII* p 702-710

remained the same. It is this fact that comes through most strongly when considering US-Brazilian economic relations in the period covered by this chapter.¹²⁷

Throughout 1956 the US made no significant alteration to its economic approach toward Brazil. In December of that year – as the Fernando de Noronha negotiations neared their conclusion – Kubitschek became more overt in his calls for an increased level of economic assistance from the US. Meeting with Ambassador Briggs, he outlined his belief that his support over Fernando de Noronha merited an increased level of economic support. Briggs reported that,

As far as Kubitschek [is] personally concerned he said that while he acknowledges and recognizes importance of continuing collaboration between Brazilian-US armed services it is closer and more effective economic collaboration that he has primarily on his mind...President said Brazil desires to depend primarily on US and he implied success or failure his administration would be in measure we are able to aid him.¹²⁸

However, such a request contravened basic US economic principles in Latin America. Seven months earlier, in May, the Department of State had dispatched a circular telegram to all diplomatic posts in Latin America¹²⁹, reaffirming the administration's faith in its economic principles and advocating a more efficient use of the Export-Import Bank to nullify Latin economic requests at the forthcoming economic conference at Buenos Aires.

¹²⁷ In fact, the Brazilian economy was – somewhat against the odds – actually performing quite favourably in mid-1956, which meant that the US was able to give more attention to meeting its strategic aims. At the National Advisory Council Meeting in July cited above, Hawthorne Arey, the Director of the Export-Import Bank, outlined that fact that: 'Brazil was in a good position...with \$90 million in lines of credit with commercial banks which were not being used, and with average dollar earnings about \$72 million a month as against \$47 million,' the year before. This meant that the balance of payments problem had been alleviated slightly. However, this period of economic prosperity was not forecast to continue. Despite this, US policy would remain unaltered: a fact that can only be satisfactorily explained by the presence of two separate goals – economic expansion and national security – within the Eisenhower administration's approach in Latin America. Minutes of the 246th Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, July 3 1956, *FRUS 1955-1957 Volume VII* p 705-710

¹²⁸ Telegram from the US Ambassador in Brazil Ellis Briggs to the Department of State, December 18 1956, *FRUS 1955-1957 Volume VII* p 729-730

¹²⁹ Except those in Buenos Aires, Santiago and La Paz

At both the Caracas and the Rio Conferences the US opposed the strenuous efforts of many Latin American countries to pass resolutions which would have favoured development grants, soft loans, a regional development bank, price stabilization schemes for major Latin American exports, targets for loans to Latin America by public lending agencies etc. To meet the capital hunger of the Latin American countries we undertook, instead, to intensify and expand the activities of the Export-Import Bank...It is clear...that the greater increase in the Bank's Latin American lending activities the less likely is the United States to be faced with impossible demands and with a challenge to its prestige and influence at the scheduled Buenos Aires Conference.¹³⁰

By December 1956, Kubitschek was becoming increasingly desperate to obtain further funding from the US. Despite the mildly improving economic position referenced earlier, there were several pressing problems – political and economic – impacting upon Kubitschek. Weis notes that: 'by 1957...Brazil was more stable than it had been since the election of Vargas...economic growth had stimulated Brazilian pride, nationalism, and support for the government.'¹³¹ This, though, does not tell the whole story. Relatively favourable economic statistics could not hide the fact that Brazil's economy remained excessively reliant upon coffee exports, leaving Brazilian stability overly-dependent upon a product whose price was becoming increasingly unstable. In addition to this, Brazil continued to spend huge amounts on importing petroleum and supporting Petrobras.¹³²

Although we have already established that overt nationalism made a change in this situation extremely unlikely, its economic consequences cannot be ignored. Robert Anderson, who had moved from the Pentagon to replace George Humphrey as Treasury Secretary, met with Foster Dulles in August 1957. Anderson told Dulles that: 'about 40% of the country's foreign currency expenditure went for fuel imports, while coffee

¹³⁰ Department of State Instruction to all ARA Diplomatic Posts, May 2 1956, OCB 091.4 Latin America (FILE#7) (3) May – September 1956, Box No 75, OCB Central File Series, Eisenhower Library; See also: Memorandum from Assistant Secretary of State for Inter-American Affairs Roy Rubottom to Deputy Under-Secretary of State for Economic Affairs Douglas Dillon, May 29 1957, 1957 – Costa Rica – L Miscellaneous, Box No 2, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, Subject Files 1957-1959, Lot 59 D 573, National Archives, College Park, Maryland

¹³¹ Michael Weis (1993) p 106

¹³² Thomas Skidmore, *Politics in Brazil* (1967) p 174-182; Joseph Smith, *A History of Brazil* (2002) p 175-7; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 169-173

compromised from 60 to 70% of exports, making the country heavily dependent on coffee as an export commodity, and much in need of a better solution of its fuel problem.¹³³ (This problem would become even more acute in 1958 as Brazilian coffee sales dropped due to increased competition) There was also a third problem looming, which threatened to expose the rather shaky economic foundations that Kubitschek's development drive had been built on. In seeking to finance his development agenda Kubitschek had implemented policies that led to Brazil building up a huge amount of foreign debt; with those loans due to mature in 1958, the Brazilian economy would be faced with an increasingly troublesome balance of payments problems. With outgoings forecast to dwarf income, the Brazilian economy faced the increasing likelihood of not being able to generate a necessary amount of capital to meet its foreign obligations.

The American Charge in Brazil detailed this in a dispatch to Washington on October 4, writing: 'Serious economic difficulties face Brazil during the next 2 or 3 years: a) The balance of payments outlook is critical, with a probable deficit for 1957 of as much as \$250 million and a worsening situation thereafter...b) Internally inflation continues, though at a slower rate...c) Combined effects of payment trouble and inflation exacerbate an imbalance in the economic growth of Brazil.'¹³⁴ Each of these factors increased the pressure on Kubitschek and made him more desperate in his attempts to obtain US economic aid. 'Kubitschek had expended much political capital in proving his fidelity to the United States, and he had supported the US on controversial issues such as the Fernando de Noronha missile station. Yet critics pointed out that the returns to Brazil quickly diminished once the US achieved its strategic goals.'¹³⁵ As a result, Kubitschek needed a change in US policy not just to counter the impending economic problems he faced, but, also, to legitimise his policy of seeking accommodation with the Eisenhower administration after coming to office in 1956.

¹³³ Memorandum of a Conversation between Secretary of State Dulles and Treasury Secretary Robert Anderson, Department of State, Washington, August 22 1957; Memorandum of a Conversation between Secretary Dulles and US Ambassador to Brazil Ellis Briggs, Department of State, August 28 1957; Memorandum from the US Ambassador in Brazil Ellis Briggs to the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, October 16 1957, *FRUS 1955-1957 Volume VII* p 759-763, 764-5

¹³⁴ Telegram from the Charge in Brazil Wallner to the Department of State, October 4 1957, *FRUS 1955-1957 Volume VII* p 763-4

¹³⁵ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 106

Yet, it was not to be. As we saw in the previous chapter, the Eisenhower administration would not implement a change in their economic approach toward Latin America in the wake of the Soviet Economic Offensive and NSC 5613/1. Stark confirmation of this would come at the Buenos Aires Economic Conference in August 1957. Even before then, US economic principles were reaffirmed once again in a paper created by the International Development Advisory Board in April. They stated unequivocally that: 'It is the policy of the United States to encourage the development of the free world's resources as much as possible through private enterprise and the Government of the United States and representatives of American business are concerned with devising ways and means of improving the climate for foreign investments.'¹³⁶ Even those members of the administration advocating a change in US economic policy in Latin America retained a strong belief in the core ideals of the American system that was wholly at odds with the kind of assistance Kubitschek was looking for. Under-Secretary of the Treasury, Randolph Burgess, wrote Milton Eisenhower in June 1957 and informed him that, 'your letter of the 9th of May encourages me to further reflections on the vital question of encouraging continued investment in Latin America. Your emphasis on the need of relying strongly on private investment, and on creating a favourable atmosphere for such investment, is of course in accord with my own line of approach.'¹³⁷ There was, then, quite clearly very little support within Washington for a reshaped economic policy toward Brazil in keeping with that outlined by Kubitschek: loan payments would not be increased unless Brazilian economic policies met those stipulated by the EXIM Bank, and the US-Brazilian alliance on strategic issues would not transpose into a more favourable fiscal policy. Any notions that Kubitschek might have harboured about being able to change this situation were dispelled at the Buenos Aires Economic Conference.

¹³⁶ Paper by the International Development Advisory Board, April 1957, Folder – Eisenhower, Dr Milton 1957, Box No 2, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter-American Affairs Roy R Rubottom, Subject Files 1957-1959, Lot 59 D 573, National Archives, College Park, Maryland

¹³⁷ Letter from Under-Secretary of the Treasury Randolph Burgess to Milton Eisenhower, June 4 1957, Folder – Eisenhower, Dr Milton 1957, Box No 2, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter-American Affairs Roy R Rubottom, Subject Files 1957-1959, Lot 59 D 573, National Archives, College Park, Maryland

Here, as we saw previously, the US position was informed by their traditional economic objectives rather than the ongoing internal debate as to the future of US economic policy in the region. As Weis writes, 'Buenos Aires succinctly showed the fundamental differences between the two sides' interests and development policies. For Brazil, whose traditional role in inter-American meetings was that of the conciliator between the US and Spanish America, the conference produced much anguish.'¹³⁸ By the end of 1957, we can clearly see that Kubitschek's attempt to force a close bilateral alliance through the deliberate use of overt Cold War sentiments had failed. Although he had been assisted by the change in the Cold War and the Soviet Economic offensive, he had not been able to bridge the gap between US economic objectives and US strategic objectives. And consequently by 'the beginning of 1958, United States-Brazilian relations were at their lowest ebb since the crisis of 1954.'¹³⁹ The question was: would the clear and present tension between economic and strategic factors in US policy be resolved sufficiently during the Eisenhower administration's remaining years in order to ease the growing enmity between Washington and Rio? Or, would Kubitschek's need for capital and the refusal of the US to alter their economic policy drive a wedge between the two nations?

CONCLUSION:

The answer, as we shall see in the final two chapters, is that in spite of the increasing problems confronting the US in Latin America – namely the events of Nixon's trip and the rise of Castroism in Cuba – the Eisenhower administration would remain committed to its long-standing economic principles, even as strategic considerations became increasingly important in the administration's approach. Although the debate within the administration over the future course of US economic policy would continue, the actual changes would not be of the magnitude that the Latin nations desired or, indeed, extensive enough to solve the problem of chronic underdevelopment in the

¹³⁸ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 107

¹³⁹ *Ibid* p 110

region. This will be starkly demonstrated in Chapters Five and Six, as President Kubitschek attempted to implement his grand development scheme – Operation Pan America – whilst the US attempted to shore up its crumbling national security agenda in the region, which was directly challenged by the ascendancy of Fidel Castro and the realignment of Latin political circles toward more democratic, less militaristic forms of government. The crucial point, however, is that whilst the administration quickly addressed the strategic problems confronting them in Latin America (and Brazil) in the post-1956 era, they did not perceive that any change was necessary in its basic economic approach. Therefore, when the changes of policy outlined in NSC 5613/1 and later, NSC 5902/1, were implemented, they did not successfully appease the increasing frustration of the Latin nations. This pattern, as we shall see in Chapter Six, would be especially noticeable with regard to US-Brazilian relations.

In this chapter we analysed the evolution of US-Brazilian relations in the wake of the Soviet Economic Offensive and the shifting paradigm of the Cold War. By starting in the immediate wake of Vargas's death, however, we were able to establish the dominant trends in the US-Brazilian relationship before the onset of the Soviet Economic Offensive and the shift toward the periphery in the Cold War. What emerged was the situation whereby the US continued to follow the economic agenda outlined in NSC 144/1 and NSC 5432/1, in spite of the fact that this approach had imploded so tragically in Brazil with the suicide of President Vargas in August 1954. Between then and mid-1956, US policy would, crucially, adhere to the idea of expanding Brazilian economic development along the lines of "free trade, free capital and free investment." This approach illustrates two key points about US policy. Firstly, the fact that the Eisenhower administration continued to believe that once the benefits of the American system began to become apparent in Brazil then many of Brazil's economic woes would be solved. And secondly, that US regional policy was too generic to be successfully implemented in many Latin nations – in Brazil, fervent economic and political nationalism prevented widespread economic reform whilst continued poverty increased the potential for a radical shift in Brazilian politics. Nationalist factions in Brazil concerned with what they saw as the "selling off" of Brazilian resources to US companies, continued to make it

increasingly difficult for the Brazilian government to accede to US suggestions on economic policy.

When Juscelino Kubitschek came to office, the Brazilian economy was in a desperate state; burdened by debt and with an undiversified economy hindering any chance of dynamic growth. Kubitschek aimed to change that by implementing an aggressive and ambitious development strategy: one that would transform Brazil from a potential world power to an actual one. This, however, brought its own problems. Kubitschek's scheme depended on a huge influx of capital – from both private and public sources – and, as a result, Kubitschek needed to ally himself closely with the US. In an effort to achieve this, Kubitschek courted Eisenhower determinedly, using a shared concern over the Cold War as a tool for eliciting a close relationship. For the US, however, this alliance was one based solely on strategic pragmatism: the Soviet Economic Offensive and the shift in the Cold War made Brazil's Cold War political allegiance highly desirable for the US. Despite internal divisions with the Eisenhower administration about the shape of US economic policy toward Latin America, there was a consensus of opinion which agreed upon the viability of retaining the principles of free market capitalism as the driving force behind US economic policy toward the region. This would impact huge tensions on the bilateral relationship. In keeping with the argument of this thesis, then, we can quite clearly see that US policy toward Brazil in the 1954-58 period was entirely consistent with the argument outlined in Chapter Three. Although national security concerns would become far more prominent considerations for the Eisenhower administration, economic principles would remain unaltered. And, as such, there would be little discernible change in the administration's fiscal policies.¹⁴⁰ In the next chapter we will analyse how, in the wake of Nixon's disastrous tour of the region, the US would attempt to meet its twin objectives of national security and economic preponderance in the final years of the Eisenhower administration's time in office.

¹⁴⁰ There were, as outlined in Chapter Three, some changes to US policy, but these were relatively muted and, crucially, were in keeping with US economic ideologies. See: Burton Kaufman, *Trade & Aid* (1982); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999)

CHAPTER FIVE: US-LATIN AMERICAN RELATIONS 1958-1961 “STRATEGIC IMPERATIVES VERSUS PRIVATE INVESTMENT”

INTRODUCTION

Chapters Three and Four outlined the impact that the Soviet Economic Offensive and the ongoing shift in the nature of the Cold War, had on the Eisenhower administration's conception of events in Latin America and Brazil. What we saw was that the Soviet Economic Offensive compelled the administration to pay far more attention to the status of their strategic aims in Latin America than they had at any other time since 1953. This chapter will look at the way that US policy evolved during the final years of the Eisenhower administration; with the focus once again being on the economics-security nexus that has underpinned our analysis thus far. The most striking conclusion to emerge will be that even as the administration accorded more emphasis to its national security objectives in Latin America, leading US policymakers remained unwilling to relax their position on long-standing economic ideals. This dichotomy between economics and security would continue to dominate US-Latin relations: indeed, by 1961, the relationship between Washington and the Latin nations was severely imperilled due to the Eisenhower administration's inability to reconcile its economic and strategic goals. Our starting point here, though, needs to be with the recognition that US policy in Latin America during the 1958-61 period was predominantly concerned with issues of strategic concern. The overwhelming flaw in this approach would come from the fact that US officials attempted to pursue their strategic objectives whilst retaining their traditional economic aims: in fact, pre-existing economic policies were subsumed into the national security framework that was coming to dominate US policy in the Third World, irrespective of the fact that they were wholly incompatible.¹

¹ As we have seen in the first four chapters, American economic objectives – based on “free trade, free investment and free capital” – often served to undermine the US strategic position and inflame anti-American sentiment in Latin America. By incorporating traditional US economic aims into the national security context that administration officials were increasingly applying to the Third World, the problem was only heightened. See: Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

By May, 1958, the situation was one of irreconcilable tensions within US policy; the administration recognised that they needed to address their strategic position toward Latin America, but in doing so they refused to significantly alter their basic economic principles. In fact, as the administration came to accord more importance to its national security approach in the region, its position with regard to economic policy became increasingly inflexible. By the time of the Nixon trip, those economic objectives that had formed such a central part of US policy toward Latin America since 1953 had been subsumed into the Cold War framework that the US was imposing upon its approach toward the region. This was in spite of the fact that they were clearly undermining the US strategic position, as an increasing number of people in the Latin nations continued to protest at what they believed to be their economic subservience to the US.² The administration's increasing emphasis on its national security considerations in Latin America would prove to be wholly incompatible with US aims in the economic sphere.³ As a result, the status of US-Latin relations continued to deteriorate until Eisenhower left in office in January 1961.

Outlining the clash between the administration's emphasis on national security and its adherence to basic US economic doctrine, then, will form the central theme of this chapter. Before that, however, it is necessary to demonstrate what changes were occurring in US-Soviet relations during the same period. Achieving this will give a fuller background picture to the regional study and, also, demonstrate the impact that the changing nature of US-Soviet relations had on the Eisenhower administration's policy in Latin America. Following this, we will consider what impact the Nixon trip had on US policy toward Latin America: as we will see, scholars in both schools of thought have debated the affect that the Nixon trip had on the administration's approach toward the region, with many seeing it as the catalyst for the eventual changes in approach that would emerge in February 1959. However, as will be made clear, the Nixon trip needs to be evaluated for its relationship to those events that had come before; particularly, the

² See: Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974) p 223-4

³ Importantly, even those officials within the administration advocating a change in US foreign economic policy – Milton Eisenhower, Thomas Mann, Roy Rubottom, and Douglas Dillon – retained a strong belief in the basic principles of capitalism.

Soviet Economic Offensive. The internal debate within the administration as to how US policy should change in the aftermath of the Nixon trip would be driven by the overriding fear that US national security interests were at risk in Latin America. This was, as we shall see, an extension of the ongoing debate that had been developing since the Soviet Economic Offensive in January, 1956.

After several months of debate and re-evaluation, the administration would eventually – in February 1959 – produce NSC 5902/1, which would outline a new approach for the US in Latin America. The most striking point about this document would be the changes in economic policy that it outlined. Crucially, however, these changes would once again be in accordance with traditional US economic principles and would not address the majority of the concerns raised by the Latin nations relating to their chronic underdevelopment. This was a crucial caveat. As we shall see in more detail in Chapter Six, the changes in US economic policy were implemented in order to placate the Latin nations and improve the status of US-Latin relations. They were very much a solution to the administration’s increasing national security concerns; with the administration’s belief in the ideals of “free trade, free investment and free capital” continuing to endure, the changes in economic policy would be of a limited nature only.⁴ Most importantly, however, the entire context of US-Latin relations would be altered in January 1959 by the Cuban Revolution, which saw the overthrow of Fulgencio Batista by Fidel Castro. The Eisenhower administration’s response to the Cuban Revolution would be similar to their response to Arbenz in 1953 and 1954, due to the fact that like in Guatemala, both US strategic and economic interests were threatened by the Cuban Revolution. The narrative contained in this chapter, then, will highlight the continuing clash between economic and strategic objectives within US policy. And it will do so by looking at the aftermath of the Nixon trip, the development of NSC 5902/1, the impact of the Cuban Revolution and the last years of the Eisenhower administration’s time in office. The predominant conclusion will be that though US officials were focused

⁴ See: Michael Adamson, “‘The Most Important Single Aspect of our Foreign Policy’?: The Eisenhower Administration, Foreign Aid, and the Third World” in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

increasingly on meeting their national security aims in Latin America, their inability to reconcile this approach with their basic economic objectives would come to severely undermine the US position in the Western Hemisphere. Firstly, however, we need to look at the global events in this period in order to outline the changing nature of US-Soviet relations that underpins our analysis of this period.

THE GLOBAL COLD WAR: US-SOVIET TENSIONS AND THE THIRD WORLD

This section will outline the way that the US-Soviet relationship evolved in the 1958-1960 period and illustrate the growing importance of the Third World to both Washington and Moscow. What will become apparent is that despite the continuance of the trend outlined in Chapter Three – namely that direct US-Soviet tensions over Europe began to dissipate – the transposition of east-west tensions onto the Third World continued to escalate. This is vital for an investigation of US-Latin American relations, as it provides an explanation for the administration's continuing reversion to Cold War concerns when evaluating its strategic position in the region. By outlining the growing importance of the Third World from a global perspective, we will build on the trends outlined in Chapter Three and highlight the reasons behind the Eisenhower administration's deepening concerns over its position in Latin America. The importance of this lies in the fact that it helps us to deconstruct both the US economic approach, and, also, the nature of US-Soviet tensions in the Third World. This will highlight the administration's increasing emphasis on national security issues in the periphery. More importantly, however, it will also demonstrate the continuing presence of Washington's economic objectives in the Third World; illustrating the fact that the tensions within US policy between economic and strategic objectives were not unique to US policy in Latin America.

Washington's interest in the Third World was not a new development: since the end of World War Two, US officials had consistently highlighted the Third World's economic importance to the United States. But there was an important difference during

the late-1950s. Prior to 1955-56, US aims toward the Third World were constructed around mainly economic goals – such as access to markets, an economic open door and the provision of raw materials. However, once the Third World began to assume an importance in terms of the Cold War, the Eisenhower administration needed to adapt its approach. By the late-1950s both the US and the Soviet Union were attempting to expand their influence in the Third World.⁵ Most importantly for this study of US-Latin American relations, though, is the fact that whilst this was occurring, US economic goals in the periphery remained the same as they had been since 1945. The inevitable outcome was that of the US attempting to attain the support of the Third World nations in the ideological standoff with the USSR whilst – at the same time – continuing to try and meet their long-standing economic aims with regard to the provision of raw materials and access for US capital. As the Third World became increasingly important to both the White House and the Kremlin, the irreconcilable tensions between economics and security within US policy became ever-more apparent.

US-Soviet relations had undergone a dramatic change since the death of Stalin in March 1953. His successors had gradually implemented a more bellicose foreign policy, which coupled with rapid developments in both nations' nuclear and missile technology had reduced the possibility of a direct US-Soviet confrontation in Europe. In fact, by March of 1958 Secretary Dulles was telling President Eisenhower that: "There has been a definite evolution within the Soviet Union toward greater personal security, increased intellectual freedom and increased decentralization. This also increases the chances of peace."⁶ The way in which the relationship between Washington and Moscow had changed dramatically can be seen in the events spanning from the 1957 launch of Sputnik⁷ to the infamous downing of an American U-2 spy plane just before a planned

⁵ Kenneth Osgood, *Total Cold War: Eisenhower's Secret Propaganda Battle at Home and Abroad* (Lawrence, Kansas: University of Kansas Press, 2006) pp 104-150

⁶ Dulles to Eisenhower, March 25 1958, quoted in: John Lewis Gaddis, "The Unexpected John Foster Dulles: Nuclear Weapons, Communism, and the Russians", in Richard Immerman eds, *John Foster Dulles and the Diplomacy of the Cold War* (Princeton, New Jersey: Princeton University Press, 1990) p 73

⁷ As Joseph Noguee and Robert Donaldson write, 'Khrushchev was able to parlay this accomplishment into an assertion of Soviet strategic superiority'; a fact that enabled him to stave off both internal and foreign criticism of his premiership.' Joseph Noguee and Robert Donaldson, *Soviet Foreign Policy Since World War II* (New York: Pergamon Press, 1984) Second Edition 1989 p124; William Taubman, *Khrushchev: The Man, His Era* (USA: Free Press, 2003) p 378

Eisenhower-Khrushchev summit in Paris in 1960. Despite a series of inflammatory gestures and one-upmanship manoeuvres during this period, US-Soviet relations never appeared likely to deteriorate into direct superpower confrontation.

In Washington, following the successful Soviet launch of the Sputnik satellite, Eisenhower faced strong calls to react by increasing American arms expenditure, with fears of a “missile gap” being used to criticise Republican defense strategy. Both the Gaither Committee and the Rockefeller Foundation strongly recommended a significant increase in the US military budget⁸, and a dramatic increase in US defense spending had strong support from both sides of the political spectrum.⁹ And yet, the administration’s reaction to the launch of Sputnik was decidedly calm, and the recommendations of the Gaither Committee and the Rockefeller Foundation were rejected. The reason for this was that the much vaunted “missile gap” did not, in fact, exist; a point recognised by both Eisenhower and Khrushchev.¹⁰ Eisenhower could reject the recommendations for increased defense spending safe in the knowledge that Soviet technology was not more advanced than that of the US.¹¹ Khrushchev knew about the U-2 flights over Russia, but

⁸ Both the Gaither Committee and the Rockefeller trust ‘argued that a Soviet military build-up had established superiority in long-range ballistic missiles and that Soviet success in putting the first satellite in orbit had created a clear lead in the space race. They concluded, in a manner reminiscent of NSC-68, that the United States ought to up the military budget by 50 percent.’ Thomas McCormick, *America’s Half-Century: United States Foreign Policy in the Cold War and After* (Baltimore: John Hopkins University Press, 1989) Second Edition 1995 p 129

⁹ As Gaddis writes: ‘Given the circumstances in which it appeared, the Gaither Committee report could have affected the American defense establishment almost as dramatically as NSC-68 had seven years earlier. Certainly it had no lack of supporters: when portions of the top-secret document leaked to the press, Congressional Democrats, concerned both with its national security implications and domestic political possibilities, quickly endorsed its rumoured conclusions...Several months later, a private study group commissioned by the Rockefeller Brothers Fund and headed by Henry Kissinger confirmed the committee’s findings, thus suggesting that even among members of the President’s own party its conclusions carried considerable weight...None of this would have much effect, though, without sympathy in the White House, and there the reaction was decidedly lukewarm.’ John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Post-War American National Security Policy* (New York: Oxford University Press, 1982) p 184-5

¹⁰ As Stephen Ambrose notes, ‘The CIA, in one of the great intelligence coups of all time, had in 1956 inaugurated a series of flights over the Soviet Union in specially built high-altitude airplanes called U-2s. The photographs that resulted from the flights revealed, as Eisenhower later put it, “proof that the horrors of the alleged bomber gap and the later missile gap were nothing more than imaginative creations of irresponsibility.” The United States still had a substantial lead in strategic weapons’ Stephen Ambrose (1997) p 160; Thomas McCormick, *America’s Half-Century* (1995) p 129; Saki Dockrill, *Eisenhower’s New-Look National Security Policy, 1953-1961* (London: Macmillan Press, 1996) p 211-3

¹¹ Gaddis and Ambrose disagree over whether Eisenhower’s judgement on this issue was the result of sheer good fortune that fiscal conservatism – on this occasion – fit geopolitical realities, or whether it was a brave

the Soviets did not possess the technical expertise to intercept aircraft flying at such a high altitude. And so, both sides kept quiet: Khrushchev, not wanting to undermine the publicity generated by Sputnik, continued to talk about Soviet superiority and the “missile gap”, whilst Eisenhower continued to let him¹², content that by doing so the U-2 flights would continue to remain secret.¹³ This diplomatic manoeuvring strongly suggests a more restrained relationship between Washington and Moscow in the late 1950s. (When US-Soviet tensions did worsen in this period it tended to be due to domestic and international pressures on either Khrushchev or Eisenhower that necessitated a strong stance; the most obvious example of this being the 1958 Berlin Crisis¹⁴)

Yet, in spite of this relative relaxation in direct east-west confrontation, anti-communism and national security continued to provide the dominant context for US foreign policy. The difference was that the battle between East and West had now shifted conclusively to the Third World. Although this process began in the mid-1950s, it was, by 1958, clearly exerting a major influence on the Eisenhower administration’s foreign policy and was necessitating an increased level of resolve and commitment from the US.

call taken as a result of intelligence data received from the U2 flights. See: John Lewis Gaddis, *Strategies of Containment* (1982) p 185-6; Stephen Ambrose, *Rise to Globalism* (1997) p 129-130;

¹² This policy would come back to haunt the Republicans during the 1960 presidential election when Democratic nominee, Senator John F Kennedy, was able to attack the Republican candidate, Vice President Richard Nixon, over the present of a supposed “missile gap” and an inferiority in US defense policy

¹³ Stephen Ambrose, *Rise to Globalism* (1997) writes: ‘The fact that Eisenhower made no strong statements about Soviet inferiority during the American domestic controversy about the missile gap should have reassured the Soviets and convinced them that Eisenhower really was a man of moderation who was sincerely interested in some sort of *modus vivendi*’ p 161

¹⁴ Khrushchev had come dangerously close to being removed from office in 1957¹⁴, and continued to see Chinese Premier, Mao Zedong, challenge Soviet leadership of the Communist world. Briefly, in the wake of Khrushchev’s denunciation of Stalin in February 1956, Mao’s opinion of the Soviet leader had improved. However, the Soviet approach toward internal revolt in Poland and Hungary had compelled Mao to change his mind. Jung Chang and Jon Halliday write: ‘Mao had concluded that Khrushchev was something of a “blunderer”, who was “disaster prone.” The awe he had felt for Khrushchev at the time when the Soviet leader denounced Stalin was rapidly fading, replaced by a confidence that he could turn Khrushchev’s vulnerability to his own advantage.’ By 1958, Khrushchev needed to reassert his authority and chose to do so over Berlin, announcing that control of the Soviet section would now be in the hands of the East German government, posing a problem for the west in terms of access as they did not recognise the East German government. After issuing a deadline of six months, Khrushchev felt he had secured his position: Eisenhower, as he had with Sputnik, simply waited the immediate period of crisis out, recognising that the Soviets would not make good on their initial threats. See: William Taubman, *Khrushchev* (2003) p 310-324, 399-406; Jung Chang and Jon Halliday, *Mao: The Unknown Story* (London: Jonathon Cape, 2005) p 421-4; Joseph Noguee and Robert Donaldson, *Soviet Foreign Policy* (1989) p 123-132; Stephen Ambrose, *Rise to Globalism* (1997) p 162-7; Saki Dockrill, *Eisenhower’s New-Look National Security Policy* (1996) p 246-256; Thomas McCormick, *America’s Half-Century* (1995) p 132-5

Moreover, once this increased commitment was made and, in light of the developing economic and technical challenges posed by the USSR, the US commitment to be seen to be “winning” the Cold War in the Third World took on an added importance. It is only by recognising this that we can fully understand the full-range of motivations and objectives of the administration in Latin America. For its part, the US continued to present the ideological battle between Washington and Moscow as being the defining feature of the 1950s. After being comfortably re-elected in 1956, Eisenhower’s second inaugural was imbued with the same anti-Soviet rhetoric that had characterised his first presidential address four years earlier. Eisenhower stated,

We live in a land of plenty, but rarely has this earth known such peril as today...The divisive force is International Communism and the power that it controls. The designs of that power, dark in purpose, are clear in practice. It strives to seal forever the fate of those it has enslaved. It strives to break the ties that unite the free. And it strives to capture--to exploit for its own greater power--all forces of change in the world, especially the needs of the hungry and the hopes of the oppressed...And, we--though fortunate be our lot--know that we can never turn our backs to them...May the light of freedom, coming to all darkened lands, flame brightly – until at last the darkness is no more.¹⁵

A year later, in his State of the Union Address, similar sentiments were expressed.¹⁶ By invoking traditional Manichean images, Eisenhower was able to frame world events within the bipolar framework that had become so ingrained. Yet it is also important to note that by doing so, the administration increased the pressure on it to be seen to be winning the Cold War. Therefore, as the Third World’s geopolitical importance increased, US officials were compelled to emphasise the attainment of their national security goals as being of the utmost importance in the periphery. The result, in an extension of the trend outlined in Chapter Three, would be for the US to apply their enduring Cold War framework to revolution and development in the Third World. It is

¹⁵ Second Inaugural Address of President Eisenhower, January 21 1957, Taken From: www.presidency.uscb.edu/ws/index. Accessed on July 30 2006

¹⁶ At the 1958 State of the Union Address, Eisenhower stated: ‘The threat to our safety, and to the hope of a peaceful world, can be simply stated. It is communist imperialism...the only answer to a regime that wages total cold war is to wage total peace.’ Annual Message to Congress on the State of the Union by President Eisenhower, January 9 1958, Taken From: www.presidency.uscb.edu/ws/index Accessed on July 30 2006

necessary to emphasise here that this was very much a global development: the administration's increasing emphasis on national security objectives in Latin America was matched by their approach toward other areas of the world – most notably South-East Asia and the Middle East. A by-product of this shift in emphasis was that Washington's pre-existing economic objectives in the Third World were subsumed into the national security framework; as those events in US-Latin American relations have demonstrated to us, though, this led to a situation whereby the inherent incompatibility between American economic and strategic objectives came to dominate US policy toward the Third World. Whilst this process undoubtedly began in the mid-1950s – as the US reaction to the Soviet Economic Offensive outlined in Chapters Three and Four demonstrated – it only fully came to maturity in the period after 1958.¹⁷

Defeating regimes that were perceived to be communist or inimical to US interests, then, became the dominant rationale behind US policy toward the Third World in the post-1955 period. But, crucially, this was counter-balanced by the retention of a set of basic economic objectives and principles that did not complement the creation of a stable, pro-American world. Put simply, American efforts to engender the widespread acceptance of capitalist economic principles continued to raise the ire of those nations in the Third World who were blighted by underdevelopment. Michael Hunt has linked US economic policy to the Eisenhower administration's "crusade" to prevent the spread of communism.¹⁸ However, such an approach does not explain why US officials continued to pursue this economic approach when it was being continually proved to be deeply unpopular.

