

ANGLO-AMERICAN RELATIONS IN SOUTH AMERICA DURING THE SECOND WORLD WAR AND POST- WAR ECONOMIC PLANNING

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Abstract

This thesis examines relations between the United States and Great Britain in South America between 1939 and 1945. It does so in the broader context of the economic planning for the post-war world undertaken by the US and Britain during the Second World War. Traditional interpretations of Anglo-American post-war economic planning have tended to focus on a process whereby the Franklin D. Roosevelt administration advocated a multilateral system, based on equality of access to markets and raw materials. Doubting Britain's ability to compete successfully in such a system, the British government balked at the US proposal and clung to its autarkic structures constructed during the interwar years. This thesis argues that relations between the US and Britain in South America followed a different and more complex pattern. In this region it was in fact Britain that eventually took the lead in advocating multilateralism. This policy was adopted following a lengthy evaluation of British policy in Latin America, which concluded that multilateralism represented the surest means of protecting British interests in South America. The US, on the other hand, demonstrated exclusionary tendencies in its policy toward Latin America, which threatened the successful implementation of a global economic system based on multilateralism. In explaining this divergence from multilateralism in the Roosevelt administration's post-war economic planning, this thesis pays particular attention to the influence of different factions, both within the administration and in the broader US political and business establishment. By exploring Anglo-American relations in this previously neglected region, this thesis contributes toward a greater understanding of the broader process of post-war economic planning that took place between the US and Britain during the Second World War.

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List of Abbreviations

The full name is given on first reference, abbreviations thereafter. They are all listed together here for convenience.

| | |
|-------|---|
| BEW | Board of Economic Warfare |
| CIAA | Office of the Coordinator for Inter-American Affairs |
| FBI | Federal Bureau of Investigation |
| FEA | Foreign Economic Administration |
| IACHC | Inter-departmental Advisory Committee on Hemispheric Communications |
| IADC | Inter-American Development Commission |
| ITT | International Telephone & Telegraph |
| MEW | Ministry of Economic Warfare |
| OLLA | Office of Lend-Lease Administration |
| USCC | United States Commercial Company |
| WPB | War Production Board |

Abbreviations in source references

| | |
|------|--|
| CAC | Churchill Archive Centre |
| CFR | Council on Foreign Relations |
| CUL | Cambridge University Library |
| DAFR | <i>Documents on American Foreign Relations</i> |
| FDRL | Franklin D. Roosevelt Library |
| FRUS | <i>Foreign Relations of the United States</i> |
| LSE | London School of Economics and Political Science |
| MOD | Ministry of Defence |
| NARA | United States National Archives and Records Administration |
| OARA | Office of American Republic Affairs |
| OIIA | Office of Inter-American Affairs |
| RAC | Rockefeller Archive Center |
| RFA | Rockefeller Family Archives |
| RSC | Roosevelt Study Center |
| TNA | The National Archives of the United Kingdom |

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Author's Declaration

Sections of this thesis have previously been published in the following article:
Thomas C. Mills "Anglo-American Economic Diplomacy During the Second World War and the Electrification of the Central Brazilian Railway", *Diplomacy and Statecraft*, vol.20, no.1 (2009), pp.69-85.

Chapter 1

Anglo-American Post-War Economic Planning: A New Perspective

A major subplot to the alliance between the United States and Great Britain during the Second World War was the ongoing diplomacy concerning the economic shape of the post-war world. Negotiations took place both at the highest levels of government over the general principles that would shape the post-war global economy and throughout the lower rungs of governmental bureaucracy concerning specific geographic regions in which both countries had significant economic interests.

Inevitably, Anglo-American post-war economic planning took place within the broader context of the changing balance of power between the two countries during the Second World War. A widespread assumption among US officials, and in the country's business and political establishment more generally, was that the end of the war would see the US emerge as the leading international economic power.¹ In this context it was the Franklin D. Roosevelt administration that shaped the general contours of post-war economic planning and took the lead in seeking to implement these plans.

The underlying reality for British officials during the war, on the other hand, was dependence on the US for aid and, during the latter part of the war, for manpower and resources.² This meant that while British officials were by no means passive spectators to the process of post-war economic planning, they did have to undertake this task with constant reference to the ambitions of their wartime ally.³ But while the Second World War may have stacked the balance of power in favour of the US, Britain remained a prominent international power. In particular, the country still controlled large swathes of the world's trade by the time of the war. Anglo-American relations were therefore central to the Roosevelt administration's economic plans for the post-war world.⁴

¹ Stephen E. Ambrose and Douglas Brinkley, *Rise to Globalism: American Foreign Policy since 1938*, 8th edition (New York: Penguin Books, 1997), p.xii; Paul Kennedy, *The Rise and Fall of Great Powers: Economic Change and Military Conflict from 1500 to 2000* (London: Fontana Press, 1988), pp.459-465, 484.

² Keith Sainsbury, *Churchill and Roosevelt at War*, 2nd edition (Basingstoke: Macmillan, 1996), pp.10-11.

³ Michael F. Hopkins, *Oliver Franks and the Truman Administration: Anglo-American Relations, 1948-1952* (London: Frank Cass, 2003), p.5.

⁴ Gabriel Kolko, *The Politics of War: Allied Diplomacy and the Crisis of 1943-1945* (London: Weidenfeld & Nicolson, 1968), p.280; Randall B. Woods, "FDR and the New Economic Order"

The most prominent aspect of those plans was an attempt to install a multilateral economic system. Multilateralism was never a precisely defined term and its meaning tended to vary somewhat depending on the circumstances. But at its core multilateralism entailed an economic system based on free and equal access to global markets and resources.⁵ Such a system stood in stark contrast to the closed trade regime, based on the sterling bloc and the imperial preference system, constructed by Britain during the inter-war years.⁶

It was therefore to the task of breaking open Britain's closed trade regime and replacing it with its own multilateral model that the Roosevelt administration applied itself in negotiations with its wartime ally. The Churchill government resisted this attempt for fear that the loss of export markets provided by Britain's closed trading system would deny the country the means of achieving a healthy balance of payments in the post-war era. But British dependence on the US for aid meant that concessions with regard to post-war economic planning were inevitable.

This process began in August 1941 when point four of the Atlantic Charter declared that the US and Britain would endeavour to ensure future equal access, for all countries, "to trade and to the raw materials of the world which are needed for their economic prosperity".⁷ The Master Lend-Lease Agreement, signed the following February, further pledged that the US and Britain would work toward "the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other barriers to trade".⁸ In the years following this agreement US officials sought to implement its provisions to ensure future US access to the British Empire and the sterling bloc.⁹ Similarly, US officials sought to challenge Britain's traditional dominance in the Middle East in order to facilitate US

in David B. Woolner, Warren F. Kimball and David Reynolds eds, *FDR's World: War, Peace, and Legacies* (Basingstoke: Palgrave-Macmillan, 2008), p.178.

⁵ G. John Ikenberry, "Rethinking the Origins of American Hegemony", *Political Science Quarterly*, vol.104, no.3 (1984), p.382; Dick Steward, *Trade and Hemisphere: The Good Neighbor Policy and Reciprocal Trade* (Columbia: University of Missouri Press, 1975), p.12; Randall B. Woods, *A Changing of the Guard* (Chapel Hill: University of North Carolina Press, 1990), pp.9-32.

⁶ Frederick Benham, *Great Britain Under Protection* (New York: Macmillan, 1941), pp.90-102; Woods, "FDR and the New Economic Order", p.178.

⁷ *Foreign Relations of the United States [FRUS]*, 1941, vol.1 (Washington DC: USGPO, 1958), pp.367-369. For Anglo-American negotiations concerning point four of the charter, see *FRUS*, 1941, vol.1, pp.360-373.

⁸ *Department of State Bulletin*, 28 Feb. 1942 (Washington DC: USGPO, 1942). For the negotiations leading to the Master Lend-Lease Agreement, see *FRUS*, 1942, vol.1, pp.525-537.

⁹ Harley A. Notter, *Post-War Foreign Policy Preparation* (Washington DC: USGPO, 1949), pp.190-194.

commercial penetration – again in the name of promoting multilateralism.¹⁰ These efforts were furthered during the principal wartime international conference on economic matters, held at Bretton Woods in July 1944. The final text of the agreements reached at the conference recorded the US desire “to bring about further agreement and cooperation among nations ... on ways and means which will best reduce obstacles to and restrictions upon international trade”.¹¹ This process reached a conclusion with the Anglo-American financial agreement of December 1946, which granted Britain a loan of \$3.75 billion on the condition that it be used by Britain “to assume the obligations of multilateral trade”.¹²

Despite a small number of recent studies, the dominant tendency in the existing literature, both on US economic planning and Anglo-American relations during the Second World War, has been to focus exclusively on this process whereby the US promoted multilateralism against British opposition. The hypothesis of this paper is that relations between the US and Britain in South America during the Second World War failed to conform to this pattern. Examining relations between the wartime allies in this previously neglected region will therefore provide a new perspective on Anglo-American economic planning during the Second World War.

The Emergence of Economic Planning

Economic planning for the post-war world did not feature heavily in the early historical literature on wartime diplomacy.¹³ In this respect these initial interpretations tended to reflect the picture presented in the early collections of published documents that they were largely dependent on for sources.¹⁴ Another valuable source for these

¹⁰ Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy*, 2nd edition (Boston: Beacon Press, 1971), pp.217-236; Kolko, *The Politics of War*, pp.294-313.

¹¹ “Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944”, Department of State Publication 2866 (Washington DC: USGPO, 1948).

¹² “Financial Agreement Between the Governments of the United States and the United Kingdom”, Department of State Publication 2439 (Washington DC:USGPO, 1946), p.7. For the negotiations leading to the financial agreement, see *FRUS*, 1945, vol.6, pp.1-204.