By the late-1950s, this American-led program of development was being consistently undermined by the growth of indigenous nationalism. Increasingly, though, this collision between US economic doctrine and local resistance was being presented and analysed via the constructs of the Cold War, due to the incorporation of US economic policy into the national security framework. As David Ryan writes: 'The Cold War

¹⁷ See: Thomas McCormick, *America's Half-Century* (1995); David Ryan, *US Foreign Policy in World History* (2000); Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (New York: Penguin Books, 2004)

¹⁸ Michael Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1987) p 159-160

created intellectual and institutional straitjackets that reduced most challenges to Cold War dimensions, whether communist or not.’¹⁹ In the late-1950s, then, the Eisenhower administration increased its commitment toward combating what it perceived to be the crucial national security problems confronting it in the Third World. There was, by 1958, a very real sense that it was in the Third World that the Cold War would be won or lost.

An example of this can be witnessed in South East Asia – or, more specifically, Vietnam. US commitments there arose initially due to economic self-interest, with Vietnam’s natural resources forming a vital component in the regional economy.²⁰ Increasingly, however, US interests in Vietnam became predominantly concerned with national security imperatives: by 1958, US credibility and prestige was at stake in South East Asia.²¹ By the end of the Eisenhower era the US military representative, General Lansdale, was telling Secretary of Defense, Thomas Gates, that: ‘The US should recognise that Vietnam is in a critical condition and should treat it as a combat area of the Cold War, as an area requiring emergency treatment.’²² A similar escalation of American commitment was apparent in the Middle East with the announcement of the Eisenhower Doctrine in 1957. Like in Vietnam, US interests in the Middle East during the early Cold War had been focused on economic interests: however, after 1957, the Eisenhower Doctrine legitimised US intervention into the region in order to defeat the spread of international communism.²³ We can, then, clearly see that the wider trend in the Cold

¹⁹ David Ryan, *US Foreign Policy in World History* (2000) p 151

²⁰ David Ryan, *US Foreign Policy in World History* (2000) p 145-152; Gabriel Kolko, *Anatomy of a War: Vietnam, the United States and the Modern Historical Experience* (New York: The New Press, 1984) p 79

²¹ The American “commitment” to defeating the spread of communism in Vietnam in the mid-to-late-1950s was outlined in Graham Greene’s novel, *The Quiet American*, in which the American mission in Saigon consistently seeks to find a ‘third way,’ between communism and strident (but anti-American) Vietnamese nationalism. See: Graham Greene, *The Quiet American* (London: 1955) New Edition 2004; Stanley Karnow also details the rationale behind US policy in Vietnam in writing: ‘The administration was crusading against its foggy notion of an international communist conspiracy.’ Stanley Karnow, *Vietnam: A History* (New York: Penguin Books, 1983) Second Edition 1991 p 221

²² Memorandum from General Lansdale to Secretary of Defense Thomas Gates, January 17 1961, *Foreign Relations of the United States 1961-1963 Volume I Vietnam 1961* p 12; see also: Gabriel Kolko (1984) p 80-96; George Herring, “A Good Stout Effort: John Foster Dulles and the Indochina Crisis, 1954-1955”, in Richard Immerman, *John Foster Dulles and the Diplomacy of the Cold War* (1990) p 213-235; Robert Schulzinger, *A Time for War: The United States and Vietnam, 1941-1975* (New York: Oxford University Press, 1997); David Anderson, *Trapped by Success: The Eisenhower Administration and Vietnam, 1953-1961* (New York: Columbia University Press, 1991)

²³ However, as McCormick has written: ‘unrest in the Middle East in 1957 had, produced the Eisenhower doctrine, giving congressional authorization for aid or even military intervention for nations threatened by

War during the late 1950s was for the rise in importance of the Third World for both Washington and Moscow. Moreover, as a result of this, US officials were increasingly viewing events in the Third World through the perspective of the bipolar worldview.²⁴ However, rather than abandoning its pre-existing aims in the economic sphere, the Eisenhower administration incorporated them into a wider Cold War strategy, which they then applied throughout the Third World in the late-1950s. We have already outlined in Chapters One and Three that US economic principles were generally incompatible with US strategic objectives; a fact that emerged consistently in US-Latin American relations. Now, as we go on to consider US-Latin American relations in the post-1958 period, we will see that the administration's emphasis on its security aims would only deepen the problems arising from the incompatibility of US economic and strategic aims. Firstly, though, we need to evaluate what impact the Nixon trip had on the thinking of US officials.

THE AFTERMATH OF THE NIXON TRIP: THE HISTORIOGRAPHICAL GAP

Much of the debate surrounding the Nixon trip has focused on the impact that it had on the Eisenhower administration's approach toward Latin America. It is the contention here, though, that such an approach overlooks the most important feature relating to the Nixon trip. By conducting a debate on whether or not the events of the Vice President's tour of Latin America significantly altered the Eisenhower administration's policy, the episode has, essentially, been viewed outside of its wider global and historical context. As we will see, the events of Nixon's trip and the subsequent shift in US policy were, in fact, a continuation of the process that had begun in 1956. If anything, the trip demonstrated the failure of US policy as outlined in NSC 5613/1 and forced the administration to extend the re-evaluation of policy that had started two years earlier; moving away from military assistance toward a reappraisal of their

international communism, a concept quickly broadened to mean any threat to territorial integrity and independence.' Thomas McCormick, *America's Half-Century* (1995) p 139; Niall Ferguson, *Colossus* (2004) p 108-112

²⁴ See: Chester Pach, "Thinking Globally and Acting Locally" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006)

regional economic policies.²⁵ Understanding this last point is crucial: in keeping with the wider trends in the Cold War, US policy toward Latin America would emphasise national security factors as being the major rationale behind the administration's approach. However, the manifest failure of the policy outlined in NSC 5613/1 compelled the administration to consider implementing some changes in its regional economic strategy.²⁶ After five years of being made aware of how unpopular US economic policy was in Latin America, the administration would – in the wake of the Nixon trip – finally heed the advice of officials like Milton Eisenhower and Roy Rubottom and countenance a change in economic policy. But, crucially, this would be a shift motivated by Cold War concerns. US officials still retained an overwhelming belief in the propriety of their pre-existing economic policies; it was just that the Cold War exigencies demonstrated by the events of the Nixon trip demanded some wider changes in US economic policy. Therefore, those changes in policy that would emerge in 1959 did not alter Washington's position with respect to its basic economic principles. Instead, it recommended a number of modifications to US economic policy, which it was believed would placate Latin nationalism and enable the administration to meet its strategic goal of securing its position in the Western Hemisphere.

In essence, then, the debate needs to move beyond the question of whether or not the Nixon trip significantly affected US policy.²⁷ It is somewhat axiomatic that the Nixon

²⁵ The failure of NSC 5613/1 to bring about a change in US fortunes in Latin America would see the end of military assistance policies being used as the main focus of US policy toward the region; instead, it would remain a central part of the administration's approach, but would no longer be the central tool within US efforts to bring about an improvement in US-Latin relations. This will, however, be outlined in more detail in Chapter Six.

²⁶ Michael Adamson, "The Most Important Single Aspect of Our Foreign Policy" (2006); Oscar Calvo-Gonzalez, "Neither a Carrot Nor a Stick: American Foreign Aid and Economic Policymaking in Spain During the 1950s" in *Diplomatic History* (Volume 30, No. 1, January 2006)

²⁷ Those scholars arguing that the Nixon trip was an vitally important moment in US-Latin relations include: Lars Schoultz, *Beneath the United States: A History of US Policy Toward Latin America* (Massachusetts: Harvard University Press, 1998) p 351; Joseph Smith, *The United States and Latin America: A History of American Diplomacy, 1776-2000* (London: Routledge, 2005) p 123; see also: Walter LaFeber, *Inevitable Revolutions: The United States in Central America* (New York W.W. Norton & Company, 1993) p 138; Michael Weis, *Cold Warriors & Coup D'Etat: Brazilian-American Relations, 1945-1964* (Albuquerque: University of New Mexico Press, 1993) p 114; Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: University of North Carolina Press, 1988) p 100. Rabe later goes on to qualify this approach, suggesting the actual US response to the Nixon trip was not that significant. Two other scholars that argue that the Nixon trip was not a significant turning point are: Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1889* (Wilmington,

trip did have a strong impact on the Eisenhower administration's approach toward Latin America; but only when it is considered alongside the shift in the nature of the Cold War and the affect that the Soviet Economic Offensive had on the way US officials perceived their position in the region. Of far more importance here is in demonstrating the significance of the Nixon trip in the long-term view of US-Latin American relations in the 1950s. With US officials increasingly applying a security framework onto their approach in Latin America, the events of the Nixon trip severely threatened the administration's attempts to secure its strategic position in the region. Perhaps the most obvious outcome of the reassessment of policy that followed the Nixon trip was that the administration, for the first time, began to seriously consider modifying its economic policy toward the region.²⁸

This is of critical importance for two reasons. Firstly, it gave those voices who had been calling for a change in US economic policy – Milton Eisenhower, Thomas Mann, Douglas Dillon, and Roy Rubottom – the chance to shape a new economic approach for the US in Latin America. Secondly, and more importantly, we will see that even when critical national security considerations were at stake, and even when those officials cited above were given the opportunity to take the lead in determining the US approach, the US commitment to its long-standing economic objectives would continue to endure and, ultimately, to undermine the US position in the region. This is not, however, to argue that the administration's approach toward Latin America was dictated by economic concerns: rather that by incorporating traditional American economic objectives into its national security approach, the administration unintentionally imposed severe limits on the efficacy of the policy that it would implement in early-1959. As we shall see in the next section, the major consequence of the Nixon trip was that it built upon the process begun in the wake of the Soviet Economic Offensive and forced the

Delaware: Scholarly Resources Inc, 2000) p 156; James Siekmeier, *Aid, Nationalism, and Inter-American Relations: Guatemala, Bolivia, and the United States 1945-1961* (New York: Edward Mellen Press, 1999) p 317

²⁸ As we have seen in the previous four chapters, US economic policy had altered in the 1953-1957 period – a point made ably by James Siekmeier – but this was different: this marked a need for the administration to actually address its most basic economic principles, such as: commodity agreements; increased loans; a regional lending institution; and, the freedom to repay EXIM loans in local rather than American currency. Even considering these issues marked a huge departure for the administration.

administration to escalate the reappraisal of policy that had resulted in NSC 5613/1. For the first time in the administration's time in office, national security imperatives in Latin America would necessitate a change in economic policy. As we saw earlier, however, this was very much a response to a perceived strategic threat; consequently, those changes that were introduced would be politically expedient rather than the wide-ranging changes called for by the Latin nations.

THE NIXON TRIP: WHAT CAUSED THE PROTESTS?

The extent to which national security and the Cold War had become conflated with nationalism and economic expansion in Latin America was demonstrated in the aftermath of the Nixon Trip. As the Eisenhower administration sought to understand just what had caused the protests, a dichotomy emerged that considered the protests both within the bipolar framework that was so dominant in the Cold War era and as a result of previous US policies in the economic sphere. It was an outcome that demonstrated just how confused the national security framework and pre-existing US goals in Latin America had become.²⁹

For the administration, the problem would lie in attempting to reconcile their national security priorities in the region with the actual causes of the protests that greeted Nixon. With Latin anti-American sentiment being driven by widespread dissatisfaction with US economic policies, the administration was forced into trying to reshape its economic approach while still adhering to basic US economic principles. This is not, however, to contend that economic objectives were dominating US policy. Instead, it is to suggest that whilst the administration was applying an increasingly Cold War oriented perspective onto its position in Latin America, it was not making any major changes to its economic ideals. The outcome, as we will see in the remainder of this chapter, was that those tensions that had been so apparent in US policy since 1953 would come to the fore and impact severely upon the US position in Latin America.

²⁹ For an excellent analysis of the Nixon trip, see: Alan McPherson, *Yankee No!: Anti-Americanism in US-Latin American Relations* (Cambridge, Massachusetts: Harvard University Press, 2003)

Once Nixon had escaped from Caracas, he wasted little time in returning to Washington.³⁰ On May 15 he reported on his trip to the Cabinet and cited Communist incitement as the catalyst for the protests. 'Communist inspiration was evident from the similarity of placards, slogans and techniques,' stated Nixon. Secretary Dulles agreed, noting that, 'the Soviet Union had cleverly infiltrated mass political movements in Latin America.'³¹ CIA Director Allen Dulles took issue with this argument, though. Stephen Rabe notes that he, 'challenged his brother's views, arguing that turmoil in Latin America transcended any possible political manipulation' and that, 'his agency could find no evidence that Moscow had orchestrated the Nixon incidents.'³² Yet, despite Allen Dulles' misgivings, US officials would continue to evaluate the Nixon incident within the dualistic world view, which – as we have seen – was in keeping with the way that US policy toward the Third World had changed in the mid-to-late-1950s. As a result, their attempts to reconstruct their foreign policy approach toward Latin America would be undertaken purely from a strategic perspective; meaning that despite recognising the fact that US economic policies were partly to blame for the outbreak of Latin American anger, there would be no significant changes to US economic principles.³³ The administration's approach of citing both communist and justifiable Latin anger at US economic policies as being behind the anti-Nixon protests was outlined by Assistant Secretary of State Eric Snow, who had himself been on the trip. In a memorandum of May 15, he wrote:

³⁰ The administration went out of its way to welcome the Vice President home, with even Eisenhower himself taking 'the unusual step of going to the airport to greet Nixon.' There was, however, a break with tradition: as Nixon descended the steps from his aircraft he chose to 'emphasize the region's underdevelopment,' when explaining the reasons for Latin discontent, stating: 'They are concerned, as they should be, about poverty and misery and disease which exist in so many places. They are determined to do something about it.' Lars Schoultz, *Beneath the United States* (1999) p 351-2

³¹ Minutes of Cabinet Meeting, May 16 1958, *FRUS 1958-1960 Volume V* p 238-9; Stephen Rabe, "The Caribbean Triangle: Betancourt, Castro, and Trujillo and US Foreign Policy, 1958-1963", *Diplomatic History* (Volume 20, No 1, Winter 1996) p 57

³² Stephen Rabe "The Caribbean Triangle" (1996) p 57; Memorandum from CIA Director Allen Dulles to Secretary of State John Foster Dulles, 19 June 1958, Folder – Conversations with Dulles, A.W, Box 8, John Foster Dulles Papers, Eisenhower Library

³³ Statistical evidence that there was much more behind the anti-Nixon protests than communist insurrection was provided at the May 22 NSC Meeting, where Allen Dulles highlighted the fact that: '99 persons in Caracas, 12 of them Communists, have been arrested in connection with the riot against the Vice President' Memorandum of Discussion at the 366th Meeting of the National Security Council, May 22 1958, Box No 10, NSC Series, Whitman File, Eisenhower Library

such as tariffs, quotas, surplus disposals, and the magnitude of financial assistance.³⁴

Although there had undoubtedly been some short-term causes of the protests,³⁵ the administration recognised the need for it to address the long-term causes behind US-Latin disharmony. Up until this moment, there had been little domestic input with regard to action in Latin America: the region had not featured heavily in the 1956 election, nor had it aroused much interest from Congress or the American people. However, the anti-Nixon protests suddenly made US-Latin relations far more visible and energised both the Congress and some sectors of American society in calling for the problems in intra-hemispheric relations to be addressed.³⁶ As the internal inquest progressed, a consensus began to emerge within the administration. Communist insurgency had played some role in facilitating the protests, but there was quite clearly a deep rooted animosity within Latin America toward the US, which was in the main fired by a deep mistrust of US economic policies.³⁷ This approach was outlined by the Operations Coordinating Board in a report of May 21, in which they wrote,

Continuing political instability and intensified economic problems in most of Latin America...have overshadowed other progress in the political field and have led to increased social unrest. These adverse factors, coupled with increased Soviet Bloc attention to the area, call for prompt effective action to help solve some of the economic problems and to give greater political and psychological emphasis to US policy in the area...the principal factors deterring more substantial progress were: a sustained and widespread decline in markets and prices for basic export commodities...reduction in

³⁴ Memorandum from ARA Eric Snow to Secretary of State Dulles, May 15 1958, 1958 – IBRD – N (Miscellaneous), Box No 7, Papers of the Assistant Secretary of State for Latin American Affairs Roy R Rubottom, Lot 60 D 553, National Archives, College Park, Maryland; *FRUS 1958-1960 Volume V* p 236-8

³⁵ The main one of these was the decision of the US to afford political asylum to the recently deposed, and much-hated, Venezuelan dictator Perez Jimenez and his former Chief of Police, a move that inflamed the huge number of Venezuelans that had suffered under his rule

³⁶ Stephen Rabe, *Eisenhower* (1988) highlights the wide-ranging calls for action from within US society and political circles p 102-3

³⁷ Lars Schoultz highlights the way that this process evolved by citing the comments made by Under-Secretary of State Robert Murphy in several appearances before congressional committees. He writes: 'Like most of his colleagues, Under-Secretary Murphy was torn between two analyses...Murphy captured the growing Washington consensus by merging the two separate causal agents. Communists were involved, but only as an intervening force, not as the root of the problem: "The trouble in Caracas was caused by the intensive exploitation of communist and other anti-American elements of grievances against our policies."' Lars Schoultz, *Beneath the United States* (1998) p 353

the foreign exchange holdings in most countries...the failure of some Latin American governments to put their own economic and political houses in order; an increase in the propaganda and activities of the Soviet Bloc...the failure of most countries effectively to curb communist activities; an intensification of ultra-nationalist, anti-US sentiment; and the increased political instability in some countries.³⁸

As outlined earlier in this chapter, the administration was clearly attempting to fit their appraisal of the events of the Nixon trip into the national security framework, which they had been increasingly imposing onto Latin America since the aftermath of the Soviet Economic Offensive.³⁹ Despite the rather rigid application of a traditional Cold War perspective, though, we can quite clearly identify the fact that US officials were now admitting that Latin discontent over economic and social disparity and an increasing frustration with US economic policy were the major causes of Latin anti-Americanism. As Stephen Rabe writes, 'while publicly blaming Communists for the attacks on Nixon, the administration knew it needed a new approach to restore public confidence and to assuage the Latin Americans.'⁴⁰ A further OCB report on Latin America directly outlined the problems that had caused the discontent behind the Nixon protests. It read,

A major threat to the achievement of US policy objectives in Latin America is the feeling prevailing among Latin Americans that a much too low priority has been placed by the US Government on operations in the area, particularly when compared to US policies, objectives, programs and approaches in other parts of the world...they point with resentment to the minuscule economic and military assistance funds which have gone their way and tend to use these as a measure of our respect and consideration for them...Consequently, in the entire range of US relationships with Latin America, we should strive to convince the governments and peoples of the

³⁸ Report from the Operations Coordinating Board to the National Security Council, "Report on Latin America", May 21 1958, *FRUS 1958-1960 Volume V* p 2-13; OCB Report on Latin America for President Eisenhower, June 19 1958, 369th Meeting of the National Security Council, Box No 10, NSC Series, Whitman File, Eisenhower Library

³⁹ In a Memorandum of June 19 1958, State Department official, Henry Hoyt, told Roy Rubottom that: 'The paper concludes that the Communists unquestionably played a prominent part in organizing and directing the incidents but that there was no pre-arranged Communist plan envisaging violent disturbances.' Memorandum from Special Assistant to the Assistant Secretary of State for Inter-American Affairs Henry Hoyt to the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, June 19 1958, Folder - 1958 - Nixon Trip to South America, Box 7, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter-American Affairs Roy Rubottom 1957-1959, Lot 59 D 573, National Archives, College Park, Maryland

⁴⁰ Stephen Rabe, *Eisenhower* (1988) p 104

area that the United States is aware of and sympathizes with their legitimate interests and aspirations and considers them equal partners in undertakings of mutual interests and benefits.⁴¹

For the Eisenhower administration, addressing the status of US-Latin American economic relations could not be postponed any longer. And the US had quite clearly been delaying Latin attempts to bring about a much-needed shift in US economic policy. In a memorandum to Assistant Secretary Roy Rubottom, US Ambassador to the Organization of American States, John Dreier, highlighted the dominant trends in the current US-Latin American economic relationship. Latin concerns over economic issues had been disregarded and, as seen at the Buenos Aires Conference in 1957, the US had deliberately tried to derail any proposed change in economic policy. Dreier wrote,

A strong interest continues to exist among the representatives of the Latin American countries...for an Inter-American economic agreement as recommended by Resolution 2 of the Buenos Aires Economic Conference...Up to this point, the US position has been one of attempting to go along with Resolution 2 of Buenos Aires but to apply delaying tactics, and otherwise avoid being drawn into a full-scale negotiation...sooner or later – and probably sooner – we will have to make a pretty clear statement of our position on this matter...I see two alternatives open to us at that stage: a) to inform the other governments that we do not intend to enter into an economic agreement now or at Quito⁴² and that they might as well stop talking about it; or b) to inform the other governments that we think a general economic agreement of the kind discussed at Buenos Aires is impossible...From a practical point of view, there is no doubt but that the first alternative is preferable...I believe, therefore, that we should take another look at the possibility of drafting a harmless economic agreement which we could urge the Senate to ratify for political purposes.⁴³

As late as April 1958, then, there was clearly very little enthusiasm within the upper levels of the Eisenhower administration for any concession toward the Latin nations on a reshaped economic agenda. Yet as the inquest into the events of Nixon's trip began to

⁴¹ Operations Plan for Latin America Prepared by the Operations Coordinating Board, May 28 1958, *FRUS 1958-1960 Volume V* p 20-7

⁴² Reference to the planned Economic Conference in Quito, Peru in 1960

⁴³ Memorandum from US Ambassador to the OAS John Dreier to Assistant Secretary of State for Inter-American Affairs Roy Rubottom, April 10 1958, Folder – 1958 – Economic, Box 6, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, Subject Files 1957-1959, Lot 59 D 573, National Archives, College Park, Maryland

As late as April 1958, then, there was clearly very little enthusiasm within the upper levels of the Eisenhower administration for any concession toward the Latin nations on a reshaped economic agenda. Yet as the inquest into the events of Nixon's trip began to gather pace in Washington, it became increasingly obvious that a shift in economic policy would be required.

But the crucial point here is that in addressing the status of the intra-hemispheric economic relationship, the administration would not renounce its belief in the basic principles underpinning its economic approach. Therefore, whilst implementing a new policy that was designed to mollify the Latin nations' complaints about economic and social underdevelopment, the actual aims of the administration's economic programme in Latin America would not change at all.⁴⁴ The expansion of "free trade, free investment and free capital" continued to underpin the administration's economic approach. But – as a result of the process begun in the wake of the Soviet Economic Offensive and heightened by the Nixon trip – the US would come to view its economic problems in Latin America as being essentially a problem related to the national security concerns that had come to dominate US-Latin relations. As a result, the pattern highlighted earlier – whereby the economic and strategic aims within US policy essentially undermined each other – would be exacerbated further by the process that was implemented in the post-Nixon trip period.

In keeping with the ongoing changes in the nature of the Cold War⁴⁵, the Eisenhower administration would fit the events of the Nixon trip around their pre-existing bipolar world view. However, in a marked change, the administration's internal appraisals had concluded that there were legitimate grievances within the region, which

⁴⁴ For more general discussions on this, see: Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006); Oscar Calvo-Gonzalez, "Neither a Carrot Nor a Stick" (2006); Burton Kaufman, *Trade & Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (Baltimore: John Hopkins University Press, 1982)

⁴⁵ This, as we have seen, saw the focus of east-west tensions moving toward the Third World and away from the European mainland.

would be consistent with pre-existing US economic goals and be designed to solve a problem of strategic not economic proportions.

NATIONAL SECURITY – V – ECONOMICS: NSC 5902/1 & A “NEW” ECONOMIC POLICY

Having outlined both communist agitation *and* long-standing Latin discontent with US economic policies as being behind the anti-Nixon protests, the Eisenhower administration’s reassessment of its Latin American policies was beset by a troubling paradox. In attempting to repair the damage done to US-Latin American relations, how did the US alter to its economic policy without undermining its actual economic principles? It is vitally important here to understand that although the economic aspects of US policy had been incorporated into the now dominant national security approach to Latin America, they remained identical to those objectives that had been a pre-eminent part of US foreign policy since the early-1940s.⁴⁶ As we saw above, strategic imperatives necessitated a modification of US foreign economic policy toward Latin America by the summer of 1958. It is of fundamental importance here to stress that this acceptance of a need for a change in economic policy was being driven by strategic concerns. This section will illustrate the internal debates and considerations that led into NSC 5902/1, and, also, highlight the way that leading administration officials attempted to address the problems in US-Latin economic relations whilst still adhering to basic US economic objectives.

The understanding that something needed to be done about US-Latin economic relations had been accepted at all levels of the Eisenhower administration. Indeed, as the internal record shows, the OCB, the CIA and several members of Vice President Nixon’s touring party agreed that the anti-American protests in Caracas had been caused by more

⁴⁶ Namely the expansion and extension of the American economic system of liberal capitalism

The understanding that something needed to be done about US-Latin economic relations had been accepted at all levels of the Eisenhower administration. Indeed, as the internal record shows, the OCB, the CIA and several members of Vice President Nixon's touring party agreed that the anti-American protests in Caracas had been caused by more than simply communist agitation.⁴⁷ The acceptance by US officials of the fact that Latin discontent was being partly fostered by dissatisfaction with US economic policies inevitably brought the president's brother, Milton, and those advisors advocating a change in US economic policy into a position of hitherto unknown prominence.⁴⁸ Despite this enthusiasm for reappraising existing economic policies, though, it is important to make two observations. Firstly, that the developing recommendation within the administration for a change in economic policy had only come about due to strategic concerns – not because of any change in economic objectives or priorities. And secondly, that as a result of this any changes in US economic policy would be designed to adhere to long-standing economic objectives within US foreign policy.⁴⁹

In an effort to try and assuage both domestic and international concerns about the US role in Latin America, the decision was taken to send Milton Eisenhower on a fact-finding⁵⁰ tour of the region in the summer of 1958.⁵¹ Washington's effort toward reaching

⁴⁷ It will be remembered that both Nixon and Foster Dulles had been slapped down by CIA Chief Allen Dulles when placing too much emphasis on the role of the Soviets in the protests. See: Lars Schoultz, *Beneath the United States* (1998) for a good account of this debate p 351-4

⁴⁸ Milton Eisenhower himself has identified 1958 as being a pivotal year in the re-shaping of US economic policy, writing: 'The year was an important one in Latin American-United States relations...all records were broken by the flow of private and public capital to Latin America...Dillon, Mann, and Rubottom quickly recognized the need for changes in our policies. They began setting up commodity study groups', and 'agreed that the time had come for us to take the lead in creating an Inter-American Bank, thus discarding a century-old policy.' Milton Eisenhower, *The Wine is Bitter: The United States and Latin America* (New York: Doubleday and Company Inc, 1963) p 209

⁴⁹ In fact, this much is revealed by Rabe, who writes: 'Administration officials remained sanguine about inter-American relations. They actually concluded that the vice-president's unhappy experience had had salutary effects, for it had alerted them and the US public to potential dangers...Until 1960, the Eisenhower administration continued to hold that a secure and stable hemisphere could be achieved basically with free trade and investment policies, military aid, and admonitions to Latin Americans not to form ties with Moscow or with local Communist parties.' Stephen Rabe, *Eisenhower* (1988) p 115

⁵⁰ The possibility of titling it a "goodwill tour" was discounted following the Nixon trip

⁵¹ Walter LaFeber, *Inevitable Revolutions* (1993) p 139-141; Milton Eisenhower, *The Wine is Bitter* (1963) p 209-211; Lars Schoultz, *Beneath the United States* (1998) p 353-4; Memorandum from the Assistant Secretary of State for Inter-American Affairs Roy Rubottom to Secretary of State Dulles, May 21 1958; Memorandum from the Director of Central Intelligence Allen Dulles to Secretary of State Dulles, May 27

of some \$40 billion⁵² – certainly did not (This will be dealt with in more detail in Chapter Six; but it is necessary to be aware of it here in order to understand the limited appeal to the Latin nations of those changes advocated by the US in Milton Eisenhower’s report and in NSC 5902/1). The report filed by Milton Eisenhower on his return from Latin America did indeed reaffirm many of the themes that had emerged in the immediate aftermath of the Nixon visit. Namely, that increasing communist influence was a problem in the region; that the US needed to accord far more importance to its relationship with the Latin nations; and, that there needed to be a shift in US economic policy. However, the economic changes it advocated would be a long way short of those proposed by Kubitschek and, as a result, would see the US failing once again to engage with Latin American economic concerns.

In Chapter Three we saw that US officials were becoming increasingly concerned at the lack of dynamism within the Latin economies and with the potential balance of payments problems that were likely to emerge in the next few years (This was also highly prominent in the administration’s appraisals of the Brazilian economy in the 1956-58 period). The continuing problems in the majority of the Latin economies were highlighted in a report produced by the Business Advisory Council in January 1958. This report highlighted the fact that although Latin American gold and dollar holdings – ‘measured by balance of payments residuals’ – actually improved by \$511 million, this was wholly dependent upon the fact that Venezuela’s holdings alone improved by \$797 million; the remaining Latin nations lost \$286 million (These statistics were even more troubling when it was revealed that the vast majority of the Venezuelan “profit” was a result of non-repeatable investment – i.e. a one-off capital investment in the petroleum industry).⁵³ A further indicator of US concern was their decision to consider introducing a coffee pricing agreement⁵⁴ in order to reduce the risk of an inevitable crash in prices as

⁵² Mark Gilderhus, *The Second Century* (2000) p 157

⁵³ Report by Maurice McAshan of the Business Advisory Council Committee on Latin America, “That Dollar Gap”, January 24 1958, Folder – 1958 – Business Advisory Council, Box No 5, 1958 American & Foreign Power – D (Miscellaneous), Lot 60 D 553, National Archives, College Park, Maryland.

⁵⁴ In March 1958, the Business Advisory Council stated: ‘if the United States continues in its present policy, sometime in 1958 coffee prices will break to a point where the burden which the Latin American coffee producing countries have to take upon themselves will be heavier than they can bear.’ Report on Coffee by the Business Advisory Council’s Committee on Latin America, March 31 1958, Folder – 1958 –

global supplies increased and demand stabilised.⁵⁵ This was a major shift in US policy.⁵⁶ The Eisenhower administration believed that by participating in such an agreement they would be able to implement more appropriate economic principles in the region and boost their goodwill with regard to the Latin nations.⁵⁷ This pattern of events concurs with the view put forward by Siekmeier, who has argued that there were some changes in US economic policy being implemented in 1957 and 1958.⁵⁸

Business Advisory Council, Box No 5, 1958 American & Foreign Power – D (Miscellaneous), Lot 60 D 553, National Archives, College Park, Maryland; CFEP 569 – International Coffee Problem, Box No 9, CFEP Series, NSC Staff Papers, Eisenhower Library;

⁵⁵ Walter LaFeber, *Inevitable Revolutions* (1993) writes: 'After having refused for years to join any arrangement to stabilize roller-coaster coffee prices, he [Eisenhower] decided to join producers in a one-year deal.' p 141; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 311-5

⁵⁶ Just how big a shift this was for the US is determined by a glance at existing US policy on commodity agreements at this time, which was set out by the Council on Foreign Economic Policy (CFEP) at a meeting in October 1955. Here they stated: 'The United States believes that there are few situations where international commodity agreements may be appropriate or desirable and the United States would be prepared to participate in a particular commodity agreement only when such participation can be demonstrated to be clearly in the national interest of the United States.' By 1958 the situation in Latin America was such that a commodity agreement could quite feasibly be argued as being in the national interest of the United States. Memorandum from Secretary of the Council on Foreign Economic Policy Paul H Cullen to the Members of the Council on Foreign Economic Policy, May 12 1958, CFEP 569 – International Coffee Problem, Box No 9, CFEP Series, NSC Staff Papers, Eisenhower Library; Letter sent from Executive Director of the Business Advisory Council George Wyeth Jr, to Assistant Secretary of State Roy Rubottom, February 26 1958, containing minutes of BAC meeting on February 4 1958, Folder – 1958 – Business Advisory Council, Box No 5, 1958 American & Foreign Power – D (Miscellaneous), Lot 60 D 553, National Archives, College Park, Maryland.

⁵⁷ In May, the Deputy Under-Secretary of State, Douglas Dillon, sent a memorandum to Clarence Randall, the Chairman of the CFEP, outlining the growing need for a commodity agreement. He wrote: 'Unless a basic adjustment of the growing imbalance in the production and consumption of coffee is sought...the cost to the United States of maintaining economic stability and security in the Western Hemisphere may become excessive.' Dillon went on to tell Randall that entering into a coffee agreement would benefit the US in two ways: firstly, the US 'would gain a psychological and political advantage by demonstrating that we do not seek the lowest possible price for coffee'; and secondly, the US 'would have the opportunity to influence international planning along sound lines, thereby supplementing the efforts of the International Monetary Fund' which would also mean that, 'demands on the United States by these countries for balance-of-payments assistance would be substantially less than would otherwise be the case.' Memorandum from the Deputy Under Secretary of State Douglas Dillon, to the Chairman of the CFEP Clarence Randall, May 5th 1958. CFEP 569 – International Coffee Problem, Box No 9, CFEP Series, NSC Staff Papers, Eisenhower Library; see also Memorandum by Assistant Secretary of State Harry Turkel to Assistant Secretary Roy Rubottom, Assistant Secretary of State Thomas Mann, Secretary Dulles and Under-Secretary Douglas Dillon, April 10th 1958, which outlines the evolving US position with respect to the Latin economy and commodity agreements. Folder – 1958 – Economic, Box 6, 1958 – Economic – Inter-American Regional Development Institution, Lot 60 D 553, National Archives, College Park, Maryland; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 315

⁵⁸ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) argues that this change in approach may have had something to do with the worsening economic position of the US, writing: 'Latin American instability also occurred within another crucial context that was unfolding in the United States. The crumbling US balance of payments position seriously limited Washington's policy alternatives.' Under these circumstances, the Eisenhower administration had to attempt to alleviate the economic problems in Latin America but whilst also taking into account their own economic problems p 295-301

The final report submitted by Milton Eisenhower recommended a more inclusive, more engaging and more developed form of US policy toward Latin America: building on the suggestions made by Vice President Nixon and calling for more attention to be paid to US-Latin relations and for a modified US stance toward Latin dictators.⁵⁹ The majority of the recommendations, though, were in the economic field and were in keeping with those outlined consistently by Milton Eisenhower and officials like Thomas Mann, Douglas Dillon and Roy Rubottom since 1956.⁶⁰ He wrote,

So far as United States lending institutions are concerned, I am convinced that the time has arrived for us to take a more positive approach in using credit as an effective means of forwarding American foreign policy; this clearly involves helping Latin America achieve its sound economic goals and thus serving the best interest of the United States itself...*I urge the United States proceed as rapidly as possible to cooperate with leaders of the Latin American Republics in creating an Inter-American Bank. Such a new institution should coordinate its operations closely with those of the World Bank, United States lending institutions and private lending agencies to the end that the total flow of development capital into Latin America may be increased.*⁶¹

However, as argued throughout this chapter so far, the true importance of the events of 1958 lay not in the momentousness of the changes, but in the fact that US officials were – as a matter of strategic concern – considering making changes to their economic policy at all. Internal administration assessments on the state of US-Latin American relations at the end of 1958 substantiated Milton Eisenhower’s assertion that there needed to be rapid changes made in US policy. Once this had been established, the path toward NSC 5902/1 was assured: but to what extent did the policy put forward in the document address those problems identified by administration officials as impacting upon

⁵⁹ In fact, as we have seen, many of these changes had been implemented – or had begun to be discussed – before Dr Eisenhower’s report was even submitted. As the *Baltimore Morning Sun* wrote on January 5 1959, ‘the report has special value because some of its recommendations are already being acted upon.’ Price Day “Dr Eisenhower Recommends”, *Baltimore Morning Sun*, January 5 1959, Box 7, Milton S Eisenhower Papers, Eisenhower Library

⁶⁰ Milton Eisenhower, *The Wine is Bitter* (1963) p 221-3

⁶¹ “United States-Latin American Relations, 1953-1958”, Report to the president by Milton Eisenhower, December 27 1958, Box 7, Milton S Eisenhower Papers, Eisenhower Library

US-Latin relations? The answer is that due to the continuing tension between economic and security aims within US policy, the impact of these changes would be severely limited. US support for a new regional lending institution was revealed in August 1958;⁶² by November, though, the announcement of this institution and the discussions over possible commodity agreements, had failed to address many of the problems confronting the US in the region. A special report on Latin America produced by the OCB noted that the challenge for the US lay in implementing the proposed changes in policy successfully, stating:

The underlying political and economic maladjustments in the area which were reported as the problems six months ago remain much the same and are not subject to rapid solution...progress will depend on the ability of the United States and Latin American Governments to move smoothly from the phase of consultation and planning to the phase of concrete action which lies immediately ahead.

The report was far more specific when outlining the overwhelmingly economic nature of those problems, which now confronted the US in Latin America.

The six months since our last report have brought further illustrations of the basic economic, political, psychological and other problems which affect the attainment of US operations goals in Latin America...Latin Americans have...become more sensitive to the actions of the United States, tending to judge everything that does not in their eyes contribute sufficiently to the achievement of these [economic] aspirations as obstructionism. Underlying these frustrations is a concept held by large segments of Latin American opinion that the United States – rather than the Latin American peoples and governments themselves – is primarily responsible for the solution of Latin American economic and political problems...Experience has shown that Latin Americans frequently react negatively to exhortations from the United States to put their houses in order...[and] Latin American responses to announcement of US economic policies have fluctuated between

⁶² James Siekmeier outlines the process, writing: 'In part, the administration took the critical step of committing itself to a regional development bank because of the recent decision to set up a similar institution for the Middle East nations. The United States could not, without considerable diplomatic backlash, create such a bank in the Middle East and not in Latin America. On 12 August Dillon informed a group of diplomats from the Western Hemisphere that at long last the United States is "prepared to consider the establishment of an inter-American regional development institution which would receive support from all its member countries."' James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 320; Stephen Rabe, *Eisenhower* (1988) p 112

exaggerated expectations of large-scale US underwriting of the area's modernization to hyper-critical condemnation of the US disregard for Latin needs. In this atmosphere, we have not found – and it may not be possible to find – an approach which will entirely meet the problem of identifying the United States satisfactorily as a wholly constructive force in the area.⁶³

There was quite clearly a major problem in US-Latin American economic relations, which had impacted severely on the status of the relationship. And yet it is the last sentence of that quote that is of most significance: US officials, for the first time, recognised the fact that they might never be able to iron out all of the problems in the inter-hemispheric economic relationship. National security concerns, though – heightened by the spectacle of the Vice President being assaulted in Caracas – dictated that the Eisenhower administration needed to be seen to be reasserting their position in the region and fighting back against the communist threat that had been portrayed as being behind all foreign policy reverses. Scholars from both the Traditional and Revisionist schools have not developed a framework that examines the conflicting tensions between economics and security in US policy toward Latin America during this period.⁶⁴ By highlighting them here, we will see that the ultimate failure of the process leading up to NSC 5902/1 was down to the administration's enduring faith in its economic principles and its continued emphasis on national security concerns when appraising the situation in the region. The incompatibility of these two separate aims would be exacerbated by the policy outlined in NSC 5902/1, and would come to dominate the Eisenhower administration's policies in the region until it left office in January 1961.

⁶³ Special Report by the Operations Coordinating Board to the National Security Council, November 26 1958, *FRUS 1958-1960 Volume V* p 36-60

⁶⁴ One early appraisal that did seek to draw out the inconsistencies and fragmentations in US policy toward Latin America was by Christopher Mitchell. He stated: 'Most critical observers have assumed that since the United States has been the dominant hemispheric power, her policies have also been centrally determined, rationally interlaced, and coherently executed...but the record of the last 20 years indicated, I think, that North American policy has not been as unified as many have maintained.' Christopher Mitchell, "Dominance and Fragmentation in US Latin American Policy" in Julio Cotler and Richard Fagen (eds), *Latin America & the United States: The Changing Political Realities* (Stanford, California: Stanford University Press, 1974) pp 176-204. Since then, studies of US policy in Latin America have focused on a singular aspect of US policy – for examples, see: Stephen Rabe, *Eisenhower* (1988); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Mark Gilderhus, *The Second Century* (2000); Lars Schoultz, *Beneath the United States* (1998); Joseph Smith, *The United States and Latin America* (2005)

The inherent differences between the administration's recognition of the fact that it was US economic policy that was souring inter-hemispheric relations⁶⁵ and the actual policy outlined to address these problems, can be clearly seen in the document NSC 5902/1. Having outlined the administration's deliberations over how to change US policy in the aftermath of the Nixon trip it would seem logical to suppose that NSC 5902/1 would be predominantly concerned with addressing the economic problems in US-Latin relations. And yet this was not the case. Although NSC 5902/1 did address some areas of concern with regard to economic matters, these were recommendations that had already been implemented or suggested by officials such as Milton Eisenhower, Roy Rubottom, Thomas Mann and Douglas Dillon. Instead, the document outlined a policy that was predominantly concerned with meeting Washington's strategic aims. For an explanation of why, we need to return to the central argument of this chapter: that the Eisenhower administration did not perceive any need for it to alter its basic economic principles – those changes in economic policy which were outlined in NSC 5902/1 were designed to placate Latin nationalism and meet overriding US security concerns.

This disparity between economics and security was demonstrated at the NSC Meeting on February 12, 1959. Most of the meeting focused on overwhelming security concerns in Latin America. CIA Director, Allen Dulles, outlined a number of problems confronting the US in Cuba, Venezuela, Mexico, Panama, Argentina and Chile, whilst much of the discussion was taken up with a debate over the US stance with regard to trade between the Soviet Bloc and Latin America (predominantly a security not an economic concern) and outlining the US stance with regard to dictatorships and military assistance.⁶⁶ Milton Eisenhower, in a document representing his views, tried to reaffirm his advocacy of a change in economic policy, stating: 'we should rigidly limit our military assistance to Latin America and maximise our economic assistance. We should do everything we can to encourage the Latin American countries to devote every

⁶⁵ These sentiments were outlined once more in a Special National Intelligence Estimate in December 1958, which highlighted the reasons for Latin disenchantment with the US being mainly because of economic factors. NIE 80/90-58 "Latin American Attitudes Toward the US", National Intelligence Estimate, December 2 1958, *FRUS 1958-1960 Volume V* p 60-78

⁶⁶ Memorandum of Discussion at the 396th Meeting of the National Security Council, Washington, February 12 1959, *FRUS 1958-1960 Volume V* p 79-91;

assistance.⁶⁶ Milton Eisenhower, in a document representing his views, tried to reaffirm his advocacy of a change in economic policy, stating: ‘we should rigidly limit our military assistance to Latin America and maximise our economic assistance. We should do everything we can to encourage the Latin American countries to devote every available resource to economic development.’⁶⁷ But at the NSC Meeting this appraisal was rejected, with both the Planning Board officials and President Eisenhower reaffirming the importance of military assistance.⁶⁸ This highlights the fact that the advice and recommendations of those officials advocating a change in US economic policy was only countenanced when it proved to be compatible with the national security aims and objectives of the US.

The same disparity between security and economics is apparent in NSC 5902/1 itself. Indeed, a reading of the document demonstrates the extent to which national security and strategic considerations were impacting upon US officials at this time. Rabe highlights the administration’s intention with the new policy, writing: ‘In pursuit of the “fundamental objective” of asserting US leadership in the Western Hemisphere, President Eisenhower modified his Latin American policy.’ ‘By praising representative governments and by encouraging commodity agreements and a regional development bank, the president and his advisors hoped to mollify Latin Americans and restore calm and stability to inter-American relations.’⁶⁹ Although this was, indeed, the aim of the policy, it was also its biggest fault: the continued dominance of a bipolar perspective when considering foreign policy events, and an enduring faith in the US model of economic development, meant that the administration singularly failed to engage with

⁶⁶ Memorandum of Discussion at the 396th Meeting of the National Security Council, Washington, February 12 1959, *FRUS 1958-1960 Volume V* p 79-91;

⁶⁷ Memorandum from Philip Halia of the NSC Staff to Special Assistant for National Security Affairs Gordon Gray on Milton Eisenhower’s views concerning NSC 5902, February 9 1959, Latin America (3), Box No 5, White House Office – NSC Staff Papers, Special Staff Series, Eisenhower Library; Briefing Note for NSC Meeting 2-12-59, “US Policy Toward Latin America”, February 11 1959, Latin America (5), Box No 64, Disaster File Series, NSC Staff Papers, Eisenhower Library

⁶⁸ In fact, President Eisenhower stated: ‘this was an example of excess caution by his brother and that no revision was really required to meet this point.’ Memorandum of Discussion at the 396th Meeting of the National Security Council, Washington, February 12 1959, *FRUS 1958-1960 Volume V* p 79-91

⁶⁹ Stephen Rabe, *Eisenhower* (1988) p 115

Even with Washington's new policy, United States relations with Latin America were not friendly. According to John Moors Cabot⁷¹...the manner in which the policy shift took place actually worsened intra-hemispheric ties. He believed that the *norteamericanos* had given Latin America "nibbles as their demands became so strident we felt something must be done." In addition to creating resentment, the United States "has instilled in them [the Latin Americans] the conviction that they will not get anything except by exerting maximum pressure." He gloomily concluded, "I fear that if we do not do more than what is forced upon us, we are going to find that we will increasingly lose control of the situation in Latin America."⁷²

It was not only Cabot's prescience that was remarkable about this statement; his summary of the "new" US policy was also highly acute. What Cabot does not mention is that the reason for this is that US objectives in the economic sphere were wholly incompatible with those in the strategic sphere.

The emphasis on security issues in Latin America becomes even more apparent in NSC 5902/1, with the document reading:

Latin America plays a key role in the security of the United States. In the face of the anticipated prolonged threat from Communist expansionism, the United States must rely heavily on the moral and political support of Latin America for US policies designed to counter this threat. A defection by any significant number of Latin American countries to the ranks of neutralism, or the exercise of a controlling Communist influence over their governments, would seriously impair the ability of the United States to exercise effective leadership of the Free World, particularly in the UN, and constitute a blow to US prestige. Apart from the Communist threat, the long term security of the United States requires the maintenance of harmonious relations with the other American Republics, whose rapidly growing population and expanding economies will make them of increasing importance.⁷³

Of the objectives listed in the document, eight out of ten were concerned with strategic issues. Crucially, however, those economic objectives that were listed remained rooted in traditional US economic theory. Whilst by no means the predominant feature of US

⁷¹ Who, it will be remembered, had been Assistant Secretary of State for Inter-American Affairs until 1954 before falling out with Dulles; he returned to the region in 1959 as US Ambassador to Colombia

⁷² James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 323

⁷³ NSC 5902/1 "Statement of US Policy Toward Latin America", February 16 1959, *FRUS 1958-1960 Volume V* p 91-104

population and expanding economies will make them of increasing importance.⁷³

Of the objectives listed in the document, eight out of ten were concerned with strategic issues. Crucially, however, those economic objectives that were listed remained rooted in traditional US economic theory. Whilst by no means the predominant feature of US policy, their inclusion and their constancy ensured that US aims in the strategic sphere would be severely hindered by US aims in the economic sphere.

The economic aims in NSC 5902/1 were: 'Sound and growing economies capable of providing rising living standards within the general framework of a free enterprise system'; and the, 'Increased flow of US and other Free World investment capital to Latin America, and increased trade among Latin American countries and between them and the United States and other Free World countries.'⁷⁴ These aims were wholly consistent with the administration's economic goals in Latin America since coming to office in 1953.⁷⁵ The overriding problem was the impact that their inclusion had on US strategic interests: Latin dissatisfaction could not be quelled unless there was a wholesale change in US economic policy. With such a prospect negated by the economic objectives outlined in NSC 5902/1, the ultimate failure of the Eisenhower administration's security-motivated attempt to rescue its position in the region was assured.

Just how this imbalance between economic and security ideals would impact on actual US policy was demonstrated in the negotiations for the creation of the aforementioned Inter-American Development Bank (IADB). The administration's main objective in formulating the Bank's structure would be to make it compatible with traditional US economic objectives, which would seriously undermine the effectiveness of the Bank as a policy initiative. The IADB would be severely hindered by the ongoing tension between economics and security in US policy toward Latin America. Created for

⁷³ NSC 5902/1 "Statement of US Policy Toward Latin America", February 16 1959, *FRUS 1958-1960 Volume V* p 91-104

⁷⁴ Ibid

⁷⁵ Matthew Loayza, "An Aladdin's Lamp for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-1961", *Diplomacy and Statecraft* (Volume 14, No 3, September 2003); Burton Kaufman, *Trade & Aid* (1982); Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006)

Washington's rejection of Kubitschek's OPA was due to its inherent lack of economic feasibility and because it so directly contravened American economic principles. The IADB, though, was designed in accordance with US economic ideals: as Rabe points out, in spite of the events of 1958, Eisenhower continued, 'to hold that Latin Americans needed to attract private investment and to root out radicalism.'⁷⁶ On March 5 1959 a group of officials – including Treasury Secretary Robert Anderson and Under-Secretary of State Douglas Dillon – called on President Eisenhower to discuss the IADB's formation. They presented him with a finished proposal for the IADB, which confessed that: 'We have been reluctant to make this institution too large because (1) our influence over the use of our money once it has been committed will be limited; (2) we do not wish to have the operations of the new institution impinge too heavily upon the Latin American lending activities of the EXIM Bank and the International Bank...' The problem for the US was that such had been the shock of the anti-American protests in 1958 that the new institution would have to be constructed on a more equal footing than traditional financial institutions; this meant that the US control over the IADB would be more limited than it had been with earlier institutions like the EXIM Bank and the World Bank. However, Anderson and Dillon presented Eisenhower with a solution. Their memorandum stated,

We feel it is essential to insist upon a reasonably strong role for the management in relation to the Board of Directors and upon weighted voting in the latter; We would insist upon maintaining our long standing principles with respect to avoiding excessive competition with private enterprise; We intend to insist on including a provision which would enable the bank to limit or prohibit expenditure of its funds in communist areas; The US Delegation will continue to insist upon the general use of weighted voting procedures closely related to the value of capital subscriptions by member countries.⁷⁷

⁷⁶ Stephen Rabe , *Eisenhower* (1988) p 114

⁷⁷ Memorandum from Special Assistant to the President Don Paarlberg to Ann Whitman on conversation between President Eisenhower, Secretary Anderson and Under-Secretary Dillon, March 5 1959, Whitman File, Eisenhower Library

Delegation will continue to insist upon the general use of weighted voting procedures closely related to the value of capital subscriptions by member countries.⁷⁷

These proposals meant that the US could, in effect, ensure that Bank policy was compatible with existing US economic objectives; more importantly, the policy with regard to weighted voting meant the United States would have a strong voice in the new institution.⁷⁸

The way the IADB was created, then, ensured that the US would have a powerful voice in the Bank's activities, as well as being able to ensure that Bank policy was commensurate with existing western capitalist ideals. In addition to this, the Bank's structure would prevent the Eisenhower administration from being wholly responsible for its actions; that the Latin nations were, in theory, equal partners' devolved US responsibility for the Bank.⁷⁹ The creation of the IADB had come about due to the Eisenhower administration's need to alter its Latin American policy for reasons of direct national security concern. Herein lay its biggest fault: underpinning the Bank's activities was the administration's enduring belief in its long-standing economic values – which continued to form the basis of US policy in Latin America, even in light of the increased security problems. As a result, the administration would not be prepared to violate some of its most basic economic principles in order to address Latin underdevelopment. As Matthew Loayza writes, 'Although the United States created new institutions and increased the powers of existing ones to extend public credits to Latin America...it never intended those programmes to overshadow the importance of private capital

⁷⁷ Memorandum from Special Assistant to the President Don Paarlberg to Ann Whitman on conversation between President Eisenhower, Secretary Anderson and Under-Secretary Dillon, March 5 1959, Whitman File, Eisenhower Library

⁷⁸ Siekmeier writes: 'Assistant Secretary of the Treasury Thomas Coughran...thought that Washington could have its voice heard within the inter-American bank with as little as thirty percent of the voting rights, which matched its contribution to the institution. In sum, if the United States contributed a significant plurality but not a majority of the Bank's funds, it would have a strong say over bank policy but be free of the responsibility of the problems. The IADB was capitalized at \$1 billion...the US contribution was forty-five percent.' James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 321

⁷⁹ See also: Working Paper No 13, Council on Foreign Relations Study Group on United States Foreign Economic Policy, "The Projected Interamerican Development Bank: Some Preliminary Considerations, Prepared by Walter Sedwitz, May 8 1959, Council on Foreign Relations and the American Assembly (1), Box No 2, Dennis Fitzgerald Papers, Eisenhower Library

investment.’⁸⁰ There quite clearly remained a significant gap between what the Latin nations wanted and what the US was prepared to give. It is unavoidable to conclude that this was mainly because of the fact that the Latin Americans were being motivated purely by economic concerns, whilst the US approach was being driven by both economic *and* strategic concerns.

The IADB was created as a solution to those tensions that were causing Latin anti-Americanism to increase. By 1959, however, the economic problems in the region were so serious that a much more significant change in economic policy was needed if the US was going to solve the region’s financial crises. At the very time that such concerns should have been at the heart of US policy, though, the Eisenhower administration’s primary focus once again moved to the political sphere: the outbreak of revolution in Cuba, and the subsequent shift in the geopolitical structure of the region, meant that US officials continued to focus their energies on addressing their national security objectives rather than those problems that had been identified in US-Latin economic relations. The result was the ultimate disintegration of the US position in the region as the paucity of the measures outlined in NSC 5902/1 became evident and the administration became too concerned with events in the Caribbean to be able to regain control of events on a regional level.

THE FAILURE OF NSC 5902/1: THE CUBAN REVOLUTION & THE FINAL YEARS OF THE EISENHOWER ADMINISTRATION

If, for a moment, we consider what might have happened to the US position in Latin America if Fidel Castro had not come to power on January 1 1959, then it is difficult to see the US position in the region deteriorating quite as rapidly as it did between early 1959 and January 1961.⁸¹ Although the policies outlined in NSC 5902/1 were not as wide-ranging or as dramatic as the Latin nations would have liked, they did

⁸⁰ Matthew Loayza, “An Aladdin’s Lamp for Free Enterprise” (2003) p 99

⁸¹ By the time that the Eisenhower administration left office, the US was faced with looming interventions in both Cuba and the Dominican Republic, their relationship with Brazil had completely deteriorated and anti-American nationalism continued to pose a serious threat to US objectives

economic concerns. But it is difficult to see something like the “Alliance for Progress” that President John F Kennedy announced in 1961 emerging: the Alliance for Progress was very much a response to how crisis-stricken US-Latin relations were by 1961, and, also, is highly indicative of the Kennedy administration’s penchant for aggressively solving foreign policy problems.⁸²

Stephen Rabe argues that had Eisenhower served a third term then it is likely that due to the Castro threat he, too, would have opted for a grandiose development institution like the Alliance for Progress; but there is little actual evidence to suggest this.⁸³ As we will see, even when the US position had hardened against Castro, any changes in US economic policy were limited to those which appeared likely to provide a much-needed public relations boost to the US position in the region; short-term measures such as the Social Development Fund (which came about following President Eisenhower’s tour of the region in 1960) and an expanded program of economic assistance would not be supported with the sort of financial sums that were required to alleviate Latin economic problems. As Walter LaFeber writes, ‘The administration finally pledged a one-shot, half-billion dollar aid program in early 1960. The gesture was, of course, inadequate.’⁸⁴ In addressing these issues, this section will outline the way that US-Cuban relations deteriorated after January 1959 highlight the way that US policy toward Latin America altered as a result, and depict the administration’s final efforts to repair its position in the region. What will become most evident is that even as the administration continued to make meeting the strategic challenges confronting them in the region its main priority, these efforts would be consistently undermined and sabotaged by the continued influence of basic US economic principles on the administration’s foreign policy.