¹³ Examples include Herbert Feis, *Churchill, Roosevelt, Stalin: The War They Waged and the Peace They Sought*, 2nd edition (Princeton: Princeton University Press, 1967) [first published 1957]; John L. Snell, *Illusion and Necessity: The Diplomacy of Global War, 1939-1945* (Boston: Houghton Mifflin, 1963); Russell Buchanan, *The United States and World War II* (New York: Harper & Row, 1964); Gaddis Smith, *American Diplomacy during the Second World War, 1941-1945* (New York: McGraw-Hill, 1965).

¹⁴ These include Robert E. Sherwood, *Roosevelt and Hopkins: An Intimate History* (New York: Harper & Bros., 1948); Robert E. Sherwood, *The White House Papers of Harry L. Hopkins: An Intimate History*, 2 vols (London: Eyre & Spottiswoode, 1948); Arthur H. Vandenberg, *The Private Papers of Senator Vandenberg* (London: Victor Gollancz, 1953); Nancy H. Hooker ed., *The*

authors was the memoirs published by officials involved in wartime diplomacy. The most important of these was the account of the war provided by the British wartime leader, Winston Churchill.¹⁵

Churchill's history of the war was equally influential on early representations of Anglo-American wartime relations. When Churchill came to pen his six-volume history of the war in the late 1940s and early 1950s, among his contemporary concerns was the necessity of maintaining a united Anglo-American front vis-à-vis the perceived communist threat from the Soviet Union. He therefore consciously strove to create a picture of the war that emphasised the solidarity and partnership between the US and Britain and downplayed any issues that had caused disagreement and acrimony between the two countries.¹⁶ Anglo-American economic diplomacy, which had divided the two powers, was therefore largely neglected from Churchill's account. When Churchill did deal with post-war economic planning, he tended to gloss over any disagreements raised by these issues.¹⁷

Churchill's account of the Second World War echoed loudly in subsequent historical enquiries into the topic.¹⁸ Issues such as economic planning for the post-war era were therefore similarly absent from early accounts. Instead, they tended to reinforce the image of a 'special relationship' between the US and Britain that Churchill had been at pains to portray.¹⁹ Producing their works in the immediate aftermath of the Second World War, the authors of these early studies can be grouped

Moffat Papers: Selections from the Diplomatic Journals of Jay Pierrepont Moffat, 1919-1943 (Cambridge: Harvard University Press, 1956).

¹⁵ Winston S. Churchill, *The Second World War*, 6 vols (London: Cassel & Co., 1948-1954). Feis, *Churchill, Roosevelt, Stalin* is particularly dependent on Churchill's account.

¹⁶ Churchill, *The Second World War*. For Churchill's concerns when writing his account of the war, see David Reynolds, "Roosevelt, Churchill, and the Wartime Anglo-American Alliance, 1939-1945: Towards a New Synthesis" in Roger Louis and Bull Hedley eds, *The 'Special Relationship': Anglo-American Relations since 1945* (Oxford: Clarendon Press, 1986), p.17; Ritchie Owendale, *Anglo-American Relations in the Twentieth Century* (Basingstoke: Macmillan Press, 1998), p.39; Mark A. Stoler, *Allies in War: Britain and America Against the Axis Powers, 1940-1945* (London: Hodder Arnold, 2005), pp.xxi-xxii.

¹⁷ Churchill, *The Second World War*, vol.3, pp.386-388, 392-293, 397.

¹⁸ For the impact of Churchill's account on future historians, see Reynolds, "Roosevelt, Churchill, and the Wartime Anglo-American Alliance", p.18; John Charmley, "Churchill's Roosevelt" in Ann Lane and Howard Temperley eds, *The Rise and Fall of the Grand Alliance* (Basingstoke: Macmillan, 1995), p.92; Owendale, *Anglo-American Relations in the Twentieth Century*, p.40.

¹⁹ See, for example, H. C. Allen, *Great Britain and the United States: A History of Anglo-American Relations, 1783-1952* (New York: St. Martin's Press, 1955). For evidence of the durability of the 'special relationship' thesis, see Joseph P. Lash, *Roosevelt and Churchill, 1939-1941: The Partnership That Saved the West* (London: WW Norton, 1976). For a critical analysis of the 'special relationship', see Michael F. Hopkins and John W. Young, "The Anglo-American 'Special Relationship'" in Paul Addison and Harriet Jones eds, *A Companion to Contemporary Britain, 1939-2000* (Oxford: Blackwell, 2005), pp.499-516.

together as part of the ‘first generation’ of scholars to have dealt with Allied diplomacy during World War II.²⁰ With the benefit of hindsight, the neglect on the part of these authors to consider economic planning for the post-war era, and the impact this process had on Anglo-American diplomacy, can be seen as a key factor distinguishing their work from that which would follow. This became vividly clear with the emergence in the 1960s and early 1970s of a new school of historians in the US that came to be referred to as revisionist writers.

Economic motives were at the heart of the revisionist interpretation of US foreign relations generally. The key historical figure that revisionist historians looked to when dealing with World War II was the US Secretary of State for the majority of the war, Cordell Hull. Economics had long been at the heart of Secretary of State Hull’s thinking about international relations. In his memoirs, published in 1948, Hull described how the US government had tried during World War II to ensure the creation of a global trading system for the post-war world based on economic multilateralism. The basis of this system, as understood by Hull, was unfettered access on the part of all countries to both markets and raw materials. The means by which Hull hoped to achieve such a system was via a multilateral agreement between nations committing them to the elimination of restrictions on global commerce, such as protective tariffs and quotas, and discriminatory closed trading systems based on bilateral agreements between governments.

The necessity of instituting such a system, according to Hull, went way beyond the realm of economics. Rather, he believed that a world trading system based on multilateralism could provide the basis for lasting international stability and peace. He reached this conclusion by way of his interpretation of the road to war in the preceding decades. According to Hull’s analysis, it was the protectionist policies adopted by countries after the First World War that had led to the global depression of the 1930s. The economic hardships endured by populations during the depression years had in turn allowed the rise of dictatorial regimes pursuing an aggressive form of economic nationalism. It was these regimes that were responsible for taking the world to war. Under an alternative economic system based on multilateralism, Hull believed the freer trade achieved by nations would lead to greater prosperity for all.

²⁰ Mark A. Stoler, “A Half Century of Conflict: Interpretations of US World War II Diplomacy” in Michael J. Hogan ed., *America in the World: The Historiography of American Foreign Relations since 1941* (Cambridge: Cambridge University Press, 1995), p.70 has characterised these writers in this way.

Such prosperity, so the argument went, would eliminate the economic dissatisfaction that had bred war. Thus, economic planning for the post-war world was being put to the service of a broader scheme to secure lasting prosperity and peace on a worldwide basis.²¹

In the first major revisionist work, *The Tragedy of American Diplomacy*, by William Appleman Williams, Hull's description of economic planning for the post-war world was taken up as the major theme of US diplomacy during World War II.²² Williams fully accepted Hull's contention that the aim of US officials in the Second World War was to institute a multilateral global trading system that would facilitate greater access to markets and resources. But Williams crucially pointed out that such a system would, by way of the country's superior economic strength by the end of the Second World War, principally act to guarantee US access above all else. He therefore differed with the Hullian thesis that described the motivation behind US economic planning in World War II as the creation of the economic basis for international peace.

Williams' central thesis was that US leaders in the twentieth century came to believe that an essential prerequisite for the country's economic and political well-being was a need to continually expand foreign markets. It is in this light that he interpreted US attempts to shape the contours of the post-World War II global economic order. US commerce would need to gain far greater access to foreign markets and resources in the post-war period, so they believed, if the country were to avoid the kind of economic overproduction that had led to the depression of the 1930s. Instituting a multilateral global trading system for the post-war period would achieve this goal by ensuring an "open door" for US economic expansion.²³ In the

²¹ Cordell Hull, *The Memoirs of Cordell Hull*, 2 vols (New York: Macmillan, 1948), vol.1, pp.81-86, 363-365. For further examples of this thesis by officials who participated in wartime diplomacy, see Herbert Feis, *The Sinews of Peace* (New York: Harper & Bros., 1944), ch.3; E. F. Penrose, *Economic Planning for Peace* (Princeton: Princeton University Press, 1953), ch.1. In the sole early historical account of Anglo-American economic planning for the post-war world, Richard Gardner, *Sterling-Dollar Diplomacy: Anglo-American Collaboration in the Reconstruction of Multilateral Trade* (Oxford: Clarendon Press, 1956) largely echoed Hull's interpretation of multilateralism and did not substantially challenge Churchill's 'special relationship' thesis when describing the cooperation between Britain and the US in their attempts to install such a system.

²² William Appleman Williams, *The Tragedy of American Diplomacy*, 3rd edition (New York: WW Norton & Co., 1972) [first published 1959], ch.5.

²³ *Ibid.* Further revisionist examples of Williams' 'open door' thesis include, Walter LaFeber, *America, Russia and the Cold War, 1945-1992* (New York: McGraw-Hill, 1993), ch.1; Barton J. Bernstein, "American Foreign Policy and the Origins of the Cold War" in Barton J. Bernstein ed., *The Politics and Policies of the Truman Administration* (Chicago: Quadrangle Books, 1970), pp.15-61; Thomas G. Paterson, "The Quest for Peace and Prosperity: International Trade, Communism

revisionist thesis, then, it was US domestic prosperity, rather than a desire to create the economic conditions necessary for world peace, that constituted the principal motivation behind the country's plans for the post-war world.