Rather than the quick-fix solutions outlined above, there was a desperate need for a pragmatic commitment to a long-term development scheme that would eventually bring about a reduction in Latin impoverishment, make wealth distribution more equal and diversify the economies of the Latin nations. Such a program – with any benefits a

⁸² Stephen Rabe, “The Caribbean Triangle” (1996)

⁸³ Stephen Rabe, *Eisenhower* (1988) p 138-144, 149-152

⁸⁴ Walter LaFeber, *Inevitable Revolutions* (1993) p 144-5

these efforts would be consistently undermined and sabotaged by the continued influence of basic US economic principles on the administration's foreign policy.

Rather than the quick-fix solutions outlined above, there was a desperate need for a pragmatic commitment to a long-term development scheme that would eventually bring about a reduction in Latin impoverishment, make wealth distribution more equal and diversify the economies of the Latin nations. Such a program – with any benefits a number of years off – was not acceptable under the conventions of the Cold War mindset or, indeed, in the short-term electoral cycle of American politics.⁸⁵ (Significantly, at no time did the administration consider a funding proposal along the lines of Juscelino Kubitschek's Operation Pan America). In addition to these problems, the position of the US would be undermined even further by its problems in forming an anti-Castro alliance, which ultimately forced them to adopt an aggressive stance toward Rafael Trujillo the leader of the Dominican Republic.⁸⁶ As we will see in this final section, then, although US policy was subject to some alterations in the period after January 1959, they were not substantial or long-term enough to successfully solve the problem of Latin underdevelopment. The reason for this was that as they had been since 1953, US economic objectives remained unchanged and the administration refused to consider any relaxation on its basic economic goals: those changes that were made to US fiscal policy were implemented for strategic not economic reasons. It is in this latter period of the administration's time in office that we will see the tensions between economics and security within US policy demonstrated most effectively.

Like in Guatemala, the rise of Castro, the Cuban Revolution and the subsequent US response has been accorded a great deal of significance in the prevailing

⁸⁵ The looming presidential election in 1960 meant that the Eisenhower administration could not risk adopting a long-term policy that might initially result in a deterioration in US-Latin relations, before things improved at a future date. The Democrats would be certain to emphasise any overt problems in the Eisenhower administration's foreign policy and, as a result, the administration needed to try and iron over any major problems that they faced during its last years in office. In fact, during the 1960 election, Democratic candidate – John F Kennedy – would use the situation in Cuba to harass Republican nominee Richard Nixon.

⁸⁶ See: Michael Hall, *Sugar and Power in the Dominican Republic: Eisenhower, Kennedy and the Trujillos, 1958-1952* (USA: Greenwood Press, 2000)

historiography.⁸⁷ It is not necessary here to repeat the narrative of the revolution.⁸⁸ But it is vital that we draw out the major themes that the Cuban Revolution imposed on US policy and identify the impact that it had on hemispheric relations. By achieving this we will be able to pinpoint the ultimate reasons for the failure of the Eisenhower administration's Latin American policy. (This is of significant importance: as we will see in Chapter Six, the US-Brazilian relationship would collapse amidst disputes about economic policies as the US sought to secure Brazil's allegiance for a move against Castro, whilst Kubitschek became more strident in his demands for an increased level of economic aid)

Both the Traditionalist and Revisionist schools of thought have seized upon the Cuban Revolution as being vital in substantiating their relative appraisals of US policy in Latin America. Ultimately, the question all scholars are attempting to answer when examining the Cuban Revolution is: why did the relationship between the US and the Castro regime deteriorate so rapidly? The Traditionalist school have highlighted the Cuban Revolution as being indicative proof of the Eisenhower administration's continuing crusade against communism in the Western Hemisphere, as Castro's move toward accommodation with the Soviet Union violated US security principles. On the other hand, Revisionist scholars have seen the US response to the Cuban Revolution as substantiating their argument that US policy was dictated by economic determinism and the quest to eradicate Latin economic nationalism.⁸⁹ Again, as with the Guatemalan case study, both the Traditionalist and Revisionist schools of thought adopt analytical

⁸⁷ See: Stephen Rabe, *Eisenhower* (1988) p 117-173; Mark Gilderhus, *The Second Century* (2000) p 163-171; Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974) p 226-235; Joseph Smith, *The United States and Latin America* (2005) p 126-132; Gaddis Smith, *The Last Years of the Monroe Doctrine, 1945-1993* (USA: Hill and Wang, 1994); Cole Blasier, *The Hovering Giant: US Responses to Revolutionary Change in Latin America 1910-1985* (Pittsburgh: University of Pittsburgh Press, 1976) Revised Edition 1985 178-211; James Siekmeier (1999) p 371-411; Jon Lee Anderson, *Che Guevara: A Revolutionary Life* (New York: Bantam Books, 1997) p 375-443 gives the Cuban perspective;); Richard Welch, *Response to Revolution: The United States and the Cuban Revolution, 1959-1961* (Chapel Hill: University of North Carolina Press, 1985); Thomas Paterson, *Contesting Castro: The United States and the Triumph of the Cuban Revolution* (Oxford: Oxford University Press, 1994)

⁸⁸ For information on Castro's accession to power and the role played by the US, see: Thomas Paterson, *Contesting Castro* (1994); Jon Lee Anderson, *Che Guevara* (1997) p 269-337

⁸⁹ Stephen Rabe, *Eisenhower* (1988); Mark Gilderhus, *The Second Century* (2000); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Matthew Loayza, "An Aladdin's Lamp for Free Enterprise" (2003)

to identify the similarities between the Cuban and Guatemalan case-studies and fully understand the administration's reaction.⁹⁰ The Brazilian case-study will, as we shall see in Chapter Six, offer a direct counterbalance to the events in Cuba: US policy in Brazil would be markedly different to that in Cuba, as despite the growing differences between the two nations in the economic sphere, the Brazilian position did not significantly threaten US security interests in the region.

After Castro had seized power on January 1, 1959, the US was swift to recognise the new regime.⁹¹ This made sound economic sense: US companies had approximately \$900 million invested in Cuba and exerted a powerful grip over the nation's economy, therefore the Eisenhower administration could expect to come under increasing pressure from the business lobby to protect US investments in Cuba.⁹² In an effort to develop a relationship that would protect these investments and potentially "de-radicalize" the Revolution, the administration appointed its former representative to Bolivia, Philip Bonsal, as the new Ambassador to Cuba. (Bonsal's role in helping to stabilise US-Bolivian relations earlier in the decade had been crucial, and it was hoped that he could perform a similar task in Cuba).⁹³ In keeping with the policy outlined in NSC 5902/1, the Eisenhower administration did not want any further period of instability affecting US-Latin relations; therefore, if they could forge a working relationship with the new Cuban government then it would directly benefit the attainment of US strategic objectives. However, it would, once again, be the tension between economics and strategic objectives within US policy that would come to dominate the US position in Cuba: as a result of Washington's enduring belief in its own economic principles, the US-Cuban relationship would begin to collapse once Castro's economic policies began to take shape.

⁹⁰ Although Rabe and Siekmeier both offer up a wider analysis of the US response to the Cuban Revolution, they do so whilst retaining their singular analytical approach: as a result, they see the post-1959 period as being a continuation of the themes outlined throughout their works.

⁹¹ Editorial Note Referring to meeting between Ambassador Smith, Acting Secretary of State Herter and Assistant Secretary Rubottom, January 6 1959; Telegram from the Embassy in Cuba to the Department of State, January 6 1959; Memorandum from Secretary of State John Foster Dulles to President Eisenhower, January 7 1959, *FRUS 1958-1960 Volume VI* p 344-347

⁹² Stephen Rabe, *Eisenhower* (1988) p 119-120; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 376-7; Cole Blasier, *The Hovering Giant* (1985) p 187

⁹³ Stephen Rabe, *Eisenhower* (1988) p 122-3

Latin relations; therefore, if they could forge a working relationship with the new Cuban government then it would directly benefit the attainment of US strategic objectives. However, it would, once again, be the tension between economics and strategic objectives within US policy that would come to dominate the US position in Cuba: as a result of Washington's enduring belief in its own economic principles, the US-Cuban relationship would begin to collapse once Castro's economic policies began to take shape.

American unease with Castro's regime had begun to develop almost as soon as diplomatic recognition had been granted. The new regime's brutal cull of any potential political opponents deeply concerned US officials⁹⁴; however, it was not until Castro's economic reforms began to be implemented that the administration began to discuss the possibility of removing it from office.⁹⁵ In early February the extent of Castro's radicalism began to emerge. The Embassy in Havana reported that: 'Castro is reported as attributing Cuba's perennial economic problems to dictation by US ambassadors.'⁹⁶ Castro's intentions, like those of Arbenz in Guatemala discussed in Chapter One, were to eradicate poverty and overwhelming wealth disparity in Cuba and end the Caribbean island's economic dependence to the US. 'He intended to bury Plattism'⁹⁷ once and for all, and had long challenged Washington's presumption that its word was fiat in the Western

⁹⁴ One notable exception was Allen Dulles who stated that he thought it sensible of Castro to remove any potential opponents who may undermine his regime, stating 'that you kill your enemies.' See: Stephen Rabe, *Eisenhower* (1988) p 123; Thomas Paterson, *Contesting Castro* (1994) p 241; Aleksandr Fursenko and Timothy Naftali, *One Hell of a Gamble: Khrushchev, Castro and Kennedy, 1958-1964* (New York: W.W. Norton & Company, 1997) p 8

⁹⁵ Again, like in Guatemala, the CIA would take the lead in designing policies to remove Castro. For more on Eisenhower's use of the CIA and psychological warfare, see: Kenneth Osgood, *Total Cold War* (2006); John Prados, "The Central Intelligence Agency and the Face of Decolonization under the Eisenhower Administration" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (2006); Christopher Andrew, *For the President's Eyes Only: Secret Intelligence and the American Presidency from Washington to Bush* (London: HarperCollinsPublishers, 1996)

⁹⁶ Telegram from US Ambassador in Cuba Philip Bonsal to the Department of State, February 5 1959, *FRUS 1958-1960 Volume VI* p 395

⁹⁷ "Plattism" was in reference to the Platt Amendment that had been inserted in the Cuban constitution of 1903, which had been drafted by the US and which accorded Cuba virtual protectorate status

toward forcing Castro from power.¹⁰⁰ However, as we have seen in the chapters dealing with US-Brazilian relations, bilateral disagreement over economic issues were not enough on their own to warrant intervention; there needed to be an overt national security threat as well. Importantly, though, like the earlier situation in Guatemala, differences in opinion over economics were enough to turn the US against Castro; all it needed to make intervention inevitable was for the presence of a direct national security threat to emerge. In outlining the national security threat that Castro posed to the US position in Latin America, it is crucial to keep in mind the outline provided in the Introduction to this thesis as to what constituted a “national security” threat.

Throughout this work we have seen that Soviet or, indeed, communist involvement in a situation was not a pre-requisite to a situation being perceived to be an issue of strategic concern. Overt anti-Americanism, or a direct willingness to promote a political or economic agenda not in keeping with that of the US, was enough to threaten the strategic position of the US and, therefore, to become an issue of security concern. (As we observed earlier in this chapter, this was not a trend unique to Latin America either). In both this chapter and Chapter Three, we identified the fact that the Eisenhower administration had been increasingly applying a Cold War framework to events in Latin America as it perceived its strategic interests to be coming under threat from both nationalist and communist forces. Now, in Cuba, those elements of economic and social radicalism within the Castro program that had turned the US against him caused the administration to consider the Cuban situation via the strategic framework that had been increasingly prominent since 1956.

The key in identifying the reasons for the Cuban situation’s shift from an economic to a national security crisis lies with the Eisenhower administration’s perception of the threat that Castro posed to the US position in Latin America. Viewed solely from an economic perspective, Castro’s radicalism was not a direct strategic threat. The appointment of Philip Bonsal as Ambassador strongly suggests that the administration felt that they may be able to de-radicalize the Cuban government as they

¹⁰⁰ Ibid (1999) p 386

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¹⁰¹ On this see: Kenneth Lehman, "Revolutions and Attributions: Making Sense of Eisenhower Administration Policies in Bolivia and Guatemala" in *Diplomatic History* (Volume 21, No.2, Spring 1997)

¹⁰² One writer has noted: 'As he [Castro] had repeatedly said, tossing out Batista but leaving the United States and its substantial interests in place would once again rob Cuba of an historic moment to affirm its independence.' Thomas Paterson, *Contesting Castro* (1994) p 254-5

¹⁰³ Mark Gilderhus, *The Second Century* (2000) p 168; Cole Blasier, *The Hovering Giant* (1985) p 187; Stephen Rabe, *Eisenhower* (1988) p 125

¹⁰⁴ Stephen Rabe, *Eisenhower* (1988) p 127

Both David Ryan and Noam Chomsky have cited State Department Reports produced during the 1960s as providing a clear illustration of the reason for the US becoming so opposed to Castro and viewing his continuance in power as being an issue of prime national security concern rather than just an economic dispute.¹⁰⁵ Thomas Paterson substantiates this point, writing ‘Cuba, as symbol and reality, challenged US hegemony in Latin America.’¹⁰⁶ As we can see, then, by prominently promoting an alternative economic and political model in Latin America, Castro made his continuance in power an issue of direct strategic concern for the Eisenhower administration.¹⁰⁷ By April 1960, the administration was clearly referring to the Cuban situation through the perspective of the national security framework and was considering a change in policy to meet the strategic threat posed by Castro.¹⁰⁸

The pattern of economic and security factors conspiring together in Cuba is strikingly similar to that in Guatemala in 1954. Establishing the way that the Cuban situation became an issue of national security concern *as well* as an issue of economic concern, allows us to bridge the gap between the Traditional and Revisionist schools: we can see that the US became vehemently anti-Castro mainly due to his economic

¹⁰⁵ Ryan cites a report by Walt Rostow in April 1961, which outlined the threats that Castro posed to the US. The most pertinent among them was that which read, “its [Cuba’s] ideological contours are a moral and political offence to us; and we are committed, by one means or another, to remove that offence,” because the ideological contours might “inflare” others in Latin America, “accentuating existing economic, social and political tensions which we, in any case, confront.” Chomsky makes a similar point by using a State Department report from 1964, which read: “The primary danger we face in Castro is...in the impact the very existence of his regime has upon the leftist movement in many Latin American countries...the simple fact is that Castro represents a successful defiance of the US, a negation of our hemispheric policy of almost a century and a half.” David Ryan, *US Foreign Policy in World History* (2000) p 155; Noam Chomsky, *Hegemony or Survival: America’s Quest for Global Dominance* (New York: Penguin Books, 2003) p 90

¹⁰⁶ Thomas Paterson, *Contesting Castro* (1994)

¹⁰⁷ For information on Castro’s policies and the deteriorating relationship between the US and Cuba see: Jon Lee Anderson, *Che Guevara* (1997) p 416-423, 492; Thomas Paterson, *Contesting Castro* (1994) p 255-260; Stephen Rabe, *Eisenhower* (1988) p 121-9; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 371-411

¹⁰⁸ An OCB Progress Report on NSC 5902/1 stated: ‘The apparent increasing influence of international communism in the present Cuban government, and the growing subversive and anti-US activities of the Cuban government in collaboration with the Communists throughout the area, have raised serious problems which make advisable a review of NSC 5902/1.’ Report by the Operations Coordinating Board to the National Security Council – “Report on Latin America (NSC 5902/1)”, April 6 1960, *FRUS 1958-1960 Volume V* p 134-140

There was, however, one major difference between Castro and Arbenz: Castro would prove much trickier to remove from power than Arbenz had been.¹¹⁰ In their attempts to construct a regional alliance through the OAS – which would give them legal cover in moving against Castro – the US sought out the support of Venezuelan leader Romulo Betancourt. After coming to power in 1958, Betancourt had outlined his opposition to non-democratic regimes in the region: during his inauguration address he stated that, ‘we shall solicit cooperation of other democratic governments of America to request jointly that the OAS exclude from its midst the dictatorial governments.’¹¹¹ Betancourt’s main target in this proposal was Rafael Trujillo, the totalitarian leader of the Dominican Republic;¹¹² Trujillo and Betancourt had a long-standing rivalry, and the Venezuelan leader wanted to remove Trujillo from office. However, in 1959 US support for this proposal was non-existent.¹¹³ Yet, just a year later, Secretary of State Herter reversed the US position at a meeting of the OAS and suggested that the organisation move against the Dominican leader. As Rabe writes,

Herter proposed that the organization take control of the political machinery of the Dominican Republic, oversee the end of the Trujillo tyranny, establish political parties, and conduct free elections. As he [Herter] explained to President Eisenhower, his plan had two objectives: a peaceful transition of power would avoid “a revolution which might well produce a communist or Castro-type government in Santo Domingo”; furthermore, “if we prove successful in this, a very useful precedent will have been set for possible later action when the Cuban matter is before us.”¹¹⁴

This was, quite clearly, a huge reversal in policy. The question is: why had the US position changed so significantly with regard to the Trujillo government in the twelve

¹¹⁰ Thomas Paterson, *Contesting Castro* (1994) details the US attempts to move against Castro, as does Stephen Rabe (1988) Chapter 9

¹¹¹ Robert Alexander, *Romulo Betancourt and the Transformation of Venezuela* (USA: Transaction Books, 1982) p 525

¹¹² For information on US-Dominican Relations during the Trujillo era, see: Eric Paul Roorda, *The Dictator Next Door: The Good Neighbor Policy and the Trujillo Regime in the Dominican Republic, 1930-1945* (Durham, North Carolina: 1998); Michael Hall, *Sugar and Power in the Dominican Republic* (2000) Stephen Rabe, *Eisenhower* (1988)

¹¹³ See: Memorandum of a Conversation between President Betancourt of Venezuela and Governor Thomas Dewey, February 14 1959, *FRUS 1958-1960 Volume V Microfiche 30 – Venezuela*; Stephen Rabe (1988) p 158-9

¹¹⁴ Stephen Rabe, *Eisenhower* (1988) p 159

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This was, quite clearly, a huge reversal in policy. The question is: why had the US position changed so significantly with regard to the Trujillo government in the twelve months between 1959 and 1960 to the extent that they were prepared to use the OAS as a tool for regime change in the Dominican Republic and possibly Cuba? There were, in fact, three reasons for this change in approach. 1) As we have seen, the problem facing the US in Cuba had gone from being one of economics to one of economics and national security, making it a much more pressing concern for the Eisenhower administration. 2) The US need for strong, democratic allies meant that they needed Betancourt’s support for an anti-Castro resolution – and he made his support conditional upon a simultaneous move against Trujillo. And 3) The continuing failure of the policies outlined in NSC 5902/1 to fully repair the US position in the region meant that the US was growing increasingly desperate for a clear foreign policy success in the region. It is instructive that within a year of being implemented the plan for repairing US-Latin relations (NSC 5902/1) had been derailed by the situation in Cuba and had now become a possible policy of pre-emptive intervention in both Cuba and the Dominican Republic. The tensions between economics and security that had blighted the document’s creation had, by 1960, completely undermined the attempts of the US to repair their position in Latin America.

¹¹³ See: Memorandum of a Conversation between President Betancourt of Venezuela and Governor Thomas Dewey, February 14 1959, *FRUS 1958-1960 Volume V Microfiche 30 – Venezuela*; Stephen Rabe (1988) p 158-9

¹¹⁴ Stephen Rabe, *Eisenhower* (1988) p 159

in the region. Siekmeier argues that in the wake of the president's visit, and the increasing problems caused by the Cuban situation, that US policy would change significantly¹¹⁶; however, only part of this is true. Although US policy would be subject to some changes and modifications in light of the developing geopolitical situation they would not be a departure from traditional US economic aims in Latin America. And, as we will see, the bifurcated nature of US policy in the Eisenhower era – pursuing both economic and strategic goals independently of each other – would continue until the administration left office.

The president's visit was part of his "farewell tour", and was in keeping with Eisenhower's increasing presence on the world stage in the period following Foster Dulles's death in May 1959.¹¹⁷ During his tour, Eisenhower was shocked by the poor living standards of many Latin Americans and, in the words of Rabe, 'Eisenhower viewed the trip as both a revelation and a sharp disappointment: he was stunned by the ghastly poverty and unspeakable living conditions he encountered in countries that were among the wealthiest and most socially advanced in Latin America. US foreign economic policy had failed.'¹¹⁸ And yet, despite these realisations, there would still be no major change in US economic policy toward Latin America. It is crucial that we clearly identify the problems confronting the US in the region at this time in order to understand just how immovable the US was with regard to economic policy. The Cuban situation had, by mid-1960, reached a point of crisis, with the go-ahead having been given for planning to commence on ways to oust Castro from power;¹¹⁹ at the same time, the US was being compelled to plan a similar move against the Trujillo regime in the Dominican Republic by the Venezuelan government of Romulo Betancourt; NSC 5902/1's outline of a policy to repair US-Latin American relations had quite clearly failed; and, President Eisenhower had returned from a trip to the region convinced that US foreign economic policy had

¹¹⁶ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999); Stephen Rabe, *Eisenhower* (1988)

¹¹⁷ Stephen Rabe, *Eisenhower* (1988) p 136

¹¹⁸ *Ibid*

¹¹⁹ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 407-9; Stephen Rabe, *Eisenhower* (1988) p 137; Thomas Paterson, *Contesting Castro* (1994) p 258

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The most probable explanation for the administration’s reluctance to countenance a wide-ranging reappraisal of their economic policy is that they continued to hold true to the belief that there was, in essence, very little wrong with their economic approach. National Security concerns in Latin America were at their most fevered point since the Eisenhower administration had come to office; yet, still the administration only made limited changes to its economic policies. The obvious conclusion to arrive at is that despite the overwhelming strategic concerns confronting the administration, their faith in US economic objectives and approaches remained undimmed. This model – of a bifurcated policy, split between economics and national security – fits in with the wider trends in evidence throughout the Cold War world. But this model has not been

¹¹⁸ Ibid

¹¹⁹ James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 407-9; Stephen Rabe, *Eisenhower* (1988) p 137; Thomas Paterson, *Contesting Castro* (1994) p 258

¹²⁰ Rabe writes: ‘Poverty and frustration seemed to be fuelling the turmoil that, in 1960, enveloped the area of traditional US strategic interest – the Caribbean littoral.’ Stephen Rabe, *Eisenhower* (1988) p 138; James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999) p 402-4

in an attempt to address some of the problems in the area. As outlined earlier, upon Eisenhower's return a Social Progress Fund would be created – with a budget of \$600 million – that was designed to build houses, schools and public health institutions in the region. However, as the earlier quote from LaFeber noted, this was an inadequate solution to the scale of the problem facing the US. It is clearly evident that there was no easy solution to the Latin economic problems; but it remains equally apparent that the administration was still adopting a political or strategic solution to what was quite clearly an economic problem. The tension between economics and national security, which was perhaps the defining characteristic of the administration's stance in the region, was still exerting a dominant influence over US policy toward Latin America in 1961. Even when strategic imperatives had made a change in policy a necessity, US economic goals had remained the same as they had been since 1945; this had severely hindered the effectiveness of the policy that the Eisenhower administration had pursued in Latin America since 1956. By refusing to look beyond its long-standing economic aims, the Eisenhower administration had assured the continuance of the developing feelings of fervent anti-Americanism throughout Latin America that had become so evident in the late-1950s.

CONCLUSION:

We have seen throughout this chapter that the Eisenhower administration engaged in a wide-ranging reappraisal of policy in the wake of the Nixon trip; a process that was, in effect, a continuation of the process that had begun in the wake of the Soviet Economic Offensive in January 1956. Strategic concerns dominated the thinking and the appraisals of US officials, a trend that was wholly in keeping with the developing nature of the Cold War. Consequently, the major policy goal for the US in the period covered by this chapter was to eradicate the growing phenomenon of Latin anti-American sentiment and to shore up American hegemony in the region. Yet, despite this emphasis on national security and the Cold War, long-standing US economic aims in the region would remain an integral part of US policy. The administration's enduring belief in its traditional economic aims would have two major effects on US policy toward Latin America.

Firstly, as outlined in this chapter, by enveloping traditional US economic objectives into the national security framework that had come to dominate US-Latin relations the Eisenhower administration unintentionally ensured that the irreconcilable policies of economic expansion and strategic concern would severely undermine Washington's approach toward the region. This was, of course, most evident in Cuba.

Secondly, as we shall see in the next chapter, the impact of this approach in a nation that was not an overt area of national security concern for the administration would be for the economic aspects of US policy to assume a position of dominance. Despite the continual problems in US-Brazilian relations during the Eisenhower era, Brazil was not a country of prime strategic concern; mutual self-interest between the two nations ensured that there should be some semblance of bilateral cooperation in the foreseeable future. In fact, President Kubitschek would actively court American support for his policies through a strong rhetorical emphasis on US-Brazilian Cold War allegiance in the immediate aftermath of the Nixon trip. But when Kubitschek attempted to use this approach to engineer a major change in US economic policy, the bilateral relationship would begin to unravel. The steadfastness of US economic aims would – in the case of Brazil – come to dominate the bilateral relationship, despite the fact that we have clearly identified that fact that it was not the priority aim in the administration's Latin American policies. The intention of the next chapter, then, will be to illustrate the way the changes in US policy as outlined here, impacted upon US-Brazilian relations in the final years of the Eisenhower administration.

CHAPTER SIX: US-BRAZILIAN RELATIONS 1958-1961 “THE END OF THE KUBITSCHKEK-EISENHOWER ERA”

INTRODUCTION:

As we saw in Chapter Five, the Eisenhower administration's attempts to reshape its Latin American policy in the post-1958 period had been severely undermined by the incompatibility of the economic and strategic aspects of that policy. This, of course, was a problem that had been apparent in US-Latin relations since 1953. However, as the fall-out from the Soviet Economic Offensive, the Nixon trip and the shifting nature of the global Cold War began to impact upon US officials and compel them to accord more emphasis to their strategic aims in the region, the inherent tension within US policy began to exert a growing influence. By 1961, the US position in Latin America had deteriorated severely for one simple reason: that a pro-American, anti-Soviet region, developed in accordance with the American model, could not be fostered in Latin America by a US administration espousing the foreign economic policies of free market capitalism. As has been highlighted in some detail, the administration had – since January 1956 – been increasingly applying a national security framework to its approach in Latin America. Crucially, though, this change in approach and a subsequent shift in policy had not provided the catalyst for any significant change in US economic policy in the area. The aim, then, of this chapter is to analyse what impact the changes implemented by the Eisenhower administration in 1958 and 1959 had on the status of US-Brazilian relations.

Throughout this thesis, we have illustrated the fact that Brazil was a nation of major importance in the Western Hemisphere. Being both geographically large and blessed with an abundance of natural resources, Brazil was widely thought to be a potential global power in the making.¹ Yet it has been equally apparent that the Eisenhower administration was not prepared to make any concessions to the Brazilian's in order to develop a “special relationship”; in fact, quite the opposite occurred. Upon coming to power in 1953, the Eisenhower administration systematically “ran down” the

US-Brazilian relationship in order to bring it into line with the relationship between Washington and the other Latin nations. This had, of course, led to severe tensions within the bilateral relationship, which had only been exacerbated by Washington and Rio's inability to come to an agreement on the economic nature of their relationship. By the time of the Nixon visit, the bilateral relationship between the US and Brazil was at its lowest ebb than at any time since 1945. But, significantly, by the time that Eisenhower left office in January 1961, US-Brazilian relations had actually reached an even lower point. The key question to be addressed by this chapter, then, is: how did an American government that was predominantly concerned with bolstering its strategic position in Latin America reach a position of near-collapse in its relationship with one of the region's most important states?

The answer to the question posed above, is that those problems which we have outlined as being inherent in overall US policy toward Latin America, impacted a serious effect on US-Brazilian relations. Put simply, the disparity between economics and national security within US policy came to dominate the bilateral relationship in the latter stages of the Eisenhower era; even more fully than it had in the period before 1958. It is, perhaps, only by considering the case-study of Brazil² that we can come to fully understand some of the complexities within the Eisenhower administration's approach toward Latin America in the late-1950s and the early-1960s. The major problem that emerged in Chapter Five, and that will be addressed here, is in explaining how it came to be that economic ideals – which, as we have seen, were not the most prominent part of US policy – came to exert such an influence over the US approach in Brazil. For as we saw in the previous chapter, the administration's main focus in Latin America in the post-1958 period was in meeting its increasingly urgent national security objectives. What this chapter will illustrate is that despite economic objectives not being the main priority for the US, the influence that the basic economic principles within US strategy exerted over US policy remained considerable. In fact, it would be the economic aspects within US

¹ The belief within the US that Brazil would, one day, emerge as a great power had been in place since the late-nineteenth and early-twentieth centuries. See: Noam Chomsky, *Year 501: The Conquest Continues* (Boston, Massachusetts: South End Press, 1993) Chapter Seven

² Or, indeed, another individual Latin nation outside of the Guatemala-Cuba axis

policy that would be of most importance in determining the nature of the bilateral relationship during 1958-61.

There are two reasons for this strategic imbalance within US policy. Firstly, it is illustrative of the way that Kubitschek and the Brazilian Government were able to make economics the centrepiece of the bilateral relationship during this period. The deepening economic problems in Brazil – increasingly severe budget deficits, a growing balance of payments crisis and high inflation – meant that Kubitschek was under severe domestic pressure to address the crippling economic problems that Brazil faced.³ As a result, the Brazilian leader would make bringing about a change in US foreign economic policy the main aim of his foreign policy toward the US. Secondly, despite the consistent nature of the problems in the bilateral relationship since 1953, Brazil was not a country that was an overt national security concern for the Eisenhower administration. The administration's national security goals in Latin America – which had been emphasised by the Soviet Economic Offensive and the events of the Nixon trip – did not demand that the relationship between Washington and Rio be especially warm, just that Brazil continued to support the US in the United Nations and the OAS and that any anti-American sentiment was kept to a minimum. This meant that the US could remain steadfast in their position with regard to the economic aspects of the bilateral relationship: the more that Kubitschek brought up issues such as increased development funding, and a relaxation on International Monetary Fund criteria for loans, the more the Eisenhower administration was able to maintain its previous position with regard to economic policy.

As Matthew Loayza has outlined, the Eisenhower administration retained its inherent faith in its economic principles until it left office. 'US officials remained consistent in their advocacy of private capital development and fiscal conservatism', writes Loayza. 'Indeed, Eisenhower and his advisors never abandoned their convictions

³ For information on the domestic pressure on Kubitschek, see: Michael Weis, *Cold Warriors and Coup D'Etat: Brazilian-American Relations 1945-1964* (Albuquerque: University of New Mexico Press, 1993) p 95-6, 108-113; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (Ohio: Ohio University Center for International Studies, 1991); Thomas Skidmore, *Politics in Brazil, 1930-1964* (Oxford: Oxford University Press, 1967); Joseph Smith, *A History of Brazil, 1500-2000* (London: Pearson Educational Ltd, 2002)

that the proper way to finance economic development was through private, rather than public, capital.⁴ Yet, this was not the predominant objective within US policy by mid-1958. Importantly, however, when we consider a country – like Brazil – where national security imperatives were not as urgent as in other countries, the administration's economic principles could exert more of an influence. This is especially true in Brazil, where President Kubitschek desperately needed to bring about a change in US economic policy in order to underwrite his grandiose development schemes. The crucial point is that these two factors combining together conspired to apportion more importance to economic factors in US-Brazilian relations during the period covered in this chapter. This was, in fact, a mirror to events in Latin America generally, as the Latin nations sought to emphasise their economic complaints despite Washington's preoccupation with national security.⁵

⁴ Matthew Loayza, "An Aladdin's Lamp for Free Enterprise: Eisenhower, Fiscal Conservatism, and Latin American Nationalism, 1953-1961" *Diplomacy and Statecraft* (Volume 14, No. 3, September 2003) p 101-2

⁵ Possibly one of the most striking elements in US-Brazilian relations at this time is the lack of importance (or emphasis) accorded to the role played by military assistance in seeking to bring about a closer bilateral relationship. This, however, was in keeping with the regional approach of the administration in the post-Nixon visit period. The simple reason for this was that the policy outlined in NSC 5613/1 – to secure the position of the US in Latin America via improved US-Latin relations in the military sphere – had failed; a fact born out by the events of the Nixon trip and the subsequent reappraisal of policy (NSC 5902/1) placed far more emphasis on meeting over national security objectives through a modified economic policy than through any reshaped military assistance program. (In fact, in Chapter Four we saw the difficulties that had emerged in the bilateral relationship as a result of the Military Assistance Program and due to the negotiations over Fernando de Noronha: it was outlined there that the "good" relationship between the Pentagon and their Brazilian counterparts endured in spite of US military policy, not because of it.) The failure of the policy outlined in NSC 5613/1 saw the Eisenhower administration's approach toward Latin America come under severe domestic scrutiny. Eisenhower's response was to create a special commission – The Draper Committee – to review American military assistance programmes and report back to those critics of the administration's policies: however, 'its conclusions seemed preordained: of the committee's nine members, three were retired generals, one a retired admiral, and one a former assistant secretary of defense.' Predictably, given its constituent members, the Draper Committee's final report reaffirmed the value of Military Assistance programmes in US foreign policy, stating: 'the Mutual Security Program is a sound concept and an essential tool of our foreign and strategic policies... We stress the need for a new and intensive effort to inform the American public of the problems and achievements of mutual security and its vital importance to the security of the United States.' And yet, despite this, the post-Nixon period would see a significant deterioration in the extent that military assistance programmes were used to try and build better intra-hemispheric relations: from reading NSC 5902/1 it is quite clear that military assistance policies are given far less emphasis with respect to achieving US aims than they had been in NSC 5613/1.⁵ They would, of course, still be a prominent part of US strategy; but, crucially, they would no longer be the major feature of the administration's approach. In fact, an OCB Regional Plan for Operations produced in July 1959 did not see any significant changes made to US military strategy in the region; this was in stark contrast to the emphasis that was placed on attempting to police or defend the region from the perceived "communist" or strategic threat. The impact that this had on US policy toward the region can be witnessed in Brazil by the near-total absence of any developments in the bilateral military relationship at this time.

In order to illustrate the way that economics impacted upon US-Brazilian relations in this period, this chapter will analyse the way that the bilateral relationship evolved in the aftermath of the Nixon trip. Firstly, it will look at President Kubitschek's Operation Pan America (OPA) proposal, which emerged soon after the Nixon trip and which called for a show of hemispheric unity and a vast aid programme to help boost the Latin economies. Secondly, it will consider the American response to this proposal: as we shall see, the Eisenhower administration's enthusiasm for the political aspects of OPA would not be matched when it came to economic aid part of the proposal. Thirdly, it will examine the ongoing debate between the two nations over economic policy and illustrate the way that US economic objectives came to dominate. And fourthly, it will look at the US position with respect to the 1960 Brazilian presidential election, when it became apparent just how far US-Brazilian relations had deteriorated as a result of economic disagreements. The ultimate outcome of all of this will be that Washington's strategic aims of ensuring Brazilian support in international organisations and quelling the growth of anti-American sentiment would be undermined by events in the economic sphere.

OPERATION PAN AMERICA: AN HISTORICAL PERSPECTIVE

Like much of the Eisenhower period, scholars of US-Latin American relations have overlooked the collapse in US-Brazilian relations in the late 1950s. The majority of regional studies have not mentioned the actual breakdown in the bilateral relationship, merely noting that the Eisenhower administration turned down Kubitschek's OPA proposal. Shortly after Vice President Nixon arrived back in Washington, Kubitschek used the apparent "crisis" in intra-hemispheric relations to launch a programme aimed at repairing hemispheric unity – Operation Pan America. This programme, though, quickly evolved into a call for a vast amount of American aid to help develop the Latin

See: Stephen Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: University of North Carolina Press, 1988) p 106-9; Final Report of the President's Committee "To Study the United States Military Assistance Program", August 17 1959, Draper Committee (1), Box No 13,

economies. Much of the academic debate on OPA has centred on what was motivating Kubitschek in his calls for OPA: was it economic self-interest or a concern that the “west” might be losing the Cold War?⁶ On a different note, Stanley Hilton has argued that Kubitschek’s move was born out of Brazilian dissatisfaction with US policy and that Washington overlooked the importance that the Brazilians were attaching to the OPA proposal.⁷ However, the debate over what was motivating Kubitschek’s proposal overlooks a far more important question: what caused the US to reject OPA as a viable solution to the problems they faced in Latin America?

In addressing this issue, Gordon Connell-Smith has noted: ‘Kubitschek’s Operation Pan America was accepted only in principle – and shelved.’⁸ Both Rabe and Gilderhus have explained Washington’s stance toward OPA as being due to the Eisenhower administration’s refusal to countenance such a vast economic aid programme.⁹ This argument is expanded upon by Loayza, who writes: ‘US officials genuinely sympathized with the objectives of OPA...[but]in private they balked at Kubitschek’s call for a significant US role in financing the programme, as they believed that underwriting OPA would impose unacceptable financial burdens on the American economy.’¹⁰ Yet the argument adopted by the scholars cited above does not go on to identify the major consequence of the US position with regard to OPA: namely, that the

Administration Series, Whitman File, Eisenhower Library; Regional Operations Plan for Latin America prepared for the Operations Coordinating Board, July 1 1959, *FRUS 1958-1960 Volume V* p 117-134

⁶ For the debate on what was motivating Kubitschek over OPA – either the beginning of an independent streak in Brazilian foreign policy, the aim of forming a strong Cold War alliance with the US or political and economic self-interest – see: Elizabeth A. Cobbs, *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil*. (New Haven: Yale University Press, 1992) p 251; Michael Weis, *Cold Warriors & Coup D’Etats* (1993) p 115-8; Mark Gilderhus, *The Second Century: US-Latin American Relations Since 1889* (Wilmington, Delaware: Scholarly Resources Inc, 2000) p 156-7; Stephen Rabe, *Eisenhower* (1988) p 110; James Siekmeier, *Aid, Nationalism and Inter-American Relations: Guatemala, Bolivia, and the United States, 1945-1961* (New York: Edward Mellen Press, 1999) p 317-9

⁷ Stanley Hilton, “The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship” in *The Journal of American History* (Vol 68, No.3, December 1981) pp 599-624

⁸ Gordon Connell-Smith, *The United States & Latin America: An Historical Analysis of Inter-American Relations* (London: Heinemann Educational Books, 1974) p 225

⁹ In seeking to explain this Gilderhus argues that whilst, ‘US officials withheld endorsement from anything so grandiose...they did display new readiness to take part in commodity agreements...[and] announced US support for a regional development bank in Latin America.’ Rabe makes a similar point, arguing: ‘few US officials supported President Kubitschek’s grandiose plans’, but they were prepared to ‘consider a slight change in economic policy.’ Mark Gilderhus, *The Second Century* (2000) p 157; Stephen Rabe, *Eisenhower* (1988) p 110-1

fact that US policy was determined by economic considerations strongly suggests that the Eisenhower administration's stance toward Brazil was not being driven as heavily by strategic considerations as the policy outlined in Chapter Five would suggest. This is a crucial distinction. For it demonstrates the fact that although the main aim of the US in Latin America during this period was shoring up its strategic position, economic factors within US policy could still exert a powerful influence – especially in a nation such as Brazil where the security threat was not as urgent. Brazil's emphasis on economic development issues during this period would force the US to address the concerns raised by Kubitschek; a trend that had been ongoing since Eisenhower came to office. What is instructive in this final period is that economic concerns would remain as the central theme of the bilateral relationship even though this was not in keeping with US aims. In order to highlight the way that this situation evolved, and demonstrate the impact that economic factors had on US-Brazilian relations, we will begin by examining the development of Kubitschek's OPA proposal and the American response. As we shall see, Washington's response to Kubitschek's proposal would vary considerably. Whilst OPA appeared to be a political show of hemispheric unity, the US response would be positive; but once the economic side of the programme became apparent, the Eisenhower administration's position would become far more negative.

OPERATION PAN AMERICA – PHASE ONE: THE POLITICAL SIDE

In evaluating President Kubitschek's motivations in calling for a "Marshall Plan for Latin America", the work of Elizabeth Cobbs and Michael Weis makes it clear that Kubitschek saw OPA as a chance to engineer a change in US economic policy, assure Brazil's position at the head of the Latin American hierarchy and, hopefully, bring about a desperately needed influx of private and public capital to stave off the financial crisis

¹⁰ Matthew Loayza, "An Aladdin's Lamp for Free Enterprise" (2003) p 100

that was looming in Brazil.¹¹ As we saw in Chapter Four, the Brazilian economic situation was, by 1958, growing increasingly serious. Kubitschek had borrowed heavily to fund his development plans; a worldwide downturn in coffee prices had deeply hindered Brazil's exports; inflation continued to increase rapidly; and, Brazil did not have enough dollars in its economy to pay back the large number of loans it had taken out. As Thomas Skidmore has outlined, Kubitschek's successes in the economic sphere were underpinned by a pressing problem. He notes, 'the ambitious program of Kubitschek had an Achilles' heel: financing...because the government refused to compromise its ambitious plans for industrialisation, the symptoms of financial disequilibrium soon appeared.' By 1957, Brazil's balance of payments deficit was at approximately \$286 million.¹² Inevitably, this impacted upon Brazil's economic development. Although Kubitschek's grandiose schemes had imbued Brazil with an aura of self-confidence, the problems outlined above by Skidmore were deeply problematic. Indeed, as Joseph Smith has argued: 'pursuing a policy of sustained high government spending brought rapid economic growth but at the price of stimulating rising inflation. Economies were introduced as early as 1958 in order to combat the rise in prices. The result, however, was a slowing down of economic growth that provoked criticism of government policy from political opponents, business and trade union leaders.'¹³

These problems were compounded by 'the terms of world trade' moving 'sharply against Brazil during the 1950s.' The result was a simultaneous downturn in capital investment and a deepening balance of payments crisis.¹⁴ Short-term loans were seized upon as a way of seeing Brazil through a period of financial difficulty; as a result, Brazil's international debts increased dramatically. These were the very obvious downsides to Kubitschek's development policies. Generally speaking in terms of macroeconomic policy, 'existing debt must be fully funded in the long run by cumulative

¹¹ Elizabeth Cobbs, *The Rich Neighbor Policy* (1992); Michael Weis, *Cold Warriors & Coup D'Etats* (1993); Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 620-1

¹² Thomas Skidmore, *Politics in Brazil* (1967) p 174

¹³ Joseph Smith, *A History of Brazil* (2002) p 163

¹⁴ *Ibid* p 176; Thomas Skidmore, *Politics in Brazil* (1967) p 174-5; Conversely, Robert Alexander actually argues that Kubitschek should not be held responsible for the inflationary crisis that 'engulfed' Brazil. Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) Chapter 12

budget surpluses'¹⁵; however, Brazil had not been racking up years of budget surplus to ease their burden of debt – far from it in fact. Kubitschek had followed his predecessors in borrowing heavily to fund Brazilian development and, despite this ever-increasing amount of debt, the problems mentioned above meant that the Brazilian economy had not been generating enough capital to address these foreign commitments, which were due to mature in the late-1950s.¹⁶ Indeed, as the report compiled by the Business Advisory Council in January 1958 (and cited in Chapter Five) pointed out, in the twelve months between September 1956 and September 1957 Brazil's gold and dollar holdings were down by 21 percent or \$125 million, with little sign of any immediate improvement.¹⁷

The depths of the economic problems in Brazil were highlighted in February 1958, when Ambassador Peixoto and Henrique Valle from the Brazilian Embassy met with Assistant Secretary of State Roy Rubottom and requested a \$100 million Export-Import Bank loan for three months. The Brazilian delegation told Rubottom that: 'Brazilian coffee exports have been falling off and for this and other reasons the exchange situation has deteriorated to a serious point. If Brazil is unable to obtain immediate relief, her imports from the United States will be affected.'¹⁸ By mid-1958, then, it is clear that Kubitschek needed urgent support from the US in an effort to stave off an impending economic crisis. Kubitschek saw the events of the Nixon trip as offering him a chance to resurrect Operation Pan America and, possibly, solve Brazil's economic problems.¹⁹ As Michael Weis has written, 'On May 12, Brazil exhausted its

¹⁵ Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World 1700-2000* (Oxford: Penguin Books, 2001) p 138

¹⁶ Thomas Skidmore, *Politics in Brazil* (1967) p 176-8; Joseph Smith, *A History of Brazil* (2002) p 176; For Kubitschek's view of his development approach during his presidency, see: Robert Alexander, *The ABC Presidents: Conversations and Correspondence with the Presidents of Argentina, Brazil, and Chile* (Westport, Connecticut: Praeger, 1992) pp 108-118

¹⁷ Document produced by Maurice McAsham of the Committee on Latin America within the Business Advisory Council, January 24 1958, Folder – 1958 – Business Advisory Council, Box 5, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, Subject Files 1957-1959, Lot 60 D 553, National Archives, College Park, Maryland

¹⁸ Memorandum of a Conversation between Brazilian Representative to the US Ambassador Peixoto and Assistant Secretary of State for Inter-American Affairs Roy Rubottom, Department of State, February 14 1958, *FRUS 1958-1960 Volume V* p 657-9

¹⁹ Kubitschek had first mentioned OPA at his inauguration in 1956; but both regional and domestic support for such a proposal had been negligible and it was duly dropped

dollar holdings and commercial credit lines. In desperate need of a *jeito* (a way around), Kubitschek would soon find in Richard Nixon a golden opportunity to force a change in US foreign economic policy.²⁰

Kubitschek saw Operation Pan America as a method by which he could potentially bring about a change in US economic policy: although scholars such as Elizabeth Cobbs have highlighted OPA as being the start of Brazil's independent foreign policy, it is clear that initially it came about due to Brazil's desperate need for financial assistance.²¹ Ambassador Peixoto's meeting at the State Department in February had demonstrated to the Brazilians that the US would not, under current circumstances, alter their economic policies. In fact, in response to the Brazilian request for an EXIM loan, Rubottom had stated:

The Eximbank normally does not give stand-by credits. In the single instance wherein it had been done (the Suez loan to Britain of \$500 million), the Bank had required 120 percent collateral and a commitment fee. In the case of the Federal Reserve stand-by to Brazil of 1952, full gold collateral had been required...it is his understanding that Brazilian gold reserves are already fully committed...The case...seems to be exactly the sort of thing the IMF was created to deal with...if it should prove possible to be of some assistance...he is certain that a real interest would be manifested not only in the circumstances and conditions leading to Brazil's present condition, but also in corrective measures and means which should be adopted in order that the assistance would do permanent good.²²

Rubottom's response demonstrated the position of the US toward Brazilian economic problems in early 1958: despite the overwhelming problems confronting the Kubitschek administration, the US would not consider a relaxation in their loan procedure unless Brazil implemented measures that would prevent further economic crises in the future. Moreover, Rubottom's suggestion about applying to the IMF actually marked a hardening in Washington's approach; although going through the IMF would dilute the

²⁰ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 112; Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 621

²¹ Joseph Smith, *A History of Brazil* (2002) p 163-4; Thomas Skidmore, *Politics in Brazil* (1967) p 173

²² Memorandum of a Conversation between Brazilian Representative to the US Ambassador Peixoto and Assistant Secretary of State for Inter-American Affairs Roy Rubottom, Department of State, February 14 1958, *FRUS 1958-1960 Volume V* p 657-9

impression that Brazilian economic survival was dependent upon US assistance, US officials were well aware that the IMF would make any economic assistance dependent upon certain preconditions being met.²³ In linking the events of the Nixon trip to a call for increased economic assistance to Latin America, Kubitschek faced an intensely difficult task. However, such was Kubitschek's need for an influx of capital that he had little choice but to try and link the threat to free world security to a concerted call for widespread economic assistance in the region. But, initially, Kubitschek was careful not to emphasise OPA's economic context; instead, he presented it to the US in terms of being an urgent opportunity to reaffirm Pan-American unity.²⁴

As the Eisenhower administration began the process of analysing just why the Nixon protests had occurred, Kubitschek was quick to pledge his allegiance to the American cause. This, in itself, is instructive: given the way that the bilateral relationship had deteriorated over the issue of economic assistance since 1956, the fact that Kubitschek was now siding with Washington indicates two things. Firstly, that as Weis indicates, Kubitschek was concerned to some degree about the position of the West in the Cold War²⁵; secondly, and far more importantly, Kubitschek recognised that the US need for allies at this time might make them more amenable to the idea of OPA. Kubitschek's approach, however, overlooked one crucial factor: whilst Washington would – in the aftermath of the Nixon visit – recognise the need for a change in approach, a more solid pan-American alliance and a slight modification in economic policy, they would not consider wholesale changes in their fiscal policy as being necessary or, indeed, desirable.²⁶ In fact, as Rabe has written, the administration did 'not believe' that the problems in US-Latin relations, 'meant spending vast sums in the

²³ An example being full currency exchange reform, which the Brazilian's did not want to implement due to deep-rooted nationalist sentiment in Brazil that was firmly opposed to such a move.

²⁴ Thomas Skidmore, *Politics in Brazil* (1967); Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 621

²⁵ This was not, of course, just a matter of Cold War loyalty: any descent in the position or stability of the west would only deepen those problems confronting Brazil

²⁶ As we saw in Chapter Five, the administration's deliberations over a reshaped policy – which became NSC 5902/1 – never challenged the long-standing belief in basic economic principles such as "free trade, free investment and free capital"; even those advisors, like Milton Eisenhower, who recommended a change in policy did not lose sight of the suitability of US economic principles as a tool for meeting not just US objectives, but, also, those desires of all the free peoples of the world

region.²⁷ And yet, by the spring of 1958 the bilateral economic relationship was being dominated by Brazil's need for economic assistance and the refusal of the US to consider such a change.²⁸

The initial Brazilian response to the Nixon trip was somewhat cautious; Kubitschek's approach was to identify Brazil with the idea of reaffirming Pan-American unity. On May 23, Kubitschek met with Ambassador Briggs and showed him a copy of a letter he intended to send to President Eisenhower, in which he recommended that Brazil and the United States hold a 'consultation with the view of examining present status of Pan-Americanism in light of the experiences of Vice President Nixon, in order thereupon to take steps to re-establish continental unity.'²⁹ In the finished version, which Kubitschek sent five days later, he wrote,

It would be hardly feasible to conceal the fact that, before world public opinion, the ideal of Pan American unity has suffered serious impairment...it would be utterly inconvenient and unfair to allow this false impression to prevail, morally weakening the cause of democracy, to the defense of which we are pledged.³⁰

As Michael Weis notes: 'the vague but constructive letter was a hemispheric apology that provided Eisenhower with a chance to lessen the damage caused by Nixon's visit.'³¹ It is important here to recognise that the initial US response to Operation Pan America was not overtly negative at all; instead, the administration was highly receptive to

²⁷ Stephen Rabe, *Eisenhower* (1988) p 113; Matthew Loayza, "An Aladdin's Lamp for Free Enterprise" (2003) p 100

²⁸ In February, Kubitschek met with Ambassador Briggs and informed him that: 'In difficult economic situation facing Brazil...administration is under great and growing pressure to deal with Soviet bloc...his government's ability to resist that pressure might be affected by extent to which US is able to assist Brazil to meet current economic crisis.' In response, Foster Dulles warned the Brazilian leader that, 'to open doors to Soviet agents through a mission in Rio at this time would in our opinion maximize problems Kubitschek will face in difficult months ahead as he tries to solve Brazil's basic problems and would make more difficult his constructive cooperation with the US in this regard.' See: Telegram from the Embassy in Brazil to the Department of State, February 25 1958; Telegram from the Department of State to the US Embassy in Brazil, March 3 1958 *FRUS 1955-1958 Volume V* p 660-3

²⁹ Telegram from the Embassy in Brazil to the Department of State, May 23 1958, *FRUS 1955-1958 Volume V* p 676-8

³⁰ Letter from Brazilian President Juscelino Kubitschek to President Eisenhower, May 28 1958, Brazil (8), Box No 4, International Series, Whitman File, Eisenhower Library

³¹ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 114

Kubitschek's proposal.³² The reason for this is that the political aspect of OPA appealed greatly to US officials. Kubitschek's original proposal did not call for a \$40 billion aid program; it was more to do with a strong, unified reaffirmation of the ideal of Pan-Americanism, which would help to reassert the idea that the US was, indeed, master of its own hemisphere.³³ This explains why Eisenhower's response to Kubitschek's letter adopted such an encouraging tone. Eisenhower wrote to Kubitschek on June 5 and stated that he was, 'delighted that you have taken the initiative in bringing the subject to my attention,' and that, 'while your Excellency did not suggest any specific program to improve Pan American understanding, it seems to me that our two governments should consult together as soon as possible'³⁴

In an effort to begin preliminary negotiations, the Eisenhower administration sent Assistant Secretary Rubottom to deliver Eisenhower's reply to Kubitschek and to meet with the Brazilian leader in the second week of June. Upon meeting with Rubottom, Kubitschek went out of his way to express his fealty to US leadership of the Western Hemisphere and to disassociate OPA from being an attempt to improve the rather parlous state of US-Brazilian economic relations. Rubottom reported that:

He [Kubitschek] stressed his desire to have our consultation on the highest and broadest possible basis, aimed at correcting any misimpression in the world that the relations between the United States and Latin America were any less close and vital than before Vice President Nixon's trip. He had no desire to discuss any US-Brazilian problems. While the present financial discussions in Washington might have been carried out at a faster pace, he said, he was fully aware of our cooperative attitude and did not want to engage in any talks on this or any other matters pending between his country and the United States...(I was struck by the President's reiterated concern that the United States not interpret his initiative as bearing on any US-Brazilian problem, but rather as one designed to strengthen the US position in the eyes

³² It should be noted, however, that this view disagrees with Stanley Hilton, who has labelled the US response as 'unenthusiastic.' Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 621

³³ This rather Machiavellian approach is highlighted by Thomas Skidmore. See: Thomas Skidmore, *Politics in Brazil* (1967) p 173-4

³⁴ Draft of Letter from President Eisenhower to President Kubitschek of Brazil, June 5 1958, DDE Diary – June 1958, Box 34, DDE Diary Series, Whitman File, Eisenhower Library; Michael Weis (1993) p 114-5

of the world. He seemed quite sincere on this approach, and did not overplay his hand...)³⁵

However, toward the end of the meeting, Kubitschek tied together his appraisal of the Cold War world with the ongoing problem of Latin underdevelopment. He said,

Communists are opposed to the economic development of any underdeveloped country. They recognize that that cannot achieve for sinister design if economic development is carried out. Yet they criticize the United States for encouraging economic development such as making loans and rale against private investment and all of the other steps designed to achieve economic progress. Therefore, it is all the more important that economic development proceed toward fulfilment as rapidly as possible.³⁶

This marked the first occasion on which Kubitschek had linked together the problems caused by Nixon's trip and the issue of Latin underdevelopment. Rubottom, whilst remaining non-committal on the issue of combating underdevelopment, did promise 'Kubitschek that the US would work closely on the proposal now known as "Operation Pan America."³⁷ US support for OPA was still in place by the time Rubottom left Brazil with an aide-memoire prepared by the Brazilians outlining the next stage of Operation Pan America. However, once the economic aspect of OPA began to emerge over the coming weeks, US support for Kubitschek's proposal would begin to deteriorate rapidly. It is the US response to Operation Pan America that definitively proves the presence of a cogent set of economic objectives within US policy: by being able to highlight them so clearly, this thesis moves beyond existing studies that do not emphasise the bifurcated nature of US policy in Latin America.

OPERATION PAN AMERICA – PHASE TWO: THE ECONOMIC SIDE

For an indication of the way that US support for OPA deteriorated once the economic aspect of OPA emerged, June 20, 1958 is the vital date for highlighting the

³⁵ Memorandum of a Conversation between President Kubitschek of Brazil and Assistant Secretary of State for Inter-American Affairs Roy Rubottom, Kubitschek's Residence, Rio de Janeiro, June 10 1958, *FRUS 1958-1960 Volume V* p 679-683

³⁶ *Ibid*

³⁷ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 115

change in the administration's approach toward Kubitschek's proposal. On that day, Secretary Dulles wrote to President Eisenhower and reaffirmed US support for OPA in its present format, writing: 'I believe that President Kubitschek's aide-memoire should be answered promptly, through normal diplomatic channels, as a means of retaining the initiative on this matter, buoying up Brazilian enthusiasm and preventing harmless speculation.'³⁸ Later, Dulles sent a telegram to the US Embassy in Brazil and repeated US support. 'We are impressed with Kubitschek's statesmanlike motivations and disassociation of US-Brazilian bilateral interests from the broader consideration of strengthening Pan-Americanism,' wrote Dulles. 'We agree that a re-examination of programs devoted to strengthening Pan-Americanism is timely and suggest that general proposals contained in President Kubitschek's aide-memoire be further developed at diplomatic level for discussion during visit of Secretary Dulles to Rio in August.'³⁹

The reason for Washington's continued support was twofold.⁴⁰ Firstly, US officials still believed that the political aspect of Kubitschek's plan offered them a good chance to reaffirm hemispheric unity under US leadership; secondly, and more importantly, the proposal outlined in the aide-memoire that Kubitschek gave to Rubottom did not call for a major change in US economic policy. Kubitschek's proposal called for a louder voice for Latin America in international affairs, recognition that bilateral relationships would exist independently of OPA and that there was an urgent need for the continuing cordiality of hemispheric unity to be established.⁴¹ Moreover, the clause relating to economic policy was deliberately vague, reading:

[Kubitschek] expresses his conviction that existing bilateral and multilateral programs for combating underdevelopment are inadequate and must be reappraised since: a) the success of Pan-Americanism will depend on the success of the attack on underdevelopment, and b) Latin America will not be

³⁸ Memorandum from Secretary of State John Foster Dulles to President Eisenhower, June 20 1958, *FRUS 1958-1960 Volume V* p 685-6

³⁹ Telegram from the Department of State to the US Embassy in Brazil, June 20 1958, *FRUS 1958-1960 Volume V* p 687-8

⁴⁰ Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 282-5

⁴¹ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 621-2

able to render effective service to the cause of the West unless a solution to underdevelopment is found.⁴²

In response, Dulles told Ambassador Briggs, ‘we agree that economic development can strengthen [the] ability of LA nations to resist communist subversion and enable them render more effective service to Western cause. This has, in fact, long been a fundamental principle of US foreign policy.’⁴³ However, as we saw in Chapter Five, it is quite clear that US officials believed that the introduction of the IADB and the ongoing work toward implementing regional commodity agreements would go a long way toward addressing the economic complaints of the Latin nations. Now, Kubitschek’s OPA proposal seemed to support this assertion, giving extra credence to the arguments put forward by Milton Eisenhower, Thomas Mann and Douglas Dillon during the policy discussions that were ongoing throughout 1958. Kubitschek, though, was about to raise the stakes significantly, and by doing so would jeopardise US support for Operation Pan America.