Clearly influenced by Williams, Gabriel Kolko applied much the same open door thesis to his 1968 study of wartime diplomacy, *The Politics of War*.²⁴ Lloyd C. Gardner also adopted the open door thesis in his analysis of the Roosevelt administration, *Economic Aspects of New Deal Diplomacy*.²⁵ These authors built upon Williams' work by examining how US economic plans for the post-war world factored in Anglo-American relations. The general paradigm presented by these authors was one whereby the US economic system's need for post-war markets and resources compelled officials to relentlessly try to break open the closed trading system operated by Britain in the interwar years and replace it with its own multilateralist model. Britain in turn balked at this effort in order to try to preserve its closed trading system, which British officials believed would serve the country's vital interests in the post-war era.²⁶

The sources available to revisionist historians in the 1960s and early 1970s were to a large degree the same materials accessible to the first generation of World War II historians. But revisionists also made the deliberate choice to pay more attention to the memoirs and contemporary utterances of Hull and the economic multilateralists he had led in the State Department.²⁷ They also made use of the Congressional records concerning economic planning for the post-war world and the views expressed in business journals and magazines. These choices reflected the central place given to economics in the revisionist conception of how US foreign policy was formulated.²⁸ As such, the new interpretation offered by revisionist historians reflected more an altered perception of the fundamental precepts guiding US foreign policy, as opposed to revelations brought about by the release of new

and the Marshall Plan" in Thomas G. Paterson ed., *Cold War Critics: Alternatives to American Foreign Policy in the Truman Years* (Chicago: Quadrangle Books, 1971), pp.78-112.

²⁴ Kolko, *The Politics of War*, pp.242-266.

²⁵ Gardner, *Economic Aspects of New Deal Diplomacy*.

²⁶ Kolko, *The Politics of War*, ch.12; Gardner, *Economic Aspects of New Deal Diplomacy*, p.275-288. See also, LaFeber, *America, Russia and the Cold War*, p.11.

²⁷ Kolko, in particular, as well as drawing on Hull's memoirs, makes use of Feis, *The Sinews of Peace*. See Kolko, *The Politics of War*, pp.253, 258, 183.

²⁸ For expansion on this conception, see William Appleman Williams, "The Large Corporation and American Foreign Policy" in David Horowitz ed., *Corporations and the Cold War* (New York: Monthly Review, 1969), pp.71-104; Gabriel Kolko, *The Roots of American Foreign Policy: An Analysis of Power and Purpose* (Boston: Beacon Press, 1969).

documents. New documentary evidence did, however, become available as the 1970s progressed, altering both understandings of economic planning and the nature of Anglo-American relations during the Second World War.

Post-Revisionism and Anglo-American Rivalry

Partly in response to these newly available US government documents, but also as a reaction against what some perceived as the new ‘revisionist orthodoxy’, a new generation of World War II scholars writing in the 1970s sought to correct what they saw as the overly narrow open door thesis offered by the revisionists.²⁹ Placing their focus principally on Soviet-American relations during the war – largely to the exclusion of Anglo-American relations – these scholars did not wholly ignore economic issues. In fact, John Lewis Gaddis claimed to have incorporated the revisionist thesis into his work, and produced what he later called, a “post-revisionist synthesis”.³⁰

But economic planning for the post-war world was sidelined in these works. One justification offered for this was that revisionist scholars had put too much emphasis on economic goals by way of ascribing too prominent a role to Hull. For although Hull certainly was predominantly concerned with economic goals, these authors did not see him as being greatly influential in wartime diplomacy.³¹ Ironically, when economic planning for the post-war world was considered in these works, it was usually presented in the Hullian terms of contributing to the greater political end of securing post-war peace.³² In this sense, the post-revisionists represented both a return to the older interpretations of economic planning for the post-war world, while at the same time seeking to diminish the importance of the issue. Other authors writing in this period sought to challenge the revisionist treatment of US economic planning in a more direct fashion. Basing his work principally on the newly released diaries of Henry J. Morgenthau, Jr., the US Treasury Secretary during the war, Alfred E. Eckes

²⁹ Principal works of this group include John Lewis Gaddis, *The United States and the Origins of the Cold War, 1941-1947* (New York: Columbia University Press, 1972); Daniel Yergin, *Shattered Peace: The Origins of the Cold War and the National Security State* (New York: Penguin Books, 1989). For the claim that the revisionist thesis constituted the new orthodoxy, see John Lewis Gaddis, “The Tragedy of Cold War History”, *Diplomatic History*, vol.17, no.1 (1993), pp.1-16.

³⁰ See John Lewis Gaddis, “The Emerging Post-Revisionist Synthesis on the Origins of the Cold War”, *Diplomatic History*, vol.7, no.3 (1983), pp.171-190.

³¹ Yergin, *Shattered Peace*, p.422n. made this point explicitly in response to Kolko’s conclusions. See also, Alfred E. Eckes, “Open Door Expansionism Reconsidered: The World War II Experience”, *Journal of American History*, vol.59, no.4 (1973), p.917.

³² Gaddis, *The United States and the Origins of the Cold War*, p.18-23; Yergin, *Shattered Peace*, p.8-9.

refuted each of the revisionist contentions and instead offered a full endorsement of the Hullian thesis.³³

Despite such efforts both to sideline and refute the revisionist thesis, other authors began to build upon the foundations laid by revisionist scholars. Along these lines, Michael J. Hogan employed a ‘corporatist’ interpretive model in order to offer a more nuanced and detailed account of how US political and business elites came to formulate the plans for a multilateral world trading system that were pursued during the war years.³⁴

Moreover, studies that focused specifically on Anglo-American relations during the war were beginning to pay more attention to the effect economic planning had in fact had on negotiations between the two countries. This inclusion was part of a more general trend, beginning in the late 1970s and continuing into the 1980s, of recognising the various tensions and rivalries that had existed between the two countries throughout the war.³⁵ This realisation was facilitated by the opening, throughout the 1970s, of new documents detailing wartime correspondence between the US and Britain. These documents, including Churchill’s own voluminous correspondence with Roosevelt, revealed that the image of the special relationship

³³ Eckes, “Open Door Expansionism Reconsidered”, pp.909-924; John Morton Blum ed., *From the Morgenthau Diaries, vol.1: Years of Urgency, 1938-1941* (Boston: Houghton Mifflin, 1965); John Morton Blum ed., *From the Morgenthau Diaries vol.2: Years of War, 1941-1945* (Boston: Houghton Mifflin, 1967). For a more subtle questioning of the revisionist thesis, see Robert A. Pollard, “Economic Security and the Origins of the Cold War: Bretton Woods, The Marshall Plan and American Rearmament, 1945-1950”, *Diplomatic History*, vol.9, no.3 (1985), pp.271-289.

³⁴ Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952* (Cambridge: Cambridge University Press, 1987). See also, Charles S. Maier, “The Politics of Productivity: Foundations of American International Economic Policy After World War II”, *International Organization*, vol.31, no.4 (1977); Thomas Ferguson, “From Normalcy to New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression”, *International Organization*, vol.38, no.1 (1984), pp.41-94. For further explanation of corporatism, see Michael J. Hogan, “Corporatism” in Michael J. Hogan and Thomas G. Paterson eds, *Explaining the History of American Foreign Relations* (Cambridge: Cambridge University Press, 2004), pp.137-148.

³⁵ Key works include Roger Louis, *Imperialism at Bay: The United States and the Decolonization of the British Empire, 1941-1945* (Oxford: Clarendon, 1977); Christopher Thorne, *Allies of a Kind: The United States, Britain, and the War against Japan, 1941-1945* (London: Hamilton, 1978); Robert M. Hathaway, *Ambiguous Partnership: Britain and America, 1944-1947* (New York: Columbia University Press, 1981); David Reynolds, *The Creation of the Anglo-American Alliance, 1937-1941: A Study in Competitive Cooperation* (London: Europa Publications, 1981); Donald Cameron Watt, *Succeeding John Bull: America in Britain's Place, 1900-1975: A Study of the Anglo-American Relationship and World Politics in the Context of British and American Foreign-Policy-making in the Twentieth Century* (Cambridge: Cambridge University Press, 1984); Alan P. Dobson, *The Politics of the Anglo-American Economic Special Relationship, 1940-1987* (Brighton: Wheatsheaf, 1988).

previously created by the British wartime leader had obscured much tension and disagreement between the two countries.³⁶

The general realisation of the rivalry that had existed between the US and Britain during the war allowed for further exploration of issues between the two countries that related to economic planning for the post-war world. One avenue was to consider the role played by a specific enterprise. This was the approach adopted by Alan P. Dobson in his study of Anglo-American wartime negotiations over the future of the civil aviation industry.³⁷ Similarly, Michael B. Stoff examined Anglo-American competition for oil reserves during World War II.³⁸ Another approach was to consider how Anglo-American economic planning for the post-war era factored with regard to a specific region. Charlie Whitham adopted this approach in his study of Anglo-American relation in the West Indies.³⁹ In a similar vein, Robert Vitalis examined Anglo-American economic rivalry in Egypt during the war.⁴⁰

These enterprise-based and regional paradigms provide us with useful frameworks within which to explore further areas of Anglo-American relations during the war. Further probing of this subject along these lines will aid us in our understanding of the more general process of Anglo-American economic planning for the post-war world. This goal seems particularly germane, as our comprehension of this topic has to a large extent failed to advance beyond the initial parameters posited

³⁶ For the Churchill-Roosevelt correspondence, see Warren F. Kimball ed., *Churchill and Roosevelt: The Complete Correspondence*, 3 vols (Princeton: Princeton University Press, 1984).

³⁷ Alan P. Dobson, *Peaceful Air Warfare: United States, Britain and the Politics of International Aviation* (Oxford: Clarendon Press, 1991); Alan P. Dobson, "The Other Air Battle: The American Pursuit of Post-War Civil Aviation Rights", *The Historical Journal*, vol.28, no.2 (1985), pp.429-439; Alan P. Dobson, "FDR and the Struggle for a Post-War Civil Aviation Regime: Legacy or Loss?" in Woolner, Kimball, Reynolds eds, *FDR's World*, pp.193-214. For further discussion of Anglo-American negotiations over civil aviation, see Jeffery A. Engel, *Cold War at 30,000 Feet: The Anglo-American Struggle for Aviation Supremacy* (Cambridge: Harvard University Press, 2007), pp.17-52.

³⁸ Michael B. Stoff, *Oil, War and American Security, 1941-1947* (New Haven: Yale University Press, 1980), pp.121-172.

³⁹ Charlie Whitham, *Bitter Rehearsal: The Anglo-American Caribbean Commission and American Plans for a Post-War West Indies* (Westport: Greenwood Press, 2002).