On the same day that Dulles was reaffirming US support for OPA, Kubitschek gave an “open speech” to all the Latin nations that outlined in much more detail just what Operation Pan America’s intentions were. As Weis writes, ‘Kubitschek stressed the global struggle between communism and Christian Democracy, linked underdevelopment to the communist threat in the region, and called on the US to make economic development a priority.’⁴⁴ Kubitschek stated:

It is no longer possible for us to keep up an attitude almost as uninterested bystanders, when the consequences of the drama that is developing will affect us as if we took an active part in it...the position of not being heard or consulted, yet being subject to the risks arising from its execution – all this is no longer convenient to Brazil...In Brazil and, I believe, in the other countries of the Continent, there has awakened the consciousness that it is no longer convenient for us to form a mere chorus, a featureless rearguard, a

⁴² Summary of President Kubitschek’s Aide-Memoire, enclosed in: Memorandum from Secretary of State John Foster Dulles to President Eisenhower, June 20 1958, *FRUS 1958-1960 Volume V* p 685-6

⁴³ Telegram from the Department of State to the US Embassy in Brazil, June 20 1958, *FRUS 1958-1960 Volume V* p 687-8

⁴⁴ Michael Weis, *Cold Warriors & Coup D’Etats* (1993) p 116

simple background to the picture. This type of role in the world drama appeals to no one, much less to the great American democracy.⁴⁵

Kubitschek had moved dramatically beyond a simple call for economic assistance in Latin America that had characterised his early period in office. He stated that, 'no greater service can be rendered to the Pan American ideal than that of trying to eliminate its great blemish – underdevelopment.' Addressing this issue, though, was not just a matter of economics; the burden of solving Latin underdevelopment was crucial to protect not just the west, but all those people who depended upon western society.

This is not a question of solving a simple economic situation...a state of misery and the absence of a minimum of comfort for human beings are not phenomena that should be viewed in purely economic terms...It is difficult to spread the democratic ideal and proclaim the excellence of private enterprise in the world when in our hemisphere economic and social conditions prevail that lead to statism as a reflex of underdevelopment...it is impossible for peoples having such disparity in living standards to fight together in the same campaign, to be integrated in the same battle, and to be forced to adopt the same values and to have the same reactions to certain happenings and doctrines. This is a truth that has to be recognized and proclaimed while there is still time. The union of the Americas is an ideal, but it is also an imperative of our survival.⁴⁶

This speech marked a significant departure from Kubitschek's original proposal: as Weis accurately notes, 'Kubitschek's speech underscored his differences with the United States on the issues of communism and economic development.'⁴⁷ In effect, it called for the US to address the Latin American problem of underdevelopment through a huge funding program similar to the Marshall Plan. The American response came at a meeting between Assistant Secretary Rubottom and Ambassador Peixoto four days later, where the Brazilian emissary attempted to backtrack from Kubitschek's call for a solution to economic underdevelopment. 'Peixoto deplored press interpretation Kubitschek speech as asking [for a] Marshall Plan for Latin America. Said President only seeks to create a better US-Brazilian and Pan-American understanding of the

⁴⁵ Speech by the President of the Republic of the United States of Brazil Juscelino Kubitschek, Rio de Janeiro, June 20 1958, Brazil (7), Box No 4, International Series, Whitman File, Eisenhower Library

⁴⁶ Ibid

importance of the development problem in order [to] improve atmosphere for solution.’

In reply, Rubottom stated that the US whilst,

according to its long-standing policy appreciates how accelerated development can strengthen LA countries’ contribution [to] Free World strength and is willing to review extent to which it can contribute this end Kubitschek’s speech unfortunately did not stress the importance of LA nations doing their part more efficiently and effectively marshal their own and foreign private capital resources for development.⁴⁸

In an effort to prolong the impression that the ideal of hemispheric unity might still be reaffirmed through OPA, Rubottom suggested to Ambassador Peixoto that he ‘might wish to clarify Brazil’s aims to [the] press’ in order to end the ‘speculation that [the] two governments views are in conflict.’⁴⁹ However, it is clear that US officials were now beginning to temper their enthusiasm for the Brazilian proposal in the wake of Kubitschek’s speech.

Rubottom’s comments to Peixoto can be attributed to a desire on behalf of the Eisenhower administration to limit any economic aspect of OPA to being compatible with those changes that were being implemented within US policy. This episode, though, marked a key moment in the bilateral relationship: it signified the fact that the Eisenhower administration would not be forced into making sweeping changes to their economic approach and were only enthusiastic about the political aspects of OPA. It also indicated that *if* Kubitschek persisted in espousing the radical economic approach that had begun to emerge as one of OPA’s defining features, then there would, inevitably, be a reduction in US support for OPA.⁵⁰ When Roy Rubottom met with Kubitschek in early

⁴⁷ Michael Weis, *Cold Warriors & Coup D’Etats* (1993) p 116; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 286-7

⁴⁸ Telegram from the Department of State to the US Embassy in Brazil detailing meeting between Assistant Secretary of State for Inter-American Affairs Roy Rubottom and Ambassador Peixoto, Washington, June 24 1958, *FRUS 1958-1960 Volume V* p 688-8

⁴⁹ *Ibid*

⁵⁰ It is, however, important to make a significant point here comparing the developing situation in US-Brazilian relations to that which would emerge between the US and Cuba once Castro came to power. As we saw in Chapter Five, the relationship between Washington and Havana began to deteriorate once Castro’s economic radicalism began to come to the fore; there would, though, be no comparative deterioration in US-Brazilian relations over Operation Pan America’s economic subtext. The reason for this

June, the US had given its consent to participating in a regional meeting to discuss the issue of Pan-American unity.⁵¹ However, now that the economic aspect of OPA had become apparent, US officials began to consider distancing themselves from the Brazilian proposal. These deliberations were given extra impetus by the comments of the Mexican Ambassador to the Organization of American States, who told his counterpart John Dreier that: 'President Kubitschek has laid a trap for the United States by proposing in his letter to President Eisenhower that a high-level meeting be held at which both political and economic questions could be discussed, but then in his speech, after he had received President Eisenhower's favourable reply, he advocated consideration of only economic questions.'⁵² Although Kubitschek would encounter both domestic and international criticism over OPA⁵³, the unfavourable economic situation in Brazil meant that Kubitschek had little choice but to continue with the advocacy of his proposal. Crucially, the extent to which the shift in OPA's context – from a mostly political alliance to widespread economic reform – impacted upon US-Brazilian relations would be demonstrated when Secretary Dulles visited Brazil in August.⁵⁴

Immediately prior to Dulles' trip, Ambassador Peixoto had written to Kubitschek urging him to proceed carefully, telling him: 'OPA should not take precedence over bilateral negotiations and relations...Dulles had to be convinced that OPA was not a hostile initiative, but was consistent with US goals.'⁵⁵ American support for OPA was vital if it was to be successful; if Kubitschek continued to call for a vast funding initiative to eradicate Latin poverty then, as Peixoto suggested, US support for the

is that whilst OPA did propose a radical shift in intra-hemispheric economic relations it did not overtly challenge the US model of development in the same way that Castro would.

⁵¹ However, this assent had been given despite the fact that Rubottom and Kubitschek disagreed over the causes of the protests. Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 621; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 286

⁵² Memorandum of a Conversation between Mexican Representative to the OAS Dr. Luis Quintanilla, Ambassador John Dreier and Assistant Secretary of State Roy Rubottom, June 24 1958, 1958 Foreign Ministers Meetings, Box No 6, Economic – Inter American Regional Development Institution, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 60 D 553, National Archives, College Park, Maryland

⁵³ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 117 details the fact that domestic opponents of Kubitschek disagreed fervently with his expressions of Pan-American unity

⁵⁴ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 622; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 287-8; Joseph Smith, *A History of Brazil* (2002) p 192-

venture in its current form was likely to be withdrawn. When Dulles arrived in Rio he wasted little time in challenging Kubitschek's linkage of the threat of communism – which had been “highlighted” so dramatically during Nixon's visit – and Latin underdevelopment. In fact, Dulles directly linked the question of Brazilian (and, therefore, Latin) underdevelopment to the need for increased private investment. He said,

The United States not only sympathizes with but welcomes the concept of a dynamic and growing Brazil, a Brazil which could grow without sacrificing freedoms, such as occurs under communist regimes...Economic development under communism gains rapidly but at a high cost in terms of human freedom; the right of people to choose their own occupation; to hold their own beliefs; to enjoy liberty. This...is a heavy price to pay. But that is what happens under communism. It is important that the Free World maintain both a rate of growth and freedom for which men will sacrifice. The US...recognizes that, being a relatively highly developed country, it has a duty in the interest of the free world to help the less developed countries achieve a satisfactory rate of development. We remember that we, having achieved great results through private free enterprise, tend to believe that other countries too should count on private capital, which exists in abundance. Use of government capital should be the exception, not the rule.⁵⁶

Dulles clearly reaffirmed the US belief in its economic principles of “free trade, free capital and free investment.” It was a direct message to the Kubitschek administration, using Kubitschek's professed Cold War concerns as a cue to repeat the importance of adopting US economic principles. According to Dulles, the threat of international communism could only be defeated through the continued embracement of Western ideals such as liberal capitalism. This is an important moment in the OPA negotiations; especially following on from the Kubitschek speech in June. Kubitschek, by presenting OPA as essentially a Cold War construct had enabled the Eisenhower administration to adopt a position that supported the political sentiments but not the economic ones.⁵⁷

⁵⁵ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 118

⁵⁶ Memorandum of a Conversation between US delegation including Secretary Dulles, Ambassador Briggs, Assistant Secretary Rubottom and Assistant Secretary Thomas Mann and Brazilian Foreign Minister de Lima, Finance Minister Lucas Lopes and the Secretary General of the Ministry of Foreign Affairs, Brazilian Foreign Office, Rio de Janeiro, August 5 1958, *FRUS 1958-1960 Volume V* p 692-6

⁵⁷ Stanley Hilton notes this divergence between Kubitschek and Dulles, writing: ‘Dulles...insisted on channelling conversation toward the communist threat and even proposed a bilateral anti-communist agreement, whereas Kubitschek pounded on a familiar theme of economic development as the path to hemispheric security.’ Stanley Hilton, “The United States, Brazil, and the Cold War” (1981) p 622

This, though, raises an important point: namely, what other choice did Kubitschek have? Had OPA been presented solely as an economic proposal then it would have been rejected by US officials. At least by initially attaining US support for OPA's political aspects, there was a chance that Washington might agree to move on the economic agenda. Kubitschek believed that his only hope of engineering a change in US economic policy lay in attaining their tacit agreement for all of OPA. We can, then, see quite clearly that the US response to OPA altered significantly once the economic side of the proposal was revealed by Kubitschek: the earlier noises of moderate enthusiasm had given way to outright suspicion. The debate over what shape OPA should take now entered its final stage. As we will see, the US would only agree to support an OPA that was predominantly based on reaffirming hemispheric unity and which advocated economic policies in keeping with those basic American objectives and those changes outlined by the administration in the wake of the Nixon trip.

US disapproval of Kubitschek's linkage of underdevelopment and the spread of communism was reiterated by Dulles throughout his Brazilian trip.⁵⁸ At a second meeting in Rio – this time with Kubitschek himself – Dulles took a similar position to that which he had taken at his meeting at the Brazilian Foreign Ministry. Kubitschek, disregarding the earlier advice of Ambassador Peixoto, 'emphasized that the first step was to agree on the major aspects of an economic program (to solve the economic crisis).' In response, Dulles once more invoked stark Cold War imagery and challenged the Brazilian assertion that underdevelopment was, indeed, the major threat to hemispheric peace. He said,

It is an oversimplification to say that the communist problem can be solved by solving the problem of underdevelopment. Highly developed countries such as Italy and France also have acute communist problems. Communism must be opposed "on all fronts and by all means." The strongest element is faith: the creative power of free men. The spiritual values of free men should

⁵⁸ Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 287

be stressed...our efforts should not be limited to economic problems but should also include those in the political field.⁵⁹

Dulles had worked hard to dispel any lingering impression within Brazil that the US might support OPA's economically radical program.⁶⁰ Following Dulles' departure, both Kubitschek and Lucas Lopes, the Brazilian Foreign Minister, were understandably anxious about the next stage of OPA.⁶¹ As we saw in the previous chapter, the approach outlined by Dulles was entirely in keeping with the Eisenhower administration's appraisal of its position in Latin America. There we highlighted the fact that despite an increasing tendency within the administration to view Latin America's position with respect to the US in predominantly strategic terms, there had not been any significant shift with regard to the administration's basic economic objectives.⁶²

That Kubitschek should be anxious when Dulles left Rio is understandable. Since coming to office in 1956, he had staked a great deal of his political credibility on seeking a close accommodation with the US in order to fund his ambitious development scheme. By the end of 1957, this approach had looked like failing due to the inability of the US and Brazil to reach an agreement over economic issues; however, the events of the Nixon trip had provided Kubitschek with the opportunity to revive his Operation Pan America scheme and, hopefully, bring in a new phase in the bilateral relationship, one that would help solve Brazil's crushing economic problems. Support from the US was vital. As

⁵⁹ Memorandum of a Conversation between Secretary Dulles and President Kubitschek, Laranjeiras Palace, Rio de Janeiro, August 5 1958, *FRUS 1958-1960 Volume V* p 696-9; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 118-9; Stephen Rabe, *Eisenhower* (1988) highlights the fact that, 'Dulles reported to the president that he was mystified by the Brazilian's "reluctance to have used the word Communism in our communiqué."' P 114

⁶⁰ At a later speech to the American Chamber of Commerce in Rio, Dulles reaffirmed the position with regard to economic principles that he had taken in his earlier meetings with Brazilian officials, stating that: "the economic well-being of a nation always depends primarily on its own efforts", that the best the US could do was to help a nation help itself.' Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 119

⁶¹ Telegram from the Embassy in Brazil to the Department of State, August 7 1958, *FRUS 1958-1960 Volume V* p 702-3

⁶² See: Michael Adamson, "The Most Important Single Aspect of our Foreign Policy?: The Eisenhower Administration, Foreign Aid, and the Third World" in Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

Weis writes, 'if the US opposed OPA, most Latin nations would not support OPA...thus, to be successful, an understanding with the US was vital.'⁶³

Dulles delivered his verdict on his return flight to Washington. 'I feel that the discussion of "underdevelopment" is a little too much mechanistic, as though there were some measurable point which could be achieved and which if reached would enable further development safely to cease,' wrote Dulles. 'In my thinking "underdevelopment" is a symptom of the lack of that dynamism which must prevail in a society if it is to survive. The United States is, and I hope always will be, "underdeveloped" in the sense that there will always be before us the vision of something better to be achieved.' Dulles went on to note that if Washington was criticised over this, then there was a possibility that the US would refuse to participate in hemispheric schemes: 'If what we have done merely evokes criticism, then there will be a tendency to revert to isolationism.'⁶⁴ Since Kubitschek announced the economic aspects of Operation Pan America, US support had quite clearly deteriorated. During his visit to Brazil and, indeed, in his letter to President Kubitschek, Dulles had outlined the continuing American belief in the viability of its economic principles as a model for fostering Latin prosperity. The US would not support the vast funding proposal outlined in Kubitschek's speech and continued to hold that Latin development could be achieved via the American economic system. US support for OPA, then, would be dependent upon the call for a radical change in economic funding being removed from the proposal. Ultimately, as we will see, the negotiations over OPA would collapse due to the incompatibility of the economic objectives of the US and Brazil, thus proving the presence of a clearly identifiable set of economic objectives within US policy toward Latin America that were separate from the administration's national security considerations.

OPERATION PAN AMERICA – PHASE THREE: THE COLLAPSE OF OPA

⁶³ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 117

⁶⁴ Letter from Secretary of State Dulles to President Kubitschek, August 7 1958, *FRUS 1958-1960 Volume V* p 700-1

The reaction of the Eisenhower administration to Kubitschek's Operation Pan America proposal had quite clearly altered dramatically since the economic side of the proposal came to light. Ever since Kubitschek's speech on June 20, US officials had been refuting the Brazilian argument that economic underdevelopment was entirely to blame for communist gains in the region and that the only solution was a vast increase in the level of economic funding in the area. As we have seen, neither Dulles nor Eisenhower – nor indeed any of the prominent officials within the administration – believed that US strategic objectives in Latin America necessitated a dramatic shift in economic principles.⁶⁵ Following Dulles' rejection of the economic theory underpinning OPA's underdevelopment thesis, Kubitschek dramatically altered his proposal, calling for the convening of a Foreign Minister's Meeting and a significantly watered-down version of Operation Pan America's initially radical economic proposals. As we saw earlier, without US support OPA would stand very little chance of succeeding; therefore, Kubitschek's only hope of obtaining Washington's support was – as Ambassador Peixoto had pointed out – to make his proposal compatible with US objectives.

On August 9, Kubitschek dispatched an aide-memoire to the American Republics outlining his revised vision of OPA. As Michael Weis highlights, it was significantly altered from the proposal outlined in his speech of June 20.

As with Kubitschek's earlier statements, the noted advocated economic measures to consolidate a political-military alliance. Among the specific suggestions for discussion (at the informal meeting of foreign ministers) were ways to increase private investment and public loans, to create an Inter-American Development Bank, to promote commodity price stability, to create a Latin American Common Market, and to expand technical assistance. For an initiative that had been described as bold, visionary, divisive, and communist inspired, the suggestions were neither revolutionary nor even very innovative.⁶⁶

In fact, as we saw in the previous chapter, these suggestions were almost totally in keeping with those ideas being put forward by Milton Eisenhower, Thomas Mann,

⁶⁵ Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999)

Douglas Dillon and Roy Rubottom as a solution to the economic problems that the US was facing in Latin America. Indeed, the actual policy outlined in NSC 5902/1 would – in terms of economic policy – be very similar to Kubitschek’s latest OPA proposal. This change in approach is important for two reasons. 1) US support for OPA had atrophied dramatically once the economic aspect of the proposal became evident, and Kubitschek’s response, therefore, was a reaction to the reduction in US support; and, 2) we can clearly see that the US wanted to modify OPA’s economic sections so that it was more in keeping with the recommendations being made within the Eisenhower administration for regional commodity agreements and a regional lending institution.

Unsurprisingly, the Eisenhower administration’s support for OPA was rejuvenated by this change. Moreover, US officials were now happy to support a proposal that they believed was, once again, advocating a policy approach in keeping with their own reinterpretations. Roy Rubottom sent Foster Dulles a memorandum stating: ‘Recent initiatives such as Brazil’s “Operation Pan America”, and our own in support of an Inter-American regional development institution, make it urgent that we formulate a schedule to provide for adequate consideration of these proposals, along with those of other countries, to achieve our mutual objectives.’ Rubottom believed that the best forum for this type of debate would be a Foreign Ministers Meeting, as this would be, ‘well received in the US and throughout the hemisphere,’ and would ‘provide us with an opportunity to stress the importance which we attach to “OPA”, but at the same time...require Brazil to place the operation clearly within OAS channels.’⁶⁷

By viewing the evolution of Operation Pan America through these three distinct periods – the early stage of political cooperation; the secondary stage of declining US support due to issues over economic policies; and, finally, the third stage, illustrating the way that US support ebbed and flowed depending on the economic aspect of the proposal

⁶⁶ Michael Weis, *Cold Warriors and Coup D’Etats* (1993) p 120; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 290-1

⁶⁷ Memorandum from Assistant Secretary Roy Rubottom to Secretary of State John Foster Dulles, August 20 1958, Folder – 1958 – Brazil, Box 5, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959. Lot 60 D 553, National Archives, College Park, Maryland

– we can see once and for all the impact that the economic side of US policy in Latin America was having on the administration's approach. We have already determined that in response to the Nixon trip, the US was increasingly using a security perspective when considering their approach in Latin America.⁶⁸ And yet, Washington's ultimate stance with regard to OPA makes little sense from a strategic standpoint: the only argument that offers a satisfactory explanation for the fluctuating level of US support for the proposal is that the Eisenhower administration was pursuing a bifurcated policy in Latin America at this time; in the case of OPA they were adhering to long-standing economic principles, not national security concerns.

In an attempt to regenerate the previous level of US support for Operation Pan America, Kubitschek had dramatically watered-down his original proposal. Just how much was illustrated at the aforementioned Foreign Ministers Meeting in September, which upon completion issued a joint communiqué that stated: 'The Meeting concurred in the belief that private capital offers the primary source for financing economic development in the lesser developed areas and that their individual governments desiring the introduction of the maximum private capital possible should undertake to provide appropriate conditions to encourage such investment.'⁶⁹ As Weis notes, 'with unity ostensibly preserved, the ministers issued a communiqué that praised OPA and promised greater cooperation and intensified efforts to promote economic development.'⁷⁰ As we have seen throughout these sections on Operation Pan America, the Eisenhower administration's support for the political aspects of the proposal was continually strong; but once Kubitschek began proposing an agenda that challenged US economic ideals then US support deteriorated rapidly. And it was this pattern that would continue to dominate the bilateral relationship when it came to OPA: continued domestic criticism, and the

⁶⁸ Although, as we have also seen, the same economic principles that had underpinned US policy in Latin America since 1953 continued to play a dominant role in those areas that were not immediately encompassed by the Eisenhower administration's perception of the national security problems that they faced in Latin America. Therefore, in Brazil, economic factors assumed more importance.

⁶⁹ Final Draft of Communiqué from Meeting of Foreign Ministers in Relation to Economic Topics of Brazilian Aide-Memoiré, 16 September 1958 Folder – 1958 – Brazil, Box 5, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 60 D 553, National Archives, College Park, Maryland

⁷⁰ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 121

deepening economic problems in Brazil, meant that Kubitschek was forced to return to his original approach of trying to incorporate a vast funding program into an OPA that would, hopefully, be accepted by the US.⁷¹

As Kubitschek attempted to rejuvenate his proposal, though, the US would refuse to consider any changes in economic policy beyond those already revealed by Dulles at the September meeting.⁷² As we saw in Chapter Five, the administration felt sure that the introduction of the IADB and regional commodity agreements would be enough to meet their strategic aims in the region and promote hemispheric stability.⁷³ These prevailing tensions between the US and the Brazil came to a head at the November meeting of the “Committee of 21”, which was the group set up following the Panama President’s Meeting in 1956.⁷⁴ The Brazilian emissary to the meeting – Augusto Schmidt – warned the Americans during a break in proceedings that, ‘if the US did not support OPA, then Brazil might as well leave the meeting.’ Worse was to come: later on in the meeting Schmidt, ‘presented a three-part, two-hundred page treatise – a bombshell, really – that presented a history of inter-American economic cooperation and post-war problems...the well-prepared proposal...was more a condemnation of post-war US policy than anything else...by the time Schmidt addressed the delegation on November 25, Brazilian-American cooperation on OPA was virtually impossible.’⁷⁵ Once again, we can see that as soon as the Brazilians began to push their economic agenda with regard to OPA, US support diminished immediately.⁷⁶ This clearly indicates the presence of a clear set of economic principles within US policy at the time when – as we have already noted in

⁷¹ Weis write, ‘For six weeks following the Foreign Minister’s meeting, Kubitschek attempted to repair the damage and make OPA appear a success. He took the offensive with a series of speeches that emphasized that he still attached great importance to OPA and criticized opponents of the initiative as unpatriotic.’ Michael Weis, *Cold Warriors and Coup D’Etats* (1993) p 122

⁷² *Ibid* p 122-3

⁷³ Stanley Hilton, “The United States, Brazil, and the Cold War” (1981) p 622; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 288-290

⁷⁴ It will be remembered that Eisenhower went to Panama with the Committee of 21 as a proposal to divert expected Latin complaints about US economic policy following the impact of the Soviet Economic Offensive.

⁷⁵ Michael Weis, *Cold Warriors & Coup D’Etats* (1993) p 123-5

⁷⁶ It is worth noting that Schmidt may have been acting without Kubitschek’s consent at the “Committee of 21” meeting; but his ultimatum was symptomatic at the Brazilian frustration over their failure to bring about a change in US policy

Chapters Three and Five – US officials were viewing events in Latin America from a predominantly strategic perspective.

By early-1959, Kubitschek's OPA proposal was finished; a fact that caused intense anger among leading Brazilian officials.⁷⁷ Thomas Mann outlined the nature of US-Brazilian disagreement to Douglas Dillon and emphasised the fact that economic disputes between the two nations had brought about the breakdown in negotiations. In an internal State Department memorandum he wrote,

Brazil is attempting through Operation Pan-America to obtain the assurance of continuing large-scale financial assistance from the United States Government for a general program of economic development in Latin America. The program would set a series of goals and support levels, and the United States would be expected to underwrite the attainment of these support levels. The United States cannot accept the Brazilian proposals, and the problem is to resolve the issue constructively, with as little discord as possible.⁷⁸

Mann made it quite clear that the US would only support OPA if it proved to be compatible with pre-existing economic objectives. In effect, the position of the Eisenhower administration over OPA was a direct representation of the themes outlined as underpinning the administration's reappraisal of policy in the 1958-61 period. Though strategic concerns had necessitated an alteration in some elements of US policy, and though US officials had recognised that the majority of the problems confronting them in the region were economic in nature, the solution put forward in NSC 5902/1 would be overtly concerned with national security imperatives. There would not be any major changes in US economic policy, and it is this fact that undermined any chance of Kubitschek being able to secure US support for his proposal.

The final hope for OPA was the next "Committee of 21" meeting in January 1959. However, once again, the US and the Brazilian's clashed over economic

⁷⁷ Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 622; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 290-1

differences.⁷⁹ As outlined at the beginning of this chapter, any hopes of US-Brazilian cooperation over OPA ultimately ended due to the incompatibility of each side's economic objectives. Brazil continued to call for a "Marshall Plan for Latin America", whilst the US, in keeping with its regional policy would refuse to countenance such a proposal.⁸⁰ OPA remained as part of the lexicon of intra-hemispheric relations after 1959, but it was an ideal far-removed from that originally outlined by Kubitschek in the wake of the Nixon visit.

In fact, when it did re-emerge in 1960, it was as a reshaped American version; one that although advocating the unity within the Western Hemisphere proposed an economic program that adhered to traditional US economic objectives as outlined in NSC 5902/1. In February 1960, Eisenhower wrote to Kubitschek to 'thank' him for proposing Operation Pan America, citing Kubitschek's proposal as being the catalyst for the version of OPA that the US had now adapted to meet its own objectives.

You were thoughtful enough to write to me to express your own eloquent ideas for a dynamic joint effort in which all of the American Republics could devote themselves...I have now concluded that, notwithstanding our past efforts, we all need to exert additional strength in our common program to meet the challenge of this new decade during which our peoples are determined to progress to a new high plane of dynamic living, socially, economically, politically and spiritually.⁸¹

⁷⁸ Memorandum from the Assistant Secretary of State for Inter-American Affairs Thomas Mann to the Under-Secretary of State for Economic Affairs Douglas Dillon, January 26 1959, *FRUS 1958-1960 Volume V* p 708-10

⁷⁹ As Michael Weis has written on summarising the meeting: 'Brazilian-American differences dominated the meetings...Brazil did not deviate from its insistence on a long-term program with concrete goals, a multilateral *programa de metas*, that the US refused to consider. Instead, US officials convinced the committee to accept a bilateral structure with each nation formulating its own program. United States officials presented their positions as sweeping, but continued to emphasize foreign private investment, sound national fiscal and monetary policies, increased trade through the GATT (General Agreement on Tariffs and Trade) framework and regional markets, and efforts to prevent excessive price fluctuations of primary commodities...by the time the "Committee of 21" reconvened in Buenos Aires in April, OPA had lost its relevance.' Michael Weis, *Cold Warriors and Coup D'Etat* (1993) p 126

⁸⁰ The end of OPA came when Fidel Castro 'endorsed' it 'emphatically and demanded a ten-year, thirty-billion-dollar US aid plan.' From this moment on, Kubitschek realised that there was no longer any hope of OPA being accepted by US officials. 'After Buenos Aires, Kubitschek quietly abandoned his stillborn child except for nostalgic moments, such as OPA's anniversary and visits by foreign dignitaries.' *Ibid* p 127

⁸¹ Letter from President Eisenhower to President Kubitschek, July 8 1960, *FRUS 1958-1960 Volume V* p 777-778

Eleven days later, Eisenhower spoke at a press conference in Newport, Rhode Island, where he outlined the US version of Operation Pan America. Predictably, at the heart of the US plan was the enduring economic ideal of development through the expansion of foreign private investment. 'Widespread social progress and economic growth benefiting all the people and achieved within a framework of free institutions are the imperatives of our time,' said the president. 'Our nation's history and traditions place us in accord with those who seek to fulfil the promise of the future through methods consistent with the dignity of free men.' Once he had finished his statement, Eisenhower agreed to take questions from the press, the most interesting of which concerned what shape this "investment program" would take:

Q. Felix Belair, *New York Times*: Mr. President, is it possible at this time to give any kind of estimate as to the order of magnitude of assistance contemplated, and would the proposed program operate as did the European recovery program with the so-called shopping lists?

THE PRESIDENT. No. You are talking about the so-called Marshall plan?

Q. Mr. Belair: Yes, sir.

THE PRESIDENT. Well, the Marshall plan was to repair and rehabilitate a destroyed industrial plant already existing. This is an entirely different problem, and I think it would be unfair to compare the effort we are now talking about --raising the social and economic standards of the people--with the effort of the Marshall plan. But I do want to say this, which I have said so often: the only real investment that is going to flow into countries that will be useful to them in the long term, is private investment. It is many times the amount that can be put in from the public coffers. And normally, the public loans are made so as to encourage and make better opportunities for the private investments that follow.⁸²

The idea of Operation Pan America, then, was now being presented as a hemispheric effort to eradicate poverty and reaffirm unity in the Western Hemisphere through the economic model put forward by the US. Kubitschek's economic radicalism had been replaced and, it is fair to say, the version being referenced by US officials in 1960 bore very little resemblance to that put forward by the Brazilian leader in 1958. Yet

the disagreement between the US and Brazil over OPA was not enough on its own to bring about a final break in the bilateral relationship; it was, however, a catalyst. In 1958, 1959 and 1960, the deepening economic crisis engulfing Brazil would force Kubitschek to become increasingly insistent that the Eisenhower administration offer Brazil the financial assistance it so desperately needed.⁸³ The US, adhering to its pre-existing economic strictures, would refuse to consider any change in approach unless Brazil reached a prior agreement with the IMF over exchange reform. As we shall see in the next section, despite the increasing national security concerns that we outlined in Chapter Five as dominating US official's appraisals of Latin America, it would be economic issues that would come to dominate US-Brazilian relations for the remainder of the Eisenhower era.

FINANCIAL DISAGREEMENTS: ECONOMIC POLICY & THE BILATERAL RELATIONSHIP

In seeking to outline the reasons behind Kubitschek's eventual decision to pursue a more independent form of foreign policy, Michael Weis argues that the Brazilian leader was motivated by 'the failure of OPA and the break with the IMF.'⁸⁴ This section will analyse the period leading up to the Brazilian decision to break-off negotiations with the IMF and illustrate the way that it was the economic elements within US policy that brought this eventuality about; ultimately, as we shall see, to the detriment of Washington's strategic objectives in the region. Weis is the only scholar to have offered an in-depth appraisal of the reasons for the split in the bilateral relationship; however, he does so without linking the position taken by the US to the wider global and regional themes which have been outlined throughout this thesis.⁸⁵ The importance of this

⁸² The President's News Conference at Newport, Rhode Island, July 11th 1960. Public Papers of the Presidents: Dwight D. Eisenhower 1960. www.presidency.ucsb.edu/ws/index. Accessed on November 7th 2005.

⁸³ For an excellent account of Brazil's ongoing economic problems, see: Thomas Skidmore, *Politics in Brazil* (1967) p 174-8

⁸⁴ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 133

⁸⁵ Stanley Hilton does, too, but his approach is contained in an article that situates the breakdown in the bilateral relationship within a narrower argument detailing the growing enmity between the two nations as a

approach lies in the fact that the position taken by the US was a continuation of the economic approach that they had pursued since coming to office in 1953: in effect, their actions toward Brazil in the 1958-60 period reaffirmed the contention here that economic principles continued to impact heavily upon US policy toward Latin America even when strategic concerns had become of such pressing importance within the mindsets of US officials.⁸⁶

We have already seen that a significant part of Kubitschek's enthusiasm for OPA was due to pressing domestic economic concerns. The problem for Kubitschek lay in the fact that US officials were reasonably satisfied with their economic approach toward Latin America. At the same time that Ambassador Peixoto was imploring US officials to provide Brazil with a \$100 million EXIM loan⁸⁷, Assistant Secretary of State William MaComber was writing to Senator Joseph Clark to refute claims made in a *Philadelphia Inquirer* editorial about US economic policy in Latin America. He wrote,

As for the stated "neglect" of Latin America, I am pleased to inform you that while we may not always have been able to do everything we would have liked in this very important area, we do have a positive record of cooperation and support...of which we, as a nation, can be proud and which, I am confident, is both recognized and appreciated by our Latin American friends...in the field of private capital investment, about forty percent of the United States direct private investment is located in Latin America...The Export-Import Bank has authorized a total of more than three billion dollars in loans for Latin America, and more than forty percent of all the Bank's loans have gone to that area in the last decade. These loans are made to support both private and governmental development projects...⁸⁸

The message was clear: the Eisenhower administration did not believe that there was anything fundamentally wrong with its economic development policies toward Latin

consequence of the Cold War context. Stanley Hilton, "The United States, Brazil, and the Cold War" (1981) p 621-3

⁸⁶ As the bilateral relationship deteriorated, it was only the relationship between the Pentagon and their Brazilian counterparts that remained consistently amicable. However, the role of private American business officials like Nelson Rockefeller and Henry Kaiser did go some way toward alleviating the tensions that had emerged in the diplomatic relationship. Elizabeth Cobbs, *The Rich Neighbor Policy* (1992) p 251

⁸⁷ Reference is to the meeting at the Department of State in February 1958 at which the Ambassador made an urgent request for US aid; see the first section on Operation Pan America in this section

⁸⁸ Letter from Assistant Secretary of State William Macomber Jr to Senator Joseph Clark, January 17 1958, Folder – 1958 – Brazil, Box 5, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 60 D 553, National Archives, College Park, Maryland

America (This appraisal endured even in the aftermath of the Nixon trip when the reappraisal of policy that took place did not recommend a significant change in basic US economic policy).⁸⁹ The problem for Kubitschek was that Brazil's parlous economic position required a significant influx of foreign capital, which could only come from the United States. The refusal of the Eisenhower administration to consider a change in policy meant that economic disagreements would continue to be the dominant feature in Kubitschek's final two years in office.

In Chapter Four, we demonstrated that US officials were insisting that any provision of economic aid would be dependent upon measures being taken to ensure that similar financial crises would not occur again; the feeling within Washington was that unless such steps were taken, Brazil would need similar balance of payments, inflationary or commodity assistance every financial year. The Brazilians complained that to take those measures being suggested – exchange reform, opening up Brazilian petroleum resources to private investment, implementing a new coffee policy – would be impossible due to strong internal nationalistic factions and to adopt such policies would, according to the Kubitschek administration, spell political disaster. This position continued to underpin US economic policy toward Brazil in 1958 and 1959. In May 1958, a telegram from the State Department to the Embassy in Brazil emphasised that any EXIM Bank balance of payments assistance at this time would be, 'highly inadvisable from Brazilian point of view since [it] would increase indebtedness without being likely to lead to real, basic solution of Brazil's problems.' The telegram made it expressly clear that no EXIM Bank assistance would be forthcoming without a prior agreement being reached with the IMF.⁹⁰ State Department official, Harry Turkel, outlined the thinking behind the US approach with regard to the IMF in a memorandum produced in April.⁹¹ 'Brazil, Chile and Colombia are pressing us for what amounts to

⁸⁹ Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006); James Siekmeier, *Aid, Nationalism and Inter-American Relations* (1999)

⁹⁰ Telegram from the Department of State to the Embassy in Brazil, March 3 1958, *FRUS 1958-1960 Volume V* p 661-3; Similar sentiments were expressed at a meeting between Ambassador Peixoto and Assistant Secretary Rubottom on March 14. See: Memorandum of a Conversation, Department of State, Washington, March 14 1958, *FRUS 1958-1960 Volume V* p 663-5

⁹¹ As Skidmore notes, 'The IMF had a central role not because of the funds it could release, which were relatively small, but because its imprimatur was the precondition for the further cooperation of the principal

balance of payments assistance to tide them through periods of depressed commodity prices,' wrote Turkel. 'It is necessary that we respond to these situations, whilst at the same time maintaining pressure, through the International Monetary Fund, for needed internal reforms and endeavour to encourage policies which will help stabilize their economies.'⁹²

As Kubitschek began to try and obtain US support for OPA, the Eisenhower administration was continuing to adopt a hard-line approach toward Brazilian requests for economic assistance. This, of course, was not in keeping with Washington's strategic agenda. But, as we have seen throughout this thesis, the clear tension between economic and security objectives continued to exert a strong influence over US policy even when it was to the obvious detriment of US aims in either field. As 1958 went on, the US position with regard to the economic situation in Brazil continued to harden, with US officials continuing to insist that Brazil reach an agreement with the IMF.⁹³ At his August meeting with President Kubitschek, Secretary Dulles reiterated the fact that US economic policy toward Brazil would – in spite of any progress made over OPA – continue to be predicated on traditional American economic ideals. Dulles warned Kubitschek 'against the pitfalls of inflation' and 'unbalanced budgets' and, then, 'referring to the development of the United States in the last century, pointed out that the development of resources is primarily a job for private capital.'⁹⁴ In fact, despite the continuing emphasis being attached by US officials to meeting their strategic aims in Latin America, there continued to be a strong emphasis placed on traditional US economic objectives. This was, of course, exacerbated by the Kubitschek administration's continuation of its policy of emphasising the economic side of the

creditors, such as North American and European private banks and the United States government.' Thomas Skidmore, *Politics in Brazil* (1967) p 176

⁹² Memorandum by Director of the Office of Inter-American Affairs Harry Turkel to Secretary Dulles, Assistant Secretary Roy Rubottom and Deputy Under-Secretary for Economic Affairs Douglas Dillon, April 10 1958, Folder – 1958 – Economic, Box 6, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 60 D 553, National Archives, College Park, Maryland

⁹³ See: Telegram from the Department of State to the Embassy in Brazil, March 21 1958; Telegram from the US Embassy in Brazil to the Department of State, March 24 1958; Telegram from the Department of State to the Embassy in Brazil, March 29 1958, *FRUS 1958-1960 Volume V* p 666-671

⁹⁴ Memorandum of a Conversation between Secretary of State Foster Dulles and President Kubitschek, Laranjeiras Palace, Rio de Janeiro, August 5 1958, *FRUS 1958-1960 Volume V* p 696-9

bilateral relationship. The relative importance that continued to be attached to economic aims within US policy was demonstrated in an Embassy telegram dispatched to the State Department on August 18. It stated,

Objectives of US in Brazil continue to those enunciated previously and include following. 1. Effective collaboration by Brazil with US in support of common objectives of world peace and security...2. Cooperation by Brazil with US in peaceful solution hemisphere problems and constant development and strengthening inter-American relations. 3. Continued awareness that Brazil's interests best served by close political, military, economic, scientific and cultural cooperation with US. 4. Recognition Communist threat and its many disguises and its use of ultra-nationalism, anti-Americanism and neutralism to attain its objectives. 5. Development of increased political stability based on democratic foundation. 6. Sound economic development providing maximum freedom of movement of goods, services and capital and maximum free enterprise.⁹⁵

As we can see from the list of objectives provided above, the majority of US goals in Brazil in the summer of 1958 were strategic or security based. Despite the administration clearly emphasising its strategic aims in Latin America following the Soviet Economic Offensive and the Nixon trip, actual strategic objectives in Brazil had remained relatively unchanged. Consequently, economic factors continued to play a highly prominent part in the US approach toward Brazil. Economic principles continued to exert a strong influence over US policy. NSC 5902/1, although predominantly concerned with issues of national security, would reaffirm the Eisenhower administration's commitment to its traditional economic objectives. This refusal to consider a change in economic ideals had undermined any chance of an agreement over OPA; in terms of US-Brazilian economic relations it would bring about a split in the bilateral relationship as neither country was prepared to alter its position. The major problem would be the US insistence that Brazil reach an agreement with the IMF, specifically over the issue of full exchange reform.⁹⁶ Kubitschek had made it clear that

⁹⁵ Telegram from the US Embassy in Brazil to the Department of State, August 18 1958, *FRUS 1958-1960 Volume V* p 703-5

⁹⁶ As the report by the BAC cited here and in Chapter Five highlighted, a major cause of Brazil's economic problems was that it continued to be a "non-dollar country."; for US position on this, see: Memorandum from Charles Adair the Director of the Office of International Financial and Development Affairs to

he refused to countenance any move to implement exchange reform; a stance reaffirmed when the limited measures that had been implemented so far, began to fuel 'social unrest in urban areas.'⁹⁷ Kubitschek did not believe that his political position was strong enough to implement a policy that was so deeply unpopular with Brazilian nationalists.⁹⁸

By January 1959, Kubitschek began to be faced with the possibility of abandoning his much-heralded development program.⁹⁹ Weis writes: 'Kubitschek struggled with increasingly apparent but difficult choices. He could abandon the *metas* to fight inflation, which would alienate key support groups and thus was politically difficult, or he could complete the targets through inflationary financing, which might stifle foreign investment and destroy Brazil's credit rating. A third option was to convince the US government to modify its loan policies.'¹⁰⁰ In February, Kubitschek met with Ambassador Briggs and outlined his increasingly desperate take on the Brazilian economic situation. 'In long talk with Kubitschek this morning I found him far more concerned over economic situation than on any previous occasion,' reported Briggs. Brazil's financial problems – which as we have seen stemmed from lack of currency convertibility, an undiversified economy, continued budget deficits, high inflation and a chronic balance of payments problem – meant that Kubitschek was prepared to 'take every step recommended in Washington (except "complete exchange reform" which he declared his government could not survive.)'¹⁰¹ It would, though, be the issue of exchange reform that proved to be vital: the IMF would not sanction any funding program for Brazil unless full exchange reform was implemented and Kubitschek continued to argue that to implement such a change in policy could cause his government to collapse. Kubitschek went on to claim that even if he did implement all the other proposals made by the IMF that Brazil would still require '\$300 million balance of

Thomas Mann the Assistant Secretary of State for Economic Affairs, February 10 1959, *FRUS 1958-1960 Volume V*, p 713-715

⁹⁷ Thomas Skidmore, *Politics in Brazil* (1967) p 176-180; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 296-300

⁹⁸ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 127

⁹⁹ Although Kubitschek's ambitious development program had brought about some successes – most notably the construction of a new interior capital at Brasilia – it had failed to meet many of the targets laid down for it when Kubitschek took office in 1956. Thomas Skidmore, *Politics in Brazil* (1967) p 178

¹⁰⁰ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 128

¹⁰¹ Telegram from the Embassy in Brazil to the Department of State, February 3 1959, *FRUS 1958-1960 Volume V* p 711-3

payments assistance, which can only come from the US.' Ambassador Briggs repeated the standard US response that, 'our assistance...would have to be based on prior arrangements between Brazil and the IMF.'¹⁰²

As the impasse between Brazil and the IMF continued Kubitschek began to consider the option of breaking off negotiations with the IMF and pursuing his own route to economic stability.¹⁰³ By doing this he hoped that he might be able to convince the Eisenhower administration to offer Brazil the balance of payments assistance that she continued to need. But, as Weis has pointed out, 'United States officials saw the break as a desperate gamble to force them to make [an] EXIM loan without implementing the conservative fiscal policies they deemed necessary.'¹⁰⁴ Kubitschek's intense frustration with the IMF became apparent in March when after a dinner between the Brazilian leader and Ambassador Briggs, the US representative reported that: 'He is disappointed [in the] IMF technicians who although, well disposed and technically highly competent fail to understand facts of Brazilian political life.'¹⁰⁵ As Peter Flynn has noted, by the spring of 1959 the growth of nationalism in Brazil was making it increasingly difficult for Kubitschek to even consider acceding to the demands of the IMF. 'Criticism ranged across the political spectrum, making the question of foreign involvement in, and control of, Brazil's economy the most fiercely debated issue in national politics,' writes Flynn.¹⁰⁶ The nationalist factions in Brazil believed that by implementing full exchange reform – as stipulated by the IMF – Brazil would be sacrificing yet more of her economic independence; at a time when she was beset by economic crises, this was a highly volatile issue. Washington, however, continued to refuse to consider a change in its position regarding economic assistance.¹⁰⁷ Again, we can quite clearly see the influence that economic objectives continued to exert over US policy in Brazil. National security

¹⁰² Ibid

¹⁰³ Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 296-8; Joseph Smith, *A History of Brazil* (2002) p 176-7

¹⁰⁴ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 129

¹⁰⁵ Telegram from the Embassy in Brazil to the Department of State, March 27 1959, *FRUS 1958-1960 Volume V* p 715-6

¹⁰⁶ Peter Flynn, *Brazil: A Political Analysis*. (London: Ernest Benn Limited, 1978) p 206; Thomas Skidmore, *Politics in Brazil* (1967) p 179

¹⁰⁷ See: Memorandum of a Conversation between Brazilian Ambassador Peixoto, Henrique Valles of the Brazilian Embassy, Assistant Secretary of State Roy Rubottom and William Briggs of the Office of East Coast Affairs, Department of State, Washington, April 8 1959, *FRUS 1958-1960 Volume V* p 716-720

imperatives, which had been brought into sharp focus by the events of the Nixon trip, could have necessitated a strong effort by the US to form an alliance with Brazil. Yet, the Eisenhower administration continued to pursue a policy that they knew would be deeply unpopular in Brazil as a matter of economic principle.

With no prospect of an agreement in sight, Kubitschek took the step of breaking-off negotiations with the IMF on June 9. He told Ambassador Briggs, 'there would be no more Brazilian mission to the Fund. He had made his final proposals and they had been rejected...the fund continued to insist on exchange reform in a manner which was politically impossible for him to carry out.' Kubitschek continued to say that if Brazil did not receive urgent financial assistance, he would be placed in a 'situation where he would be obliged to choose the only alternative available to him and which he felt sure the Brazilian people would understand: a graduated default of Brazil's external obligations and an arrangement to keep the country going at a reduced economic tempo for the next few months.'¹⁰⁸ It was a decision certain to play well in Brazil. As Thomas Skidmore has noted, 'the President tried to make maximum political capital out of his break with the IMF.'¹⁰⁹

And yet, despite this severe split in US-Brazilian relations, US officials continued to maintain that their policies were correct. 'Mr Jacobsson of the IMF, held that the proposed Brazilian stabilization program was not strong enough because it failed to unify exchange rates to the desirable extent and maintained a system of import subsidies, did not consolidate the public finances and make efforts to reduce the substantial railroad deficit and failed to call for adequate credit controls,' wrote Roy Rubottom to Robert Murphy. 'President Kubitschek refused to accept the IMF suggestions.'¹¹⁰ Immediately after Kubitschek broke with the IMF he requested economic assistance from the US; the

¹⁰⁸ Telegram from the Embassy in Brazil to the Department of State, June 9 1959, Ibid, p 724-6; Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 129-30

¹⁰⁹ Thomas Skidmore, *Politics in Brazil* (1967) p 181; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 297-9

¹¹⁰ Memorandum from Assistant Secretary of State for Inter-American Affairs Roy Rubottom to the Deputy Under-Secretary of State for Political Affairs Robert Murphy, June 17 1959, Folder – 1959 – Brazil, Box 11, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 61 D 279, National Archives, College Park, Maryland; W. Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 134

US refused, but they did agree to reschedule some of Brazil's debts in order to ease the immediate burden on the Brazilian economy. However, this was certainly not a solution to the inherent problems in US-Brazilian economic relations and, in effect, the impasse remained the same.¹¹¹ A National Intelligence Estimate, produced in late-July, stated that,

President Kubitschek almost certainly is counting on the US relenting somewhat and being willing either to put enough pressure on the IMF to cause it to modify its position or, in the end, coming to Brazil's assistance without an IMF agreement. He probably believes that the US, apprehensive regarding the security of US military rights and US investments in Brazil (about \$1,000 million), will act as he desires, lest a continuation of the impasse open the floodgates of ultra-nationalism and anti-Americanism. He appears to believe these considerations will outweigh US reluctance to make an exception to the IMF stabilization program approach.¹¹²

In many ways this is a remarkable document. The reason for its significance is that it quite clearly highlights the presence of economic and strategic factors within US policy: not only that, but also, it demonstrates the administration's commitment to their economic principles even when there was a chance that in doing so they might contravene their national security objectives. This is a crucial moment in demonstrating the central argument of this thesis; it clearly demonstrates that US strategic objectives in Brazil were being undermined by their economic policies. John Moors Cabot, who had by now been appointed as the new US Ambassador to Brazil¹¹³, outlined his belief that the US was pursuing the right economic approach in Brazil. He sent a report via Alton Hamba of the Office of East Coast Affairs that told Rubottom: 'We [must] not permit Brazil to pressure us into receding from our position regarding balance of payments loans to Brazil...given the present financial policies and conditions in Brazil, a balance of payments loan would no good and might even do harm,' wrote Cabot. 'Brazil must be

¹¹¹ Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 129-130; Telegram from the US Embassy in Brazil to the Department of State, June 13 1959; Memorandum of a Conversation between Secretary of State Christian Herter, Assistant Secretary of State Roy Rubottom and Henrique Valles the Brazilian Charge D'Affaires, Department of State, Washington, July 8 1959; Letter from the Charge in Brazil Earnest Wallner to the Director of the Office of East Coast Affairs Clarence Boonstra, July 10 1959, *FRUS 1958-1960 Volume V* p 726-733

¹¹² SNIE 93-59 Special National Intelligence Estimate, "The Financial Crisis in Brazil", July 21 1959, *FRUS 1958-1960 Volume V* p 733-9

¹¹³ And who, it will be remembered, was one of the leading voices in the administration advocating a change in US policy

allowed to “stew in its own juice” unless it’s willing to make financial reforms.’¹¹⁴ For his part, Kubitschek continued to receive the acclaim of his countrymen for standing up to the “Yankee Imperialists” in the IMF and, fatefully, began to move toward an independent foreign policy.¹¹⁵ Somewhat fortuitously, the immediate crisis over the IMF negotiations would dissipate as Brazil’s coffee exports proved to be far higher than expected, although the factors that had caused the problems in the first place had still not been addressed. As Weis argues, ‘Although Brazil avoided bankruptcy, nothing was resolved.’¹¹⁶ The tension between economic and security factors within US policy has been highly visible in our analysis of the US position with regard to OPA and the financial crisis confronting Brazil in 1959; we will now conclude by demonstrating the continued impact of this trend by briefly looking at the events surrounding the 1960 presidential election.

THE 1960 ELECTION: THE US AND THE BRAZILIAN PRESIDENTIAL ELECTION

With US-Brazilian relations at an all-time low, anti-Americanism and overt nationalism would prove to be prominent themes in the 1960 Brazilian presidential election campaign. These events also forced the US to consider their position with respect to the election, as they were faced with either a pro-nationalist, economic radical coming to power, or the likely appointment of Kubitschek’s hand-picked successor; a move that would enable Kubitschek to return to power in 1964.¹¹⁷ Again, in a continuation of the main argument of this thesis, we will see that the US approach toward the election was overshadowed by economic concerns and considerations rather than strategic interests.

¹¹⁴ Memorandum from Alton Hamba the Deputy Director of the Office of East Coast Affairs to Assistant Secretary of State Roy Rubottom, October 16 1959; Memorandum from Dwight Scarborough of the Office of East Coast Affairs to Assistant Secretary Roy Rubottom, November 3 1959, Folder – 1959 – Brazil, Box 11, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 61 D 279, National Archives, College Park, Maryland

¹¹⁵ Thomas Skidmore, *Politics in Brazil* (1967) p 180-3; Stanley Hilton, “The United States, Brazil, and the Cold War” (1981)

¹¹⁶ Michael Weis, *Cold Warriors and Coup D’Etats* (1993) p 129-130

The first candidate to take a stance with regard to US-Brazilian relations in anticipation of the 1960 election was Kubitschek's successor as Governor of the State of Minas Gerais. In February 1959 he signed a decree that directly contravened the interests of the MA Hanna Company.¹¹⁸ John Ingersoll, of the Office of East Coast Affairs, reported to Roy Rubottom that, 'this move is suspected to have been politically motivated' and that it was 'another example of nationalist pressures in Brazil and the difficulties which they create for US private investment.'¹¹⁹ The problems in the bilateral relationship were used as a tool for political gain by Brazilian officials who were interested in running for the presidency.¹²⁰ In April, Joao Goulart, the Brazilian Vice President, backed a move to block the remittances that foreign companies received on the profits they made in Brazil. William Briggs, Deputy Director of the Office of East Coast Affairs, told Rubottom: 'You will recall that recent public statements by high Brazilian Government Officials seem to foreshadow steps designed either to limit profits of US firms or to restrict their remittances...there are indications that the Vice President's Brazilian Labour Party (PTB) may be planning to use this matter as a plank in its platform for the 1960 presidential elections.'¹²¹

An almost identical example occurred in May, over the continued pressure within Brazil to expropriate the facilities of the American and Foreign Power Company

¹¹⁷ For information on this, see: Sheldon Maram, "Juscelino Kubitschek and the 1960 Presidential Election," *Journal of Latin American Studies* (Volume 24, No 1, February 1992) pp 124-145

¹¹⁸ A large US steel company that was run by former Treasury Secretary, George Humphrey, and also numbered from Assistant Secretary of State Herbert Hoover Jr amongst their employees

¹¹⁹ Memorandum by John Ingersoll of the Office for East Coast Affairs, to Assistant Secretary Roy Rubottom, February 20 1959, Folder – 1959 – Brazil, Box 11, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 61 D 279, National Archives, College Park, Maryland

¹²⁰ For information on the growth of "populism" and "nationalism" in Brazilian politics, see: Thomas Skidmore, *Politics in Brazil* (1967) p 183-7; Robert Alexander, *Juscelino Kubitschek and the Development of Brazil* (1991) p 336-343; Joseph Smith, *A History of Brazil* (2002) p 164-6

¹²¹ Briggs suggested to Rubottom that he take the next possible opportunity to inform Ambassador Peixoto of the US position regarding this move. At a meeting on April 8, Rubottom conveyed Briggs' concerns to Ambassador Peixoto on the issue of profit remittances, as well as reiterating the necessity of Brazil reaching an agreement with the IMF before any assistance would be forthcoming from the US. See: Memorandum from the Deputy Director of the Office of East Coast Affairs William Briggs to Assistant Secretary of State for Inter-American Affairs Roy Rubottom, April 7 1959, Folder – 1959 – Brazil, Box 11, Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 61 D 279, National Archives, College Park, Maryland

(AMFORP) at Porto Alegre.¹²² John Ingersoll again reported on the situation to Rubottom, telling him: 'however this works out, it appears certain that AMFORP will surrender its property to the state but insist on just compensation...at the same time, we are disturbed by this action because of the precedent it may establish...and particularly because it's contrary to our understanding of the serious desire of Brazil to attract foreign private investment.'¹²³ These events were beginning to establish a worrying trend, and it was one that was increasingly starting to concern the Eisenhower administration. As with their stance over IMF and OPA, the US position toward the 1960 election would come to centre on economic not strategic concerns. In addressing this, US officials needed to consider one absolutely crucial question: who did they want to win? They were faced with one of two choices: either the election of an administration campaigning on a pro-nationalist and anti-American platform with whom they would have to rebuild the bilateral relationship all over again, or the victory of Kubitschek's self-anointed successor, which would probably mean that Kubitschek would return to power in the mid-1960s.

The overriding aim for the US was to have somebody in power that they could work cooperatively with and who would take the necessary steps to address Brazilian

¹²² William Briggs sent a memo to Rubottom on May 14 outlining the events with the expropriation of AMFORP assets, telling him that the situation had arisen due to an internal dispute in the PTB between Joao Goulart and Janio Quadros over who would be the party's nomination for president. Briggs wrote: 'It is beginning to be clear that Goulart and the PTB, in order to stop Quadros, plan immediately to begin the creation of a mass sentiment of ultra-nationalism which Goulart can head...the move against AMFORP is probably only the opening gun in the PTB election campaign. We may expect...that US interests in states controlled by the PTB will be subject to constant political pressures.' Memorandum from William Briggs of the Office of East Coast Affairs to Assistant Secretary Roy Rubottom, May 14 1958, *FRUS 1958-1960 Volume V* 723-724

¹²³ This time the appeal carried some weight, as Kubitschek was still hopeful of persuading the US to offer his government some form of financial assistance, and as a result he intervened to protect the holdings of AMFORP. Washington was well aware of Kubitschek's reasons for such a move; so much so that Rubottom called Mr Balgooyen at AMFORP and warned him: 'President Kubitschek was tying together in his mind, his intervention in this problem, with the assistance of the Company (AMFORP) in Brazil's efforts to get financial assistance from us in the future', before pointing out 'that the Company would not wish to be in such a position, and moreover really could not do anything in the way of helping to get such assistance for Brazil.' Memorandum from William Briggs the Deputy Director of the Office of East Coast Affairs to Assistant Secretary of State Roy Rubottom, April 7 1959; Memorandum from John Ingersoll of the Office of East Coast Affairs to Assistant Secretary of State Roy Rubottom, May 18 1959; Memorandum of a Phone Conversation between Assistant Secretary of State Roy Rubottom and Mr Balgooyen of the American & Foreign Power Company, June 31 1959, Folder - 1959 - Brazil, Box 11, , Record Group 59,

economic problems. As Ambassador Cabot reported to Washington in late-December 1959, 'Brazil has been able to scrape by for six months primarily because of coffee exports which were much bigger than expected. This is a process which can scarcely continue.' More significant was Cabot's assertion that: 'The cold shoulder we have given the Brazilians in their economic plight has had its inevitable repercussions on the political orientation of the Brazilian government. One symptom of this is the trade mission which is now in Soviet Russia.' Although we saw in Chapter Five that the Eisenhower administration was predominantly concerned with its strategic position in Latin America, we can see here that despite this, the focus of US policy in Brazil had, by 1960, been overtaken by the perennial question of economic issues. In Cabot's opinion, the only viable solution was to make sure the Kubitschek administration did not collapse and then look toward building a relationship with the new administration.¹²⁴

Our short-term objective is obviously to see that Brazil gets through the present administration without some major over-turn and survives in such a shape that a new government taking office can restore Brazil's economic stability...Our present concern should be to get through the next fourteen months with as little damage as possible to Brazil's economy and development, and to the relations between the two countries.¹²⁵

On balance, the administration decided that they stood more chance of being able to develop a working relationship with a leader outside Kubitschek's political sphere even if they did come to power on the back of a platform espousing nationalist and anti-American principles. This was an inherently risky strategy; but it does demonstrate just how far US-Brazilian relations had deteriorated by 1960, and, also, the importance that the administration was apportioning to meeting its economic aims in Brazil. The dilemma for the US had been outlined by William Briggs in a memorandum to Roy Rubottom as early as June 1959, in which he wrote:

Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 61 D 279, National Archives, College Park, Maryland

¹²⁴ Of course, this position was markedly similar to that in 1955 when the US was forced to tide the Café administration over until Kubitschek came to office

¹²⁵ Letter from the US Ambassador in Brazil John Moors Cabot to the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, December 4 1959, *FRUS 1958-1960 Volume V* p 744-751

We may now safely assume that President Kubitschek's intention is only to maintain the economic and political status quo during the remainder of his term and to influence the choice of his successor in the October 1960 elections. There is therefore little chance that an agreement on a sound economic stabilization program will result from Brazilian talks with the IMF or that such a program would be implemented if undertaken. The US will therefore be expected by the Kubitschek administration to make sufficient balance of payments credits available to Brazil on the GOB's terms to stave off a financial crisis for the next 18 months and to enable Kubitschek to maintain his reputation as a promoter of economic development. We have already had indications that should he decide that such credits are unlikely to be forthcoming, Kubitschek would be willing to destroy the climate of Brazilian-US relations in order to either force credits from us or to shift the blame for Brazil's economic difficulties to this country... We should therefore seek a third course which would be designed to afford Brazil barely enough balance of payments relief of all sorts to deter Kubitschek from an all out campaign of demagoguery, but not enough to build up his prestige to the extent that Kubitschek men and policies will control the 1960 elections.¹²⁶

As we can see, then, the Eisenhower administration's stance over who to support in the 1960 Brazilian presidential election came down to a question of economic pragmatism. Taking the position that a continuation of the Kubitschek era would not bring about the necessary changes in Brazilian economic policy, the US decided to ensure that they did not provide Kubitschek with enough political and financial support to enable him to anoint his own successor. Instead, they were prepared to take the risk that he might be replaced to a new leader committed to a strong nationalistic agenda.¹²⁷

CONCLUSION:

¹²⁶ Memorandum from William Briggs of the Office of East Coast Affairs to the Assistant Secretary of State for Inter-American Affairs Roy Rubottom, June 22 1959, Folder – 1959 – Brazil, Box 11, , Record Group 59, Entry 1135, Records of the Assistant Secretary of State for Inter American Affairs Roy R. Rubottom, Subject Files 1957-1959, Lot 61 D 279, National Archives, College Park, Maryland; Memorandum of a Conversation between Secretary Herter, Assistant Secretary Roy Rubottom & Brazilian Charge d'Affaires Henrique Valle, Department of State, July 8th 1959, *FRUS 1958-1960 Volume V*. p 729-730

¹²⁷ Like the situation in 1955, the US quickly began to make efforts to make an early impression on Janio Quadros the winner of the 1960 election, inviting him to the US as they had done with Kubitschek. See: Michael Weis, *Cold Warriors & Coup D'Etats* (1993) p 137-9; Telegram from the US Embassy in Brazil to the Department of State, October 7 1960; Memorandum from Secretary of State Christian Herter to

By the time that President Eisenhower left office in January 1961, US-Brazilian relations were at yet another all-time low.¹²⁸ The US was faced, once again, with trying to develop an amicable relationship with a new Brazilian government and none of those issues which had so severely strained the bilateral relationship – Brazil’s failure to reach an accord with the IMF, high inflation and balance of payments problems in Brazil, the US refusal to consider a change in economic policy – had been addressed satisfactorily and would, in fact, continue to plague US-Brazilian relations during the Kennedy-Quadros era.¹²⁹ As we have seen in these final two chapters, the switch toward prioritising national security aims in Latin America had impacted a major change onto US-Latin relations. But, crucially, within that strategic approach, the same economic objectives that had underpinned US policy throughout the Eisenhower era continued to exert a strong influence on US-Latin relations.