⁴⁰ Robert Vitalis, "The 'New Deal' in Egypt: The Rise of Anglo-American Commercial Competition in World War II and the Fall of Neocolonialism", *Diplomatic History*, vol.20, no.2 (1996), pp.211-239. See also Harold G. Marcus, *Ethiopia, Great Britain and the United States, 1941-1974: The Politics of Empire* (Berkeley: University of California Press, 1983), pp.8-41; John A. DeNovo, "The Culbertson Economic Mission and Anglo-American Tensions in the Middle East, 1944-1945", *Journal of American History*, vol.63, no.4 (1977), pp.913-936; Lloyd Beecher, Jr., "The Second World War and US Politico-Economic Expansion: The Case of Liberia, 1938-45", *Diplomatic History*, vol.3, no.4 (1979), pp.408-409; Peter L. Hahn, *The United States, Great Britain, and Egypt, 1945-1956: Strategy and Diplomacy in the Early Cold War* (Chapel Hill: University of North Carolina Press, 1991), pp.14-37.

in Hull's interpretation and later debated between revisionist and post-revisionist scholars.

Questioning Multilateralism

The debates surrounding US economic aims during World War II discussed above centred on the motivations behind these aims. Whereas Hull and his contemporary followers argued that the impetus behind US plans for a multilateral global economic order was to create the necessary conditions for world peace, a revisionist interpretation like Williams' challenged that the true motive was to secure the country's own domestic prosperity. Post-revisionists, while conceding that US self-interest was a factor, essentially restated Hull's argument that the attempt to implement a multilateral economic system in the post-war world was part of a broader attempt to ensure future international stability and peace.

Similarly, when focused specifically on Anglo-American economic diplomacy, the memoir of E. F. Penrose, an official in the US embassy in London concerned with economic planning during the war, presented the process as a mutually beneficial venture aimed at ensuring future prosperity and peace for both countries.⁴¹ In a revisionist interpretation of the same process, such as that provided by Kolko, on the other hand, US officials employed multilateralism as a lever with which to break open Britain's closed trading regime and thereby advance US commercial interests.⁴² Underpinning the different positions, then, was a general agreement over the US commitment to installing a multilateral economic system in the post-war world; the differences were only concerning the motivations behind this aim.⁴³

Revisionists did occasionally question the US commitment to multilateralism. For example, Thomas G. Paterson pointed to the reluctance of Congress to sanction a reduction in US trade barriers.⁴⁴ Likewise, Kolko questioned US adherence to multilateralism in its negotiations with Britain over access to Middle Eastern oil.⁴⁵ But

⁴¹ Penrose, *Economic Planning for Peace*.

⁴² Kolko, *The Politics of War*, pp.16-35.

⁴³ Maier, "The Politics of Productivity", p.608 has pointed to this shared assumption between Hull and the revisionists.

⁴⁴ Thomas G. Paterson, *Soviet-American Confrontation: Post-War Reconstruction and the Origins of the Cold War* (Baltimore: John Hopkins University Press, 1973), p.14-15. See also Paterson, "The Quest for Peace and Prosperity", pp.83-85.

⁴⁵ Kolko, *The Politics of War*, p.300-307. Kolko expands on the theme of American non-compliance with multilateralism in *The Roots of American Foreign Policy*, p.62-65.

these caveats did not alter the basic revisionist thesis that rested on the US commitment to an ‘open world’ in its negotiations with Britain.

The same acceptance that US officials were guided by an attempt to institute a multilateral world system in their negotiations with Britain was incorporated into subsequent studies of Anglo-American relations which detailed the rivalry between the two countries. Indeed, it was the very fact of the US commitment to the principles of multilateralism, posed against a British desire to retain its closed trading regime constructed during the inter-war years, which caused division between the wartime allies in these studies.⁴⁶

But was the Roosevelt administration ever fully committed to the multilateralist doctrine prescribed by Hull? Similarly, was the British government implacably opposed to multilateralism in its wartime negotiations? Questioning these shared assumptions provides one possible way in which to advance beyond the initial interpretations of Anglo-American economic planning for the post-war world.

Some provisional answers to these questions were provided in studies from both sides of the Atlantic, published in the late 1980s and early 1990s, and therefore able to make use of the newly available archives released during the 1970s. Employing a ‘bureaucratic politics’ interpretive model, Randall B. Woods’ study, *A Changing of the Guard*, offered a new interpretation of Anglo-American economic negotiations during the war.⁴⁷ Focusing on the inter-agency rivalry in the Roosevelt administration, Woods demonstrated that multilateralists in the wartime State Department and White House competed with a combination of Congressional conservatives serving special interests, and bureaucratic imperialists within the Treasury, who wished to commit the country to a programme of economic nationalism, rather than the internationalist model advanced by multilateralists. The result, Woods argued, was the advocacy by the Roosevelt administration of “modified multilateralism”, which in fact failed to provide Britain with the necessary reserves to successfully participate in a post-war economic order based on multilateralism.⁴⁸ In

⁴⁶ In particular, in this respect, see Hathaway, *Ambiguous Partnership*, pp.16-35; Christopher Hitchens, *Blood, Class and Nostalgia: Anglo-American Ironies* (London: Vintage, 1990), ch.8.

⁴⁷ Woods, *A Changing of the Guard*.

⁴⁸ *Ibid*, p.x. See also, Randall B. Woods, “FDR and the Triumph of American Nationalism”, *Presidential Studies Quarterly*, vol.19, no.3 (1989), pp.567-581; Woods, “FDR and the New Economic Order”, pp.175-192. For an explanation of bureaucratic politics, see J. Garry Clifford, “Bureaucratic Politics” in Hogan and Paterson eds, *Explaining the History of American Foreign Relations*, pp.91-102.

his consideration of the Churchill government, Woods described a similar split between those sympathetic to multilateralism and its opponents, such as the “Empire Isolationists”.⁴⁹

Similarly, Dobson, in his study of US wartime aid to Britain, demonstrated that Britain’s ability to compete in a multilateral system in the post-war era was constrained by the US Treasury’s wartime policy of limiting British reserves.⁵⁰ While the majority of British officials may have agreed with the policy of multilateralism, therefore, they disagreed with the US position of how to achieve such a goal.⁵¹ Dobson also explored other previously neglected aspects of Anglo-American relations during the war. In his discussion of the wheat negotiations that took place between the US and Britain, Dobson described how US officials deviated from liberal conceptions of post-war trade and instead advocated the implementation of price controls.⁵²

These works have demonstrated that the process of Anglo-American post-war economic planning was a far more complex one that cannot be characterised by a simplistic portrayal of the US promoting a multilateral model against British opposition. But despite these important studies, there has in recent times been a dearth of works focused on issues explicitly related to post-war economic planning between the wartime allies. This is despite the fact that there are a multitude of subjects with a direct bearing on Anglo-American economic planning during World War II which have yet to be explored.⁵³ This lack of further exploration of Anglo-American economic diplomacy during World War II has meant that when the topic has been discussed it has tended to be the established pattern of the US promoting multilateralism against British opposition that has been presented.⁵⁴

⁴⁹ Woods, *A Changing of the Guard*, pp.33-49.

⁵⁰ Alan P. Dobson, *US Wartime Aid to Britain, 1940-1946* (London: Croon Helm, 1986). See also, Dobson, *The Politics of the Anglo-American Economic Special Relationship*, ch.2.

⁵¹ Dobson, *US Wartime Aid to Britain*, pp.7-12.

⁵² Alan P. Dobson, “‘A Mess of Pottage for your Economic Birthright?’ The 1941-42 Wheat Negotiations and Anglo-American Economic Diplomacy”, *The Historical Journal*, vol.28, no.3 (1985), pp.739-750.

⁵³ To name but one example, there is as yet no study of Anglo-American negotiations over the future of international shipping, despite the apparent pertinence of this topic to post-war economic planning.

⁵⁴ See, for example, Georg Schild, *Bretton Woods and Dumbarton Oaks: American Economic and Political Post-War Planning in the Summer of 1944* (New York: St. Martin’s Press, 1995), pp.80-84; John Charmley, *Churchill’s Grand Alliance: The Anglo-American Special Relationship, 1940-1957* (London: Hodder & Stoughton, 1995), pp. 24, 37, 91-101; Warren F. Kimball, *Forged in War: Roosevelt, Churchill, and the Second World War* (London: Harper-Collins, 1997), p.101; Jonathan Fenby, *Alliance: The Inside Story of How Roosevelt, Stalin and Churchill Won One War and Began Another* (London: Simon & Schuster, 2006), pp.59-60.

One possible reason for this continuing trend is the fact that when Anglo-American relations have been explored in a particular region these have tended to be areas previously dominated by Britain – both through its official and unofficial empire – where the US previously lacked a substantial presence.⁵⁵ In these regions it was only natural that diplomacy between the US and Britain would centre on dismantling Britain's closed trading regimes. Exploring Anglo-American relations in a region where both countries had established interests is one way of providing more insight into the nature of Anglo-American economic planning. An obvious region to explore in this respect is South America.

South America in the Existing Literature

In 1942, during the midst of an exchange with colleagues concerning the Roosevelt administration's attitude toward Britain in South America, Victor Perowne, the head of the South American department in the British Foreign Office, noted that "volumes could, and will be written on the theme of Anglo-U.S. relations in respect to Latin America".⁵⁶ This prediction has not turned out to be the case. Although largely ignored in the existing literature, South America has previously been touched upon in studies of Anglo-American relations during the war; likewise, relations with Britain have been briefly addressed in considerations of US-South American relations during the war years.⁵⁷ But aside from a small number of studies specifically focused on Argentina, Anglo-American economic negotiations concerning South America have

⁵⁵ For the US challenge to the British Empire, see William Roger Louis, "American Anti-Colonialism and the Dissolution of the British Empire", *International Affairs*, vol.61, no.3 (1985), pp.395-420; Louis, *Imperialism at Bay*. For the US challenge to Britain in the Middle East, see Hitchens, *Blood, Class and Nostalgia*, ch.8; Sean Dennis Cashman, *America, Roosevelt, and World War II* (New York: New York University Press, 1989), p.341-345. For the US challenge to Britain in South-East Asia, see Walter LaFeber, "Roosevelt, Churchill, and Indochina, 1942-1945", *American Historical Review*, vol.80, no.5 (1975), pp.1277-1295.