Throughout this chapter we have seen that US economic objectives in Brazil exerted a powerful influence over US policy that was in excess of the emphasis accorded to them in the actual policy statements produced by the administration. This, of course, is in keeping with the main argument of this thesis; even so, it is still somewhat surprising to see the extent to which economic factors did influence the position of the US toward Brazil in this period. The explanation for this is, perhaps, twofold. Firstly, apart from Kubitschek’s attempts to force a close political alliance with the US over OPA, there was very little sign of US-Brazilian political cooperation in this period. Had OPA not become so predominantly economic in tone, then it is quite possible that a strong bilateral, Pan-American alliance could have been formed between Washington and Rio, but this is somewhat speculative.

Secondly, and more concretely, the depth of Brazil’s economic crises meant that there was no easy solution for Kubitschek to take. On the one hand he would run into

President Eisenhower, October 29 1960; Despatch from the US Embassy in Brazil to the Department of State, December 13 1960, *FRUS 1958-1960 Volume V* p 790-7

¹²⁸ Stanley Hilton, “The United States, Brazil, and the Cold War” (1981)

¹²⁹ See: Michael Weis, *Cold Warriors & Coup D’Etat* (1993) Chapter 6; Stephen Rabe, *The Most Dangerous Area in the World: John F. Kennedy Confronts Communism in Latin America* (Chapel Hill: University of North Carolina Press, 1999)

trouble with the US, on the other he would inflame those factions espousing nationalist sentiment in Brazil. Therefore, the role of economic issues in the bilateral relationship became highly important and, as we saw in Chapter Five when looking at the breakdown in US-Cuban relations, despite the changes made in US economic policy in NSC 5902/1, the Eisenhower administration was still not prepared to countenance any nation attempting to pursue an economic agenda that contravened US objectives.

US national security objectives in Latin America in the late-1950s made a healthy US-Brazilian relationship important, but not so much so that it became more important than continuing to adhere to long-standing US economic principles. As we saw earlier, US strategic aims did not necessitate a “special relationship” with Brazil just that Brazil continued to support the US position in the Cold War and remained committed to the ideals of capitalism.¹³⁰ As a result of this, and the Brazilian administration’s determination to bring about a change in US fiscal policy, it was the economic side of the bilateral relationship that came to dominate US-Brazilian relations in this period. The continual clash between the economic policies of the US and Brazil directly undermined the bilateral relationship and heavily influenced the US position toward the 1960 election; negotiations over OPA and the IMF had both collapsed due to economic disagreements. The case study of Brazil, then, has strongly suggested that even when national security considerations dictated otherwise, the economic side of US policy continued to exert a very powerful influence over the administration’s approach; especially in a nation such as Brazil where strategic concerns were not as urgent as they were in other Latin nations.¹³¹

¹³⁰ Prior to 1961, both of these things were taken as read: although Brazil had flirted with the Soviet offers of economic and technical assistance, there was never going to be a wholesale rejection of capitalism from the Brazilian’s and, similarly, under Kubitschek Brazilian support in the UN was also relatively constant.

¹³¹ Obviously, this is not to discount the role of strategic concerns in US policy. As we have seen, they were a central part of US-Brazilian relations. But – at no stage – did they look like becoming the overwhelmingly dominant factor. For a contrast, see US policy towards Cuba or Guatemala in the same period.

CONCLUSION:
"A NEW PERSPECTIVE?"

On January 17, 1961, Dwight D. Eisenhower addressed the American people for the final time as president. Although the speech has now become synonymous with Eisenhower's stark warnings 'against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex,' it was also noteworthy for its reiteration of the guiding principles that lay behind Eisenhower's foreign policy approach.

Throughout America's adventure in free government, our basic purposes have been to keep the peace; to foster progress in human achievement, and to enhance liberty, dignity and integrity among people and among nations. To strive for less would be unworthy of a free and religious people. Any failure traceable to arrogance, or our lack of comprehension or readiness to sacrifice would inflict upon us grievous hurt both at home and abroad. Progress toward these noble goals is persistently threatened by the conflict now engulfing the world. It commands our whole attention, absorbs our very beings. We face a hostile ideology--global in scope, atheistic in character, ruthless in purpose, and insidious in method. Unhappily the danger it poses promises to be of indefinite duration. To meet it successfully, there is called for, not so much the emotional and transitory sacrifices of crisis, but rather those which enable us to carry forward steadily, surely, and without complaint the burdens of a prolonged and complex struggle--with liberty the stake. Only thus shall we remain, despite every provocation, on our chartered course toward permanent peace and human betterment.¹

The predominant ideological constructs of the Cold War are clearly visible. And this is in keeping with the way that the rhetoric of the bipolar struggle had impacted upon US foreign policy throughout Eisenhower's time in office. As we have seen, the idea of a good versus evil struggle between the American way and communism had been a prevalent theme in the Eisenhower period.² Increasingly, throughout the years 1955 to 1961, however, the focus of that conflict had been in those areas known as the Third World. The relative stabilisation of Europe, significant changes in Soviet foreign policy, the increasing nuclear parity between Washington and Moscow and the need to secure

¹ Farewell Address by President Eisenhower, January 17th 1961. www.presidency.ucsb.edu/ws/index Accessed on February 10th 2006.

² See: Kenneth Osgood, *Total Cold War: Eisenhower's Secret Propaganda Battle at Home and Abroad* (Lawrence, Kansas: University of Kansas Press, 2006); John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy* (Oxford: Oxford University Press, 1982)

the allegiance of the developing nations all affected the shifting of Cold War tensions away from Europe and onto the Third World. Despite the change in location, the anti-Soviet rhetoric and the commitment of US officials to being seen to be facing up to the communist threat continued to be an integral part of US foreign policy during the second Eisenhower administration.

Throughout this thesis, though, we have demonstrated the inherent problems with the application of such a singular narrative onto US policy in Latin America; it made US officials inflexible with regard to understanding Latin American complaints as all traces of anti-Americanism were channelled through the bipolar perspective. The Eisenhower administration became more concerned with being seen to be winning the Cold War in the Western Hemisphere than addressing the overwhelming concerns that the Latin nations had with US pre-eminence and their lack of prosperity. This process began in earnest following the Soviet Economic Offensive of January 1956, when US officials began to increasingly view their position in Latin America with respect to national security considerations and was expedited by the events of the Nixon trip in April/May 1958 and the Cuban Revolution eight months later. Crucially however, despite this change in perspective, and the continued use of the Cold War to present actions taken by the administration in Latin America, US economic aims remained resolutely the same.

In 1958, when the administration identified Latin discontent as being the biggest cause of anti-American sentiment in the region and, therefore, an issue of overwhelming strategic concern, the changes made to US policy would be designed to address the impending political crisis rather than the actual economic causes of the problem. Policies such as: supporting military or totalitarian regimes; increasing military aid to the region; attempting to accord more importance to the Latin nations through the OAS; implementing a regional lending institution and limited commodity agreements; making EXIM Bank loans repayable in local currencies rather than dollars; forming anti-communist resolutions; and, launching covert operations against unfavourable regimes, were all designed to meet US aims relating to either economic or strategic objectives. However, these two divergent goals very often undermined the success of US policy and deepened the level of anti-American sentiment in the region. Those changes made to US

policy in the late-Eisenhower era, saw pre-existing tensions within US policy become more prominent as the emphasis on national security concerns heightened the dichotomy between economic idealism and strategic imperatives.

As Thomas McCormick notes, the inability of the Latin nations to bring about a significant change in US economic dominance and control brought long-held frustrations to the fore.

Even without the Cuban revolution, developments in Latin America as a whole conceivably moved American policy toward accommodations with a middle ground between the entrenched oligarchies and pluralistic pressures for change. Throughout the 1950s, a strong residue to anti-Americanism remained, half-hidden in the shadows of history. It showed itself in the Caribbean periphery's hostility toward past American interventionism and the racism and cultural arrogance that accompanied it, in the South American semi-periphery's resentment of American regional hegemony in an area where some nations, like Brazil, entertained such pretensions themselves, and in the whole hemisphere's sensitivity to the reality of its economic dependence on the North American colossus.³

In surveying the prevailing historiography on US-Latin American relations in the early-1990s, Mark Gilderhus also notes the differences between US and Latin American objectives, concluding that: 'the main body of historical literature reviewed here emphasizes the disparities and divergences of national aims and aspirations. The United States and Latin America have had much less in common than Pan-American mythologies have claimed.'⁴ Furthermore, Elizabeth Cobbs also makes this distinction between US and Latin objectives, writing

Within the larger Latin American context, however, the Kaiser-Rockefeller⁵ activities could do little, limited as they were, to ameliorate the oppressiveness of the power imbalance between North and South. Given the wide disparity in resources of all kinds, the imbalance would have existed regardless of policy on either side, but it was made intolerable by the arrogance, continued interference, and deepening economic control of the

³ Thomas McCormick, *America's Half-Century: United States Foreign Policy in the Cold War and After* (Baltimore: John Hopkins University Press, 1989) Second Edition 1995 p 141

⁴ Mark Gilderhus, "An Emerging Synthesis? US-Latin American Relations since World War II" in Michael Hogan (eds) *America in the World: The Historiography of American Foreign Relations since 1941* (Cambridge: Cambridge University Press, 1995) p 461

⁵ Henry Kaiser and Nelson Rockefeller

United States, combined with the increasing nationalism of Latin American nations.⁶

But these observations regarding American and Latin differences over their relative aims and objectives do not explain why the Eisenhower administration continued to pursue an economic policy that was so unpopular with the Latin nations. In order to understand this, there was a clear need to adopt a framework that considered both economic and strategic elements within US policy, and which persevered with such an approach even when the distinctions between these two elements became blurred in the late-1950s.

This thesis began by outlining the necessity of understanding why the Eisenhower administration persisted in adhering to its economic principles even when they were clearly undermining Washington's strategic position in Latin America. As we have seen, the administration's faith in its basic economic principles remained undimmed throughout its time in office; even when national security considerations became more pressing with regard to Latin America the administration did not recant from their previous economic ideals. In fact, when US policy toward the Third World *did* begin to alter after 1955, the actual economic aims within that approach remained unchanged. Burton Kaufman highlights the administration's failure to successfully reshape its economic policies toward the Third World, writing

The funds the administration asked for and received for economic development abroad always fell far short of what many Third World leaders and economic experts believed was minimally necessary to promote economic growth, especially when compared to the billions of dollars the United States had poured into Europe under the Marshall Plan in the late 1940s and early 1950s. Moreover, the debate over foreign economic policy was circumscribed and narrowly conceived throughout the entire Eisenhower administration. Concern with Communist expansion continued to be the major motivating force behind the nation's policy toward the Third World as administration officials remained persuaded that economic development would lead to the type of government the United States desired.⁷

⁶ Elizabeth Cobbs, *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil* (New Haven: Yale University Press, 1992) p 251

⁷ Burton Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (Baltimore: John Hopkins University Press, 1982) p 208; Michael Adamson, "'The Single Most Important Aspect of our Foreign Policy?': The Eisenhower Administration, Foreign Aid, and the Third World" in Kathryn Statler

If anything, the administration's commitment to the ideals of "free trade, free investment and free capital" actually increased, as US officials began to associate liberalised, thriving economic structures with the fight against anti-Americanism.⁸ The evidence presented here suggests that there were two separate objectives underpinning the Eisenhower administration's policies toward Latin America – 1) the widespread expansion of the American economic system; and 2) the need to be seen to be winning the Cold War by quelling any Latin nationalist or anti-American sentiments. Throughout this thesis, the need to view US-Latin American relations within a framework that incorporates both the economic and strategic considerations within US policy has become increasingly apparent. It is, however, important to reiterate the fact that this was not a deliberate construct within US policy; it was, instead, a by-product of the way that US aims and objectives had evolved in the aftermath of World War Two. The fact that this bifurcated structure within US policy was not a deliberate development has meant that its full importance has gone un-interrogated by scholars dealing with this period. Moreover, it has some stark implications for our understandings of American policy and the notion of American "power" during the Cold War era.

The main objective of this thesis was to examine US policy toward Latin America via a "new" framework: one that challenged existing assumptions and built upon pre-existing studies, and which sought to offer a more nuanced appraisal of the Eisenhower administration's foreign policy. Yet it was when this approach was adopted with regard to US relations with Brazil that we were able to see the full range of complexities underpinning US policy during the Eisenhower era. The fact that there has been so little scholarship produced on US-Brazilian relations (or, indeed, many nations outside of the Guatemala-Bolivia-Cuba axis) during the Eisenhower era has been one of the main reasons why the study of US-Latin American relations has been so beset by the stark divergence of opinion between Traditionalism and Revisionism. As one of the region's largest and most important nations, Brazil should serve as a crucial case study

and Andrew Johns (eds), *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

⁸ This is a point clearly made by James Siekmeier. See: James Siekmeier, *Aid, Nationalism and Inter-American Relations: Bolivia, Guatemala and the United States 1945-1961* (New York: The Edward Mellon Press, 1999)

for an analysis of the administration's regional strategy; the reason it does not is that the events in the bilateral relationship do not fit easily into an argument based on either economic determinism or national security. Put simply, US-Brazilian relations were – as outlined throughout this work – incredibly complex.

And yet, this complexity was consistent with the patterns in evidence in the US approach toward Latin America as a region. As we saw in Chapters One and Five, US intervention in Guatemala and Cuba cannot be ascribed to one particular cause; instead, those cases of intervention came about due to the collision of US economic and strategic concerns. In fact, perhaps the most significant point to come out of this re-evaluation of US policies toward Latin America in Brazil is that the factors impacting upon the decisions of US officials were very rarely attributable to one particular point or objective.⁹ It is this conclusion that makes the Traditional and Revisionist unable to fully explain the Eisenhower administration's policies in Latin America. As we have seen, at no stage did the administration follow a policy that was solely informed by economic or strategic concerns; both factors were always exerting a strong influence over the decisions taken by US officials.

What, then, are the consequences of this study? There are, I would argue, three main outcomes. Firstly, it has implications for the future study of US-Latin American relations during the Cold War and, also, for our understanding of US policy throughout the early Cold War period. Speaking generally, it goes some way toward identifying the synthesis that Mark Gilderhus sought to classify in the 1990s and, in some ways, seeks to move beyond the long-standing debate between competing schools of thought. This, as Melvyn Leffler has argued, is of the utmost importance.

Our field has the potential to make significant contributions to the larger enterprise of American history. We will do so if we can overcome our own tendencies to fragment into topical sub-specialties and warring schools of interpretation. We need to write more monographs and more syntheses that transcend our traditional categories of analysis. We need to sharpen and

⁹ Once again, it is worth noting that this was very much a direct legacy of the way that US policy evolved in the early Cold War era; not a deliberate construct by US officials.

reconfigure our older interpretations and at the same time assimilate the new approaches.¹⁰

Identifying an approach that moves beyond traditional academic debates is vital in furthering our understanding of US foreign policy as a discipline. Achieving this allows scholars to transcend previous arguments and offer up a multi-faceted appraisal of the underlying aims and intentions behind US policy. The foreign policy making apparatus of the Eisenhower administration often, as we have seen in the case of Latin America, created policies that were both highly complex and multi-factorial; as such, our analysis of these policies needs to be similarly diverse. There are, however, other more immediate impacts on the field of US-Latin American and US-Brazilian relationships.

The second major impact of this thesis is that it makes it necessary to reappraise our understanding of the Kennedy administration's policies toward both Latin America and Brazil. Whilst Eisenhower and Kennedy were clearly very different presidents, the ideological commitment to being seen to be winning the Cold War continued to form a major part of the Kennedy administration's foreign policy. Famously, at his inauguration, Kennedy reaffirmed the US commitment to "winning" the Cold War, stating: 'Let every nation know, whether it wishes us well or ill, that we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe to assure the survival and the success of liberty.'¹¹ But, as we have seen throughout this thesis, avowed anti-communism was not as simple as merely opposing the USSR: the ingrained American commitment to protecting US national security interests necessitated the quelling of overt anti-American sentiment that might undermine US credibility and, also, creating the impression that Washington was winning the bipolar struggle.¹² However, like Eisenhower, US policy under Kennedy would also retain a strong belief in traditional American economic principles and objectives. With regard to US-Latin

¹⁰ Melvyn Leffler, "New Approaches, Old Interpretations, and Prospective Reconfigurations" in Michael Hogan (eds), *America in the World: The Historiography of American Foreign Relations since 1941* (Cambridge: Cambridge University Press, 1995) p 67-8

¹¹ Inaugural address by President John F. Kennedy, January 20 1961 Taken from: www.presidency.ucsb.edu/ws/index Accessed on August 28 2006

¹² This was, as shown earlier, equally prominent during Eisenhower's time in office. See: Kenneth Osgood, *Total Cold War* (2006); Robert Bowie and Richard Immerman, *Waging Peace: How Eisenhower Shaped an Enduring Cold War Strategy* (Oxford: Oxford University Press, 1998)

American relations, then, the trend outlined in this thesis – of US aims in the economic and security spheres undermining each other – continued to impact a huge influence during the administrations of Kennedy and Lyndon Johnson. As Stephen Rabe has noted, the Kennedy administration's grandiose scheme for solving Latin underdevelopment – the "Alliance for Progress" – was undermined by US national security policies. He writes,

The Kennedy administration gradually realized that Latin America was not set for miracles. But it also undermined the Alliance for Progress with its Cold War initiatives...Through its recognition policy, internal security initiatives, and military and economic aid programs, the administration demonstrably bolstered regimes that were undemocratic, conservative, and frequently repressive...the president and his advisors opted for the short-term security that anti-Communist elites, especially military officers, could provide over the benefits of long-term political and social democracy.¹³

This pattern was also highly visible in US relations with Brazil during the Kennedy era.¹⁴ In fact, US-Brazilian relations would continue to deteriorate whilst Kennedy was in office; a process that led up to the eventual support of the Johnson administration for the 1964 coup that removed President Joao Goulart from office.¹⁵

The third consequence of this thesis is what this analysis of US-Latin and US-Brazilian relations tells us more generally about US foreign policy during the Cold War era and, more importantly, about the notion of US "power". Most immediately it has suggested that US foreign policy during the Eisenhower era – and, by extension, the early Cold War era – cannot be ascribed to one particular aim or objective. This is a point made recently by Oscar Calvo-Gonzalez, who has sought to separate US economic

¹³ Stephen Rabe, *The Most Dangerous Area in the World: John F Kennedy Confronts Communist Revolution in Latin America* (Chapel Hill: University of North Carolina Press, 1999) p 196-7

¹⁴ As Weis argues: 'Unfortunately, by the time Kennedy and Janio Quadros [the winner of the 1960 Brazilian presidential election] assumed office, mistrust permeated high levels of both governments. In the opening months of 1961, the United States and Brazil switched roles, with the US becoming the ardent suitor. Unlike his predecessors, however, Quadros spurned the Americans. Brazilian-American relations became openly confrontational, and the United States began to intervene covertly in Brazilian affairs, to the point of aiding groups conspiring against the government. This ultimately led to the military coup of March 31 1964, and the establishment of a military dictatorship.' Michael Weis, *Cold Warriors & Coup D'Etat: Brazilian-American Relations 1945-1964* (Albuquerque: University of New Mexico Press, 1993) p 142

¹⁵ Stephen Rabe, *The Most Dangerous Area in the World* (1999) p 64-7; Michael Weis, *Cold Warriors and Coup D'Etat* (1993) p 142-159

objectives from US strategic objectives when looking at the case study of US foreign economic policy toward Spain. He writes,

Despite Eisenhower's pledge to cut aid, the foreign assistance programs developed in the aftermath of the Truman Doctrine and the Marshall Plan remained an important element of American economic diplomacy throughout the 1950s...During the years between 1953 and 1961, the so-called Mutual Security Act period, foreign aid programs were explicitly guided by national security considerations. Aid, which was referred to as "defense support", was provided on a bilateral basis to foreign countries in order to contribute to the global struggle against the Soviet Union. However, as stated by Eisenhower in his 1954 address to Congress¹⁶...American foreign economic policy went beyond that. Economic policies such as free trade, currency convertibility, and free movement of capital were seen as key for promoting private investment and economic growth among developing countries.¹⁷

The potential absence of an enduring "grand strategy" in this period – whether motivated solely by economic or strategic concerns – points to the need for us to reappraise our understanding of US power.¹⁸ Any evaluation as to the relative success of US policy needs to be mindful of the multi-faceted nature of US aims and objectives: for example, Eisenhower may have kept the peace, but did he succeed in meeting the economic objectives within US foreign policy?¹⁹ Similarly, did the administration's pursuit of its economic objectives undermine the attainment of its national security aims? Lastly, why was the administration's approach toward the Third World so unsuccessful?²⁰ Even within a certain field there are various aspects that demand to be considered. As the excerpt from Calvo-Gonzalez shows us, there were differing levels within US foreign

¹⁶ This refers to President Eisenhower's Special Message to Congress on Foreign Economic Policy, March 30 1954

¹⁷ Oscar Calvo-Gonzalez, "Neither a Carrot Nor a Stick: American Foreign Aid and Economic Policymaking in Spain during the 1950s", *Diplomatic History* (Volume 30, No 3, June 2006) p 409-410; Michael Adamson, "The Most Important Single Aspect of our Foreign Policy" (2006)

¹⁸ This, of course, counters John Lewis Gaddis's argument that there was a "grand strategy" underpinning US policy during this period. See: John Lewis Gaddis, *Strategies of Containment* (1982); John Lewis Gaddis, *We Know Now: Rethinking Cold War History* (Oxford: Clarendon Press, 1997); Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (New York: Penguin, 2004)

¹⁹ Stephen Ambrose, *Eisenhower, Soldier and President: The Renowned One-Volume Life* (USA: Touchstone Books, 1990); Stephen Rabe, "Eisenhower Revisionism: The Scholarly Debate" in Michael Hogan (eds), *America in the World: The Historiography of American Foreign Relations since 1941* (Cambridge: Cambridge University Press, 1995)

²⁰ Robert McMahon, "Eisenhower and Third World Nationalism: A Critique of the Revisionists" in *Political Science Quarterly* (Volume 101, Fall 1986) pp 453-473; Kathryn Statler and Andrew Johns (eds), *The Eisenhower Administration, the Third World and the Globalization of the Cold War* (Lanham, Maryland: Rowman & Littlefield, 2006)

economic policy that related to both strategic and economic objectives. Likewise, the internal debate as to whether or not the administration should attempt to ‘liberate’ Eastern Europe and ‘roll-back’ communism illustrated the absence of a defining policy goal within the administration’s approach with regard to national security.²¹

On a more localised level, this study of US-Latin and US-Brazilian relations raises an important point with respect to US power and hegemony in the Western Hemisphere. It highlights the fact that US policy toward both Latin America and Brazil was very much a two-way street. Although the US was far more powerful than the Latin nations, Washington could not adopt a unilateral approach to its dealings with the region.²² The situations in both Guatemala and Cuba highlighted the fact that the US needed the support of the OAS to legitimise its positions toward those two countries. Nor could US officials assume sole responsibility for setting the diplomatic agenda: as we have seen in those chapters dealing with US-Brazilian relations, Presidents Vargas and Kubitschek were able to force the Eisenhower administration to engage with their economic proposals even if they could not engineer a change in US policy. This meant that Brazil’s domestic concerns – especially with regard to economic underdevelopment and social inequality – very often became important themes in the bilateral relationship.²³

Most importantly, however, the way that the US conception of its position in Latin America changed was, in many ways, driven by the ongoing tension within US policy between economics and security. In Chapter One, we saw that upon coming to office the Eisenhower administration adopted a pro-active approach toward implementing

²¹ See: Scott Lucas, *Freedom’s War: The US Crusade Against the Soviet Union 1945-1956* (Manchester: Manchester University Press, 1999); Stephen Ambrose, *Rise to Globalism: American Foreign Policy since 1938* (USA: Penguin Books, 1971) Eighth Edition 1998

²² This, as many scholars have outlined, is a trend symptomatic of US-Latin relations in this period. For excellent summaries of these works, see: Mark Gilderhus, “An Emerging Synthesis” (1995); Max Paul Friedman, “Retiring the Puppets, Bringing Latin America Back In: Recent Scholarship on United States-Latin American Relations” in *Diplomatic History* (Volume 27, No. 5, November 2003)

²³ The same was, of course, true in other Latin nations: whilst US power was secure enough to negate any threat of a Latin nation forcing a change in US policy, Washington was clearly unable to prevent a Latin government from taking the lead on a particular issue. For examples see US relations with Cuba, Guatemala, Venezuela and the Dominican Republic in the 1955-60 period. For more on Brazil’s domestic agenda, see: Joseph Smith, *A History of Brazil, 1500-2000* (London: Pearson Education, 2002); Thomas Skidmore, *Politics in Brazil, 1930-1964: An Experiment in Democracy* (Oxford: Oxford University Press, 1967)

its economic and – to a lesser extent – its strategic vision of US-Latin American relations. But, by 1958, the administration was reacting to what it now perceived to be the rather urgent strategic threats confronting it in the region. The clash between economics and security, coupled with the role played by the Latin nations themselves, had conspired to severely undermine the US position in Latin America. With the ongoing shift in the nature of the Cold War, and the developing threat posed by Khrushchev's foreign policy, the reduction in ostensible US power in the region was perceived to be an issue of prime national security importance. By 1958, the Cold War framework had assumed a position of primacy in the eyes of the Eisenhower administration when considering its policy toward Latin America. Yet the crucial factor was that in acclimatising to this change in conception, the Eisenhower administration did not implement any wholesale changes to its basic economic principles. The inevitable outcome was that Latin dissatisfaction with US economic policies continued to increase and US strategic goals – aimed at repairing Washington's position in the region – were, once again, undermined.

An obvious addendum to the findings contained here, would be to extend the framework used in this study to other areas of the world in order to examine the range of American power during the 1950s. As we have seen in Latin America, whilst the US was the dominant force it was not able to adopt a position of unilateralism when pursuing its policy objectives as this would only have exacerbated existing anti-American tensions. The key question to emerge from this study, then, is: to what extent was this trend repeated in other areas of the world? In Chapter Five we saw that the US position in both South East Asia and the Middle East was significantly altered following the mid-1950s changes in Soviet foreign policy and the nature of the Cold War. Localised geopolitical imperatives intersected with the ideological constraints of the Cold War to impose an irreconcilable tension onto US policy in Latin America. Anti-Communism might have served as the justifying rationale underpinning US policy (especially in the post-1956 era) but more traditional objectives such as economic preponderance continued to impact a significant influence onto US policy. For Eisenhower administration officials, the constraints that these bifurcated aims imposed on their approach presented them with an unsolvable dilemma. How could the US achieve its increasingly urgent strategic aims

without altering or contravening its economic principles and objectives? In Latin America and Brazil, as we have seen in this thesis, the answer was that they could not: the next stage would be take this reanalysis further and examine whether this clash between economic and strategic objectives in US policy was as prominent in other areas of the world.²⁴ Addressing this key question would give us a much deeper understanding of our conception of American “power” in the early Cold War era and begin to bridge the “gap” between the Orthodox and Revisionist schools of thought by looking beyond the quest to identify a specific element of US policy – traditionally either economics or security – as being the sole rationale underpinning US aims and objectives.

²⁴ In one of the leading texts on Eisenhower’s New Look policy, Saki Dockrill highlights the need for further academic work on this period, noting ‘...there is certainly room for further research.’ Saki Dockrill, *Eisenhower’s New-Look National Security Policy, 1953-1961* (London: MacMillan Press, 1996)

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