⁵⁶ Perowne minute, 30 Mar. 1942, Foreign Office General Correspondence, FO371/30503/A1817 [hereafter cited as FO371 with file numbers], The National Archives of the United Kingdom, Kew, London [hereafter TNA].

⁵⁷ For the issue of South America in a study of Anglo-American wartime relations, see Reynolds, *The Creation of the Anglo-American Alliance*, p.273-274. For consideration of Britain in studies of US wartime policy toward South America, see David Green, *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago: Quadrangle Books, 1971), p.137-141; Bryce Wood, *The Dismantling of the Good Neighbor Policy* (Austin: University of Texas Press, 1985), pp.15-17. For consideration of the attitude of the US in the far less voluminous literature on British relations with Latin America, see Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries* (London: Longman, 1993), p.225.

not received much attention.⁵⁸ A comprehensive study of relations between the two countries in the region in the light of post-war economic planning is wholly absent. It is this gap in the current literature that this paper will fill.

For some the failure of the historical literature to focus on South America is a wholly correct reflection of the significance of the region in Anglo-American relations at the time. For example, Warren F. Kimball has suggested that there was insufficient attention paid to South America during the war by US and British officials to warrant any such study.⁵⁹ But this view reflects the low importance attributed to economic concerns by Kimball generally, as well as a tendency to focus primarily on the Churchill-Roosevelt relationship, rather than Anglo-American governmental relations as a whole.⁶⁰ Contrary to this view, David Reynolds has pointed to the need for further research in the area of Anglo-American wartime economic relations in South America.⁶¹

When Anglo-American relations in South America have been addressed the importance of the issue has tended to be downplayed. For example, Stanley E. Hilton has suggested that the US lacked any desire to achieve economic hegemony in South America and Britain's economic interests in the region were therefore not considered of any great importance.⁶² Conversely, David Green, in his 1971 book, *The Containment of Latin America*, did indeed perceive a US policy to achieve economic dominance in South America. But the threat posed to this goal by Britain was not

⁵⁸ See Louise E. Pepper, "Cordell Hull's Argentine Policy and Britain's Meat Supply", *Inter-American Economic Affairs*, vol.10, no.3 (1956), pp.3-21; Nicholas Bowan, "The End of British Economic Hegemony in Argentina: Messersmith and the Eddy-Miranda Agreement", *Inter-American Economic Affairs*, vol.28, no.4 (1975); Randall B. Woods, "Hull and Argentina: Wilsonian Diplomacy in the Age of Roosevelt", *Journal of Latin American Studies*, vol.16, no.3 (1974).

⁵⁹ Warren F. Kimball, "'The Juggler': Franklin D. Roosevelt and Anglo-American Competition in Latin America" in Guido di Tella and Donald Cameron Watt eds, *Argentina Between the Great Powers, 1939-46* (Oxford: Macmillan, 1989), pp.18-33. For a similar view, see Alec Campbell, "Anglo-American Relations, 1939-1946: A British View" in di Tella and Watt eds, *Argentina Between the Great Powers*, pp.1-17.

⁶⁰ For Kimball's views on US economic concerns during the war, see Warren F. Kimball, "US Economic Strategy in World War II: Wartime Goals, Peacetime Plans" in Warren F. Kimball ed., *America Unbound: World War II and the Making of a Superpower* (New York: St. Martin's Press, 1992), pp.139-157. For evidence of Kimball's focus on the personal relationship between Churchill and Roosevelt, see Kimball, *Forged in War*.

⁶¹ Reynolds, *The Creation of the Anglo-American Alliance*, p.368n.

⁶² Stanley E. Hilton, "Brazilian Diplomacy and the Washington-Rio de Janeiro 'Axis' during the World War II Era", *Hispanic American Historical Review*, vol.59, no.2 (1979), p.202, 228. For a similar line of argument, see R. A. Humphreys, *Latin America in the Second World War, vol. 2, 1942-1945* (London: Athlone, 1982), p.243n.

considered a significant one in his study, and Anglo-American relations in the region were therefore not subject to any in depth discussion.⁶³

Working along the same lines as his contemporary revisionist scholars, Green instead argued that the US employed the principle of the open door in order to ensure US economic expansion in the hemisphere would not be hampered by the indigenous political forces of economic nationalism.⁶⁴ When US attempts to check British competition in the region were considered by Green – which would appear to contradict the US commitment to multilateralism in Latin America – they were downplayed and characterised merely as an attempt by US officials to “hedge their bets”.⁶⁵ In this sense, Green’s book, while offering many valuable insights, both reaffirmed the Roosevelt administration’s commitment to implementing a multilateral economic system for the post-war world and dismissed the importance of Anglo-American relations in South America.

This paper demonstrates that previous studies have been too quick to dismiss the importance of Anglo-American relations in South America during the Second World War. Far from being irrelevant to the wartime alliance there was, notwithstanding intermittent attempts at cooperation between the two powers in the region, continuous rivalry between the US and Britain in South America concerning the post-war commercial prospects of the two powers. By examining this new arena for conflict between the US and Britain during the war, this paper contributes an addition to the existing literature on Anglo-American rivalry during the Second World War. Moreover, as this paper demonstrates, examining relations between the two countries in South America contributes a new perspective to the broader process of post-war economic planning that took place between the two countries during the war.

A New Perspective

One obvious reason why South America has been neglected in previous discussions of Anglo-American economic planning during the war is the fact that, to a large extent, this region was peripheral to the global conflict. This tendency is wholly understandable, but limiting the study of Anglo-American relations to those regions most immediately affected by the war fails to reflect the truly global nature the post-

⁶³ Green, *The Containment of Latin America*, pp.137-141. See also Gardner, *Economic Aspects of New Deal Diplomacy*, p.194.

⁶⁴ Green, *The Containment of Latin America*, pp.188-201.

⁶⁵ *Ibid.*, p.138.

war economic planning that took place. The very fact of South America's isolation from the principal theatres of conflict in Europe and Asia provides a novel forum in which to examine Anglo-American relations in the light of post-war economic planning. Strategic concerns were by no means wholly absent from Anglo-American diplomacy concerning this region. The danger of a German invasion launched from North Africa on the 'bulge' of Brazil was considered a real enough danger by US officials to warrant the construction of a series of military bases there during the early years of the war.⁶⁶ But in comparison to regions like North Africa and South-East Asia, South America was largely free from immediate strategic concerns throughout the war years. This freedom allowed issues relating to the post-war era, such as the commercial prospects for Britain and the US in the region, to receive greater attention.

But above all else, it is the relative status of the US and Britain in South America which means that studying this region provides an alternative picture of Anglo-American relations to that presented in previous studies. Notwithstanding President James Monroe's famous assertion of US supremacy in the Western Hemisphere in 1823, it was Britain, to a much greater extent than the US, which made commercial inroads into the region throughout the nineteenth century.⁶⁷ There was a flurry of British investment in South America immediately following the independence of the region in the 1820s.⁶⁸ Aided by dominance of the shipping lanes to South America, Britain also established important markets in the region, most prominently in Brazil and Argentina.⁶⁹

It was not until the First World War that the US seriously began to challenge British domination of the region.⁷⁰ With its European competitors largely prevented from trading with South America following the outbreak of war in 1914, the US was bound to gain a comparative advantage in the region.⁷¹ But beyond this casual change in conditions, there was a concerted programme of economic expansion in South

⁶⁶ Philip B. Taylor, Jr., "Hemispheric Defense in World War II", *Current History*, vol.56, no.334 (1969), p.338.

⁶⁷ Ronald Hyam, *Britain's Imperial Century, 1815-1914: A Study of Empire and Expansion*, 3rd edition (Basingstoke: Palgrave-Macmillan, 2002), pp.56-57; Laurence Duggan, *The Americas: The Search for Hemisphere Security* (New York: Henry Holt & Co., 1949), pp.44-45.

⁶⁸ Hyam, *Britain's Imperial Century*, p.57.

⁶⁹ Robert H. Marett, *Latin America: British Trade and Investment* (London: Charles Knight, 1973), pp.7-8; Hyam, *Britain's Imperial Century*, pp.59-60.

⁷⁰ J. Fred Rippy, *South America and Hemisphere Defense* (Louisiana: Louisiana State University Press, 1941), p.47; Hyam, *Britain's Imperial Century*, p.60.

⁷¹ Emily S. Rosenberg, *World War I and the Growth of United States Predominance in Latin America* (New York: Garland, 1987), p.31; Marett, *Latin America*, p.12; Green, *The Containment of Latin America*, p.8.

America, both by private US concerns and the ruling administration of Woodrow Wilson. This took the form of an expanded government bureaucracy to aid investment and trade in the region.⁷² Similarly, there was a concerted effort by US private interests to develop US banking facilities, alongside telecommunications and shipping lines to the region, in order to end the previous dependence on the British providers of these services.⁷³ These efforts produced great dividends. The percentage of South American imports supplied by the US rose from 16 percent in 1916 to 44 percent in 1917. Similarly, the US received just 18 percent of South America's exports in 1916 and 42 percent the following year.⁷⁴

Competition from Britain, as well as other European nations, inevitably returned to temper these gains following the end of World War I.⁷⁵ But US expansion in South America continued throughout the 1920s, fuelled to a large degree by continued private investment in the region.⁷⁶ This was matched by British investment in Venezuelan oil, but overall British investment in South America declined following World War I.⁷⁷ Britain also failed to compete successfully in the supply of goods to the region. Following the partial modernisation of South America brought about by foreign investment, Britain's exports were increasingly outdated and were replaced by US and German competition.⁷⁸

The Great Depression of the 1930s contracted trade and investment generally, but it also increased the trend toward growing US predominance in South America. Britain's response to the depression was to impose barriers to trade with countries outside the British Empire under the imperial preference system. This, along with similar protectionist measures implemented by the South American states, led to a gradual decline in commerce between Britain and South America during the 1930s.⁷⁹ Although US trade with South America similarly shrank as a result of the depression,

⁷² Rosenberg, *World War I and the Growth of United States Predominance in Latin America*, pp.37-40.

⁷³ *Ibid.*, pp.41-47.

⁷⁴ Rippy, *South America and Hemisphere Defense*, pp.48-49.

⁷⁵ *Ibid.*, p.49

⁷⁶ Rosenberg, *World War I and the Growth of United States Predominance in Latin America*, pp.59-65; Rippy, *South America and Hemisphere Defense*, p.49; Williams, *The Tragedy of American Diplomacy*, pp.154-155.

⁷⁷ Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, pp.186-189; Marett, *Latin America*, p.12.

⁷⁸ Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, pp.190-191; Rosenberg, *World War I and the Growth of United States Predominance in Latin America*, pp.66-67.

⁷⁹ Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, p.207; Marett, *Latin America*, p.13.

there was also a trend as the 1930s progressed for the US to try to strengthen inter-American trade links to counteract the loss of European markets.⁸⁰ Begun during Herbert Hoover's administration, this process came to fruition with the Reciprocal Trade Agreements established between the US and several South American states, as part of the Roosevelt administration's Good Neighbour policy.⁸¹ The trade agreements were backed up by the granting of loans to South American countries by the newly created Export-Import Bank, which aimed to provide South America with the necessary purchasing power to participate in inter-American trade.⁸²

By the late 1930s, then, the US had surpassed Britain as the principal foreign commercial power in South America. On the eve of war in 1938 the US supplied 27 percent of South America's imports, compared to 14 percent from Britain.⁸³ With regard to individual countries, it was only in Argentina and Uruguay that Britain supplied a slightly higher proportion of the country's imports than the US. In Brazil the US supplied 24 percent and Britain 10 percent. A similar ratio was to be found in Chile, whereas in the remaining countries the US tended to dominate. With regard to exports from the region the picture was more mixed, depending on the principal product supplied by the individual country.⁸⁴ For example, in Bolivia, where the principal export was tin, Britain received 63 percent of the country's entire exports and the US only 4 percent. In Colombia, on the other hand, which primarily exported coffee, the US received 59 percent of exports, whereas Britain received virtually none. In other countries, such as Paraguay and Peru, Britain and the US received a roughly equal share of exports.⁸⁵

In this respect South America offers a stark contrast to previous studies, which have focused on regions like the British Empire and the Middle East where the US sought to expand into new areas and challenge British dominance. In South America,

⁸⁰ Rippy, *South America and Hemisphere Defense*, p.49; Green, *The Containment of Latin America*, p.19; Gardner, *Economic Aspects of New Deal Diplomacy*, pp.51-52.

⁸¹ Williams, *The Tragedy of American Diplomacy*, pp.151-152; Duggan, *The Americas*, p.61.

⁸² Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, p.209; Stewart, *Trade and Hemisphere*, p.148; Duggan, *The Americas*, p.78

⁸³ "British and United States Competition for South American Trade", 21 Sept. 1940, *South American Journal*, p.177. Germany supplied 18 percent of South America's imports in 1938. See *ibid.*

⁸⁴ For the staple exports from the various South American countries, see Stewart, *Trade and Hemisphere*, p.223; Samuel Guy Inman, "Planning Pan-American Trade", *Harvard Business Review*, vol.18, no.2 (1940), p.145.

⁸⁵ Raul C. Migone ed., *Inter-American Statistical Yearbook*, 1940 (New York: Macmillan, 1940), pp.158-161.

while Britain retained a substantial commercial presence, it was the US that had the edge in controlling the commerce of the region.

This difference in the relative status of the two countries meant that the pattern presented in previous works, whereby the Roosevelt administration sought to promote multilateralism against the opposition of the British government, failed to come to fruition in South America. Britain lacked the dominance and the preferential position in South America that it sought to defend in other parts of the world. A multilateral system based on free and equal access, therefore, represented its best chance of maintaining commercial footholds in the region. As this paper demonstrates, it was therefore Britain that insisted on a multilateral system in South America. The US, on the other hand, lacked the same motivation to promote a multilateral system that it pursued in other regions and in general negotiations with its wartime ally. Rather than uniting around the promotion of multilateralism in its wartime diplomacy with Britain concerning South America, then, the Roosevelt administration was instead divided between different factions, each with their own ambitions.

Chapter 2 of this paper considers the effect on British interests in South America of exclusionary elements in the Roosevelt administration and the broader political and business establishment during the period of US neutrality. In particular, it argues that criticisms of British trade practices in South America – combined with British mollification of these criticisms – resulted in the partial exclusion of British interests from the region between 1939 and 1941.

Beginning with Pearl Harbor, and the subsequent entry of the US into the war, chapter 3 argues that the initial failure of elements within the Roosevelt administration to cooperate with British attempts to forge a new activist role for the country in Latin America resulted in the British government forming suspicions that the Roosevelt administration wished to exclude its interests from South America. Internationalists in the State Department, led by Hull, subsequently sought to counter these suspicions by promoting multilateralism in the region. In so doing they ensured that a degree of cooperation in South America existed between the two countries by the autumn of 1942.

However, as chapter 4 demonstrates, various other factions within the Roosevelt administration and the broader US establishment continued to pursue wholly different agendas from the internationalists in the State Department. Temporary government agencies and Latin Americanists in the State Department had

little concern with attempts to win British support for a multilateral economic system for the post-war era. Similarly, US business interests also were unconvinced of the wisdom of preserving a major competitor's interests in South America. Cumulatively, it is argued that these groups pursued policies throughout 1942 and into 1943 that had the effect of excluding British economic interests from South America on a permanent basis.

In response to these developments, as chapter 5 demonstrates, Britain sought to formally commit the Roosevelt administration to a policy whereby the State Department would restrain those elements endangering British interests in South America, by pledging its commitment to multilateralism in the region and requesting US assistance in achieving this outcome. But while the State Department agreed to this policy in theory, the subsequent actions of the Roosevelt administration demonstrate that it failed to adhere to it in practice.

This paper therefore demonstrates that in South America Anglo-American relations failed to conform to the pattern whereby the US promoted multilateralism and Britain opposed such a system. On the contrary, in this region it was Britain that took the lead in promoting multilateralism and the US that demonstrated exclusionary tendencies. This paper therefore constitutes an addition to the existing scholarship of Dobson and Woods by furthering our understanding of Anglo-American post-war economic planning during World War II.

The Methodological Approach

As with Woods' work, this paper explains the divergence from multilateralism in the Roosevelt administration partly by reference to competing factions within the government bureaucracy and the differing objectives that they sought to achieve. But while this approach is a valid and indeed necessary advance in understanding the formulation of policy in the Roosevelt administration, Woods generally adopts a bureaucratic politics approach to the exclusion of considering business interests in the formulation of policy. In this sense, Woods rejects the primacy of business interests in the formulation of foreign policy, which was central to revisionist interpretations of the 1960s and 1970s.⁸⁶ The problem with this approach is that without the central

⁸⁶ Woods does not wholly neglect business interests. For example, see Woods, "FDR and the Triumph of American Nationalism", p.569; Randall B. Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor': The United States and Argentina, 1941-1945*

component of the requirements of the US capitalist system the reader is often left unsure as to what caused the divergence between different factions of the government bureaucracy. Without business interests providing the broad parameters of US interests, the assumption is that US policy was dictated solely by the personalities of the individuals involved.⁸⁷

This paper seeks to avoid this shortcoming and therefore rather than wholly follow Woods' example proceeds from the basis that business interests were indeed vital to the formulation of US foreign policy. As such, trade journals, as well as government interactions with business interests recorded in official archives, are a valuable source in this paper. Rather than seeking to diminish the importance of business interests, this paper assumes their importance in the formulation of US foreign policy, but also acknowledges that different factions in the government bureaucracy were influenced by business interests in different ways. Similarly, the business community itself was guided by different motives when it came to assessing its interests in different parts of the world. In this sense, the interpretive approach of this paper represents a combination of revisionism and bureaucratic politics, making use of the most valuable insights from each model.

Beyond this interpretive approach, the contribution to existing scholarship claimed by this paper is in part due to the use of documents previously neglected by scholars, and in part due to a new interpretation of documents used previously in different contexts. One notable shortcoming of existing studies of Anglo-American economic planning during World War II – particularly by US scholars – has been to neglect the available British archives. In one sense this archival bias is justified by the fact that, given the changing balance of power between the wartime allies, the US was the chief protagonist in constructing a new economic world order, whereas Britain's actions were chiefly responsive. However, studying British concerns and policy can provide an added depth to our understanding of Anglo-American post-war economic planning, lacking in previous studies. More specifically, by exploring the formulation of British policy in South America, and British engagement with US economic

(Lawrence: Regents Press of Kansas, 1979), p.174; Woods, *A Changing of the Guard*, p.24. But he is explicit that a bureaucratic politics interpretation should be seen as an alternative to revisionist interpretations. See Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.x-xi.

⁸⁷ For a similar criticism of Woods' work, see C. A. MacDonald, "The Politics of Intervention: The United States and Argentina, 1941-1946", *Journal of Latin American Studies*, vol.12, no.2 (1980), pp.392-393.

ambitions in the region, this paper will shed new light on US economic plans in South America and Anglo-American post-war economic planning more generally.

The general approach to research for this paper has been to identify the major themes and topics from government documents in the British National Archives, most commonly in the Foreign Office's General Correspondence. While some of these documents have been referred to in previous studies, no work has yet been produced based on a thorough reading of these documents.⁸⁸ In this sense, this paper makes use of new documentary material in order to make an original contribution to the current scholarship. Among the strengths of the Foreign Office's General Correspondence Series is the fact that it contains much correspondence – and therefore the viewpoints of – other government departments.⁸⁹ By making use of these documents, as well as those found in the interested departments' own records, this paper considers the differing perspectives of the various government departments involved in the formulation of British policy.

Having identified key issues in the British National Archives, these have been further explored, both in the US National Archives and the voluminous collections of private papers available in the US. In this way subjects not immediately obvious from the US archives – as they are not often explicitly defined as distinct topics in this setting – have been explored. By employing this approach, documents previously interpreted in one way by US scholars have been re-interpreted through the lens of the British archives.

Beyond State Department documents – mainly those contained in the Central Decimal File – this paper also makes use of the documents produced by other government agencies. Previous studies have tended to focus almost exclusively on the State Department when considering Anglo-American economic planning during World War II.⁹⁰ While this is perhaps appropriate when considering other parts of the world, in South America there was a plethora of other agencies that competed with the

⁸⁸ Previous studies which have used Foreign Office documents found in this paper include Kimball, "The Juggler", pp.18-33; Campbell, "Anglo-American Relations", pp.1-17; R. A. Humphreys, *Latin America and the Second World War, vol. 2, 1942-1945* (London: Athlone, 1982); Wood, *The Dismantling of the 'Good Neighbor' Policy*; Hilton, "Brazilian Diplomacy and the Washington-Rio de Janeiro 'Axis' during the World War II Era", pp.201-231; Green, *The Containment of Latin America*.

⁸⁹ Most relevant for this paper are those of the Board of Trade, the Treasury, the Ministry of Economic Warfare (MEW), and the Ministry of Information. The minutes recorded by Foreign Office personnel are also invaluable in providing insights into the formation of policy.

⁹⁰ In particular, see Gardner, *Sterling-Dollar Diplomacy*; Kolko, *The Politics of War*.

State Department for control of policy, and therefore influenced the attitude toward British interests in the region. Documents produced by the Office of the Coordinator for Inter-American Affairs (CIAA), the Export-Import Bank, and other pertinent agencies, then, are a vital part of the source material for this paper. By utilising these documents from other government agencies, this paper considers the differing perspectives within the Roosevelt administration, as with the British government.

The Scope of this Work

The specific topics explored in this paper are dictated on the one hand by those issues which preoccupied British and US officials concerned with South America at the time, and on the other by the pertinence of those topics to the broader theme of post-war economic planning. Most prominently these include the Lend-Lease Export White Paper and its effects on British exports to South America; economic warfare policies, such as blacklisting and the Axis replacement programme; particular industries which had a strategic value, as well as commercial importance, like telecommunications; as well as certain enterprises which took on importance beyond their intrinsic worth, as they were employed as test cases in Anglo-American relations in the region, in particular the central Brazilian railway. All of these issues had a contingent, wartime aspect to them. But they are also of relevance to post-war economic planning. When interpreting the documents, it is the post-war implications of the topics that have been emphasised. In a similar vein, many of the topics explored had a strategic or explicitly political aspect to them. While these dimensions have not been ignored, it is the economic aspects of the topics that are the focus of this paper.

What this study certainly does not claim to be is a comprehensive exploration of Anglo-American relations in South America in their entirety. Instead, only those issues between the two countries in the region that are relevant to the broader process of post-war economic planning are considered. This has meant the exclusion of several important topics, which while certainly not insignificant, have no real relevance to this paper. For example, the extensive diplomacy between the two countries concerning the attitude of Argentina toward the Axis powers is only addressed tangentially when the topic is relevant to post-war economic planning. Neither does this study make any attempt in all but the most superficial sense to address the topic from the perspective of the South American countries themselves. While there is clearly a danger in this omission of accentuating an image of the South

American states merely as pawns in a broader international struggle – which is indeed how they were often viewed by the US and Britain – this paper is a study in Anglo-American relations, and makes no claim to be anything more.⁹¹

The geographic focus of this study is dictated by the realities of the time. There was little rivalry between the US and Britain in the Caribbean or in Central America, as British interests had, by the time of World War II, largely vacated these areas.⁹² It is for this reason that this paper focuses on South America, as opposed to Latin America as a whole. Although geographically located in South America, this paper does not include discussion of British Guiana. This omission is justified on the basis that to include a British colonial possession in the study would distract from the general themes. This decision reflects the exclusion of British Guiana by officials involved with South American affairs in both the British and US governments. Discussions concerning British Guiana were dealt with by the Colonial Office of the British government, and fell within relations with the British Empire when dealt with by US officials.

While primarily a regional study – by which is meant an examination of the formulation of policy toward the region as a whole – diplomatic issues and particular enterprises in specific countries are addressed in places.⁹³ The majority of these focus on the two biggest countries in South America: Argentina and Brazil. This bias is reflective of the attention paid by US and British officials to these two countries during the war. On the one hand, this was due to the fact that Argentina and Brazil constituted the largest economies in the region.⁹⁴ On the other hand, it was in these

⁹¹ Max Paul Friedman, “There Goes the Neighborhood: Blacklisting Germans in Latin America and the Evanesence of the Good Neighbor Policy”, *Diplomatic History*, vol.27, no.4 (2003), p.570; Kimball, *The Juggler*, p.116.

⁹² Sands untitled report, 9 Dec. 1942, FO371/30516/A10693, TNA; W. Latimer Gray, “Some Long Range Aspects of Inter-American Commercial Relations”, 22 June 1942, *Export Trade and Shipper*, p.7. The obvious exceptions to this were the British colonial possessions of the West Indies. For Anglo-American diplomacy concerning these islands, see Whitham, *Bitter Rehearsal*.

⁹³ US policy toward South America was usually formulated as a constituent part of ‘Latin American policy’. This reflected the bureaucratic composition of the US government, such as the Division of American Republic Affairs in the State Department. As such, the US terminology – referring to ‘Latin America’ will be adopted when discussing US policy. British policy, on the other hand, was usually formulated specifically toward South America. Again this reflected the division of the Foreign Office into a South American department and a North American department, the latter of which also encompassed Central America. When discussing British policy, therefore, ‘South America’ will usually be adopted, although broader policy toward ‘Latin America’ as a whole was formulated in conjunction with other government departments.

⁹⁴ This had historically been the case, and by 1937 Argentina’s exports were valued at \$757.4 million and its imports \$482.1 million. Brazil’s exports stood at \$350.3 million and its imports \$334.3

countries that Britain retained its most significant commercial interests by the time of the Second World War.⁹⁵ It was only natural, then, that these countries should be the locus for Anglo-American rivalry. Indeed, competition between the US and Britain in these countries to a large extent shaped the policies of both governments toward the region as a whole.

The time period covered by this paper is similarly dictated by contemporaneous factors. The fact that US and British officials were free to consider post-war issues to a greater extent in South America than in regions directly affected by the fighting meant also that post-war issues were considered at a much earlier stage in this region. Well before Pearl Harbor, officials on both sides of the Atlantic considered the post-war commercial prospects of both Britain and the US. Reflecting this fact, this study begins with the outbreak of war in Europe in September 1939, much earlier than most studies of post-war economic planning, which tend to begin with the granting of Lend-Lease or the Atlantic Charter declaration some two years later.⁹⁶

For similar reasons this study ends at the beginning of 1945, whereas, again, most studies of Anglo-American post-war economic planning tend to continue until 1946 and the granting of a loan by the US to Britain for post-war reconstruction.⁹⁷ This earlier conclusion is justified when studying Anglo-American relations in South America, as many of the issues that shaped relations between the two countries in the region during the war had ceased to have any significant impact by this point in time. Similarly, a general shift of focus away from South American affairs had taken place by the beginning of 1945.

While the war was in progress, however, South America was indeed considered an important region for US and British officials concerned with Anglo-American relations. Moreover, the issues that arose in this region have a direct bearing on the broader wartime theme of post-war economic planning. Studying Anglo-American relations in South America will therefore contribute toward a greater

million in the same year. Venezuela was the next largest with 1937 exports of \$253.6 million and imports of \$90.5 million. See Rippey, *South American and Hemisphere Defense*, p.46.

⁹⁵ Green, *The Containment of Latin America*, p.7.

⁹⁶ See, for example, Woods, *A Changing of the Guard*, which begins with the granting of Lend-Lease in March 1941 and Gardner, *Sterling-Dollar Diplomacy*, which begins with the Atlantic Charter. In this sense, this study is similar to Whitham's book on Anglo-American post-war planning in the West Indies. See Witham, *Bitter Rehearsal*.

⁹⁷ See, for example, Woods, *A Changing of the Guard*; Dobson, *US Wartime Aid to Britain*.

understanding of the process of economic planning carried by the wartime allies. This goal is a worthwhile endeavour, given that it is still, to a great extent, the negotiations carried out during the Second World War that shaped the world in which we live today.

Chapter 2

US Criticisms and British Mollification (Autumn 1939 – Winter 1941-1942)

During the period when the US was officially neutral there was substantial criticism of British trade practices in South America from a variety of sources both within the Roosevelt administration and in the US political and corporate establishment. The recurring theme of this criticism was that Britain was following policies ostensibly aimed at advancing the Allied war effort that in fact harmed US commercial interests in South America, while advancing Britain's own. This criticism took a number of forms, each relating to the policies exercised by Britain toward South America. British censorship in the Western Hemisphere; measures of economic warfare, such as blacklisting; and Britain's export policy toward the region, particularly following the advent of the Lend-Lease bill, were all policies that elicited criticism from within the US.

These criticisms were not without foundation. It was always a long-term aim of the British government to retain commercial footholds in the region, and the distinction between attaining this goal and pursuing policies of more immediate concern in the region were not always clearly defined. But while on one level the criticisms of Britain in South America were a legitimate response to British connivance in the region, various groups within the US inflated these criticisms to advance their own agendas. The US business community sought to defend its long-term interests in South America, and saw in criticism of Britain in the region, an opportunity to reduce their major competitor's standing. Anglophobes in Congress sought to draw attention to British misdeeds in South America in order to try to pressurise the Roosevelt administration into taking a tougher stance toward British interests in the region. In addition, influential officials within the Roosevelt administration focused on Latin America regarded British commercial activities in South America as an intrusion into their territory and sought to minimise British influence in the area. Combined, these groups represented early indications from within the US political establishment of a wish to exclude Britain from South America in the post-war period.

Others in the US harboured no such ambition and were far more sympathetic toward Britain. Roosevelt and those closest to him generally accepted that the criticisms against the British were largely exaggerated for ulterior motives. However, this did not mean that they were willing to ignore the accusations. On the contrary, they viewed such criticisms as a dangerous threat to their central policy in this period of aiding the Allies while remaining officially neutral. Consequently, they were willing to allow elements hostile toward Britain to take prominence with regard to South America in order to maintain control over the core elements of US foreign policy. Moreover, they encouraged Britain to placate those elements in South America that were seeking to exclude British interests from the region.

Many in the British government were loath to do this and the Board of Trade in particular sought to retain British interests in South America, regardless of the effect on relations with the US. However, defence of Britain's economic interests in South America in this period was overshadowed by the imperatives of Anglo-American relations. During the opening months of the war this largely took the form of a necessary respect for US neutrality. Following May 1940, when Churchill came to power, winning the goodwill of the Roosevelt administration became an overriding aim of the British government. Such a goal was deemed necessary not only to achieve Churchill's long-term ambition of bringing the US into the war on the side of the Allies, but also to facilitate more immediate US aid and cooperation, which was vital to the British war effort.

As criticisms of British trade practices in South America became an increasingly prominent political issue in the US they were consequently viewed as a threat to ensuring the benevolence of the Roosevelt administration. The British government therefore took a variety of steps to pacify US criticisms of British commercial activities in South America. The result of these efforts was a contraction of British economic interests in the region. In this sense, this chapter shows that factions within the US were successful in partially excluding British interests from South America in the period prior to US entry into the war.

Early Exclusionary Elements

When Latin America has been addressed in previous discussions of US policy during the period of neutrality it has usually been presented as an arena in which internationalist principles were advanced. In this sense US policy in Latin America

prior to Pearl Harbor acted as a precursor to the broader embrace of internationalism following US entry into the war.¹ But while this may have been true in the political domain, when viewed through the prism of economic concerns – and more particularly, the attitude toward British interests in South America – US policy toward Latin America in this period was shaped in large part by exclusionary elements.

One source of this exclusionary sentiment was the anti-interventionists seeking to keep the US out of the war. In response to the spread of Nazism in Europe, this group advocated the creation of a closed economic bloc in the Western Hemisphere, which would free the US from any dependency on trade with Europe.² This, anti-interventionists believed, would both lessen the chances of the US being drawn into the European conflict and compensate for the loss of trade brought about by the war.³ Such autarky in the Western Hemisphere would be necessary, moreover, regardless of the outcome of the war in Europe. If Germany were triumphant, the Nazi regime would doubtless create a closed trading bloc in Europe, which would necessitate a competing bloc in the Western Hemisphere. If the Allies won, on the other hand, it was widely predicted that this would not happen for many years, again making self-sufficiency in the Western Hemisphere at least a temporary requirement.⁴

Such sentiments were not however confined to anti-interventionists. The Council on Foreign Relations was the leading foreign policy think tank in the US and generally internationalist in its outlook and supportive of US intervention in the war.⁵ However, given the likely prospect of a Nazi victory in the summer of 1940, the council produced a detailed report on the trade of the Western Hemisphere and the implications of implementing a “Pan-American Trade Bloc”.⁶ Similarly interventionist in outlook was the Foreign Service officer George S. Messersmith.⁷

¹ Wayne S. Cole, *Roosevelt and the Isolationists* (Lincoln: University of Nebraska Press, 1983), pp.357-362; David G. Haglund, *Latin America and the Transformation of US Strategic Thought, 1936-1940* (Albuquerque: University of New Mexico Press, 1984), pp.1-36.

² Justus D. Doenecke, *Storm on the Horizon: The Challenge to American Intervention, 1939-1941* (Lanham: Rowman & Littlefield, 2003), p.141.

³ Ibid.; George E. Quisenberry, “For the Economic Implementation of the Monroe Doctrine”, 17 June 1940, *Export Trade and Shipper*, pp.5-6.

⁴ John Abbink, “A Program for Protecting the US from Economic Strangulation”, 27 May 1940, *Export Trade and Shipper*, pp.3-6, 16.

⁵ Peter Grose, *Continuing the Enquiry: The Council on Foreign Relations from 1921 to 1996* (New York: Council on Foreign Relations, 1996), pp.23-25.

⁶ “A Pan-American Trade Bloc”, 7 June 1940, No. B-B12, Economic and Financial Series, War and Peace Studies, Records of the Council on Foreign Relations (microfiche copy), Robertson Library, London School of Economics and Political Science, London [hereafter LSE].

⁷ Jesse H. Stiller, *George S. Messersmith: Diplomat of Democracy* (Chapel Hill: University of North Carolina Press, 1987).

Messersmith had gained first-hand experience of Nazi Germany while serving in the US consulate in Berlin in the early 1930s. Writing to the State Department in June 1940 from his new post in Cuba, Messersmith cautioned that “unless we build ... a wall around the Western Hemisphere as Germany will build around ... Europe, ... our principle measure of defence will be gone”. Expanding on this, Messersmith counselled that it was necessary “to work out a system through which the American States will act as an economic unit” if US security from the war in Europe were to be ensured.⁸ Such avocations to take measures to defend the Western Hemisphere from the war in Europe were indeed heeded by the Roosevelt administration.

An early, relatively subtle means of excluding European interests from Latin America was demonstrated by the Export-Import Bank. Loans to aid development in Latin American countries more often than not came with strings attached to ensure that the contracts funded by the loans went to US companies, where previously they may have gone to German and Italian ones.⁹ German commerce with Latin America, in particular, was viewed as a serious threat to hemispheric security. Following an intensive trade drive in the region throughout the 1930s, Germany supplied 16 percent of South America’s imports and received 9 percent of its exports during 1936 and 1937.¹⁰

But while the motivation behind the Export-Import Bank’s loans may have been the threat posed by the Axis powers in Latin America, the loans failed to differentiate between these countries and European nations generally. US officials were well aware of the exclusionary ramifications of the loans. However, in a memo written for Harry Dexter White, the official in charge of international economic affairs in the Treasury, the exclusionary tendencies were rationalised. “It would be politically unwise”, explained the memo, “to allow American capital to be used to the detriment

⁸ Messersmith to Welles, 2 June 1940, Folder 135, Box 47, Cordell Hull Papers (microfilm copy), Cambridge University Library [hereafter CUL]. See also, Welles, Morgenthau, Wallace, Hopkins to Roosevelt, 20 June 1940, Folder 14, Box 150, Sumner Welles Papers, Franklin D. Roosevelt Library, Hyde Park, New York [hereafter FDRL]; Gerald K. Haines, “The Roosevelt Administration Interprets the Monroe Doctrine”, *Australian Journal of Politics and History*, vol.24, no.3 (1978), p.340; Edgar S. Furniss, “Wartime Objectives in Latin America”, *World Politics*, vol.2, no.3 (1950), pp.376-377.

⁹ “Mr Pierson Pitches Woo” *Time*, 10 Feb. 1941, available at: <http://www.time.com/time/magazine/article/0,9171,932575,00.html> (accessed 10 June 2009).

¹⁰ Rippy, *South America and Hemisphere Defense*, p.50.

of American exporters”.¹¹ So while the loans may have been a blunt instrument that would exclude European interests from Latin America, they were a necessary evil.

A far more direct attack upon British interests in South America came in 1940 during discussions over the granting of aid to Britain in order to facilitate continued munitions purchases. By the summer of this year Britain had already sold much of its overseas assets in order to generate much-needed liquidity.¹² It was in this context that Sir Frederick Phillips, representing the British Treasury, visited Washington in July 1940 to discuss the granting of aid with US officials. But while many in the Roosevelt administration were sympathetic to this request there was also widespread suspicion that Britain was overstating the scarcity of its reserves.¹³ In particular, US officials believed that British assets in South America – most prominently in Argentina – could be sold before aid from the US would be necessary.¹⁴ When Roosevelt met Phillips on 17 July he made this suggestion bluntly. “How about selling some of these securities you have in the Argentine?” the President asked.¹⁵

Requests such as this continued in the months that followed, and in the autumn of 1940 Lord Lothian, the British ambassador in Washington, informed the Foreign Office that prior to any aid being granted, proof that British assets in South America had in fact been exhausted would be needed.¹⁶ The Roosevelt administration often justified this hard-line stance as necessary to ensure Congressional support for any legislation granting aid to Britain.¹⁷ While there was undoubtedly some truth in this

¹¹ Hanson to White, 27 Mar. 1940, Folder 6, Box 5, Harry Dexter White Papers, Seeley G. Mudd Manuscript Library, Princeton University, New Jersey [hereafter Mudd Library]; Memo by Berle for Jones, 1 Aug. 1940, “International Communications” Folder, Box 59, Adolf A. Berle Papers, FDRL. See also Inman, “Planning Pan-American Trade”, p.146; Steward, *Trade and Hemisphere*, ch.9; Feis, *The Sinews of Peace*, p.115; Green, *The Containment of Latin America*, p.92. For more on White’s role in the Treasury, see David Rees, *Harry Dexter White: A Study in Paradox* (London: Macmillan, 1974), pp.131-133.

¹² R. S. Sayers, *Financial Policy, 1939-1945* (London: HMSO, 1956), pp.369-366; Kimball, *The Juggler*, p.48; Alan P. Dobson, “The Export White Paper, 10 September, 1941”, *The Economic History Review*, vol.39, no.1 (1986), p.59; Dobson, *The Politics of the Anglo-American Special Relationship*, p.23.

¹³ Kathleen Burk, “American Foreign Economic Policy and Lend-Lease” in Lane and Temperley eds, *The Rise and Fall of the Grand Alliance*, p.44; Dobson, *The Politics of the Anglo-American Special Relationship*, p.24; Campbell, “Anglo-American Relations”, p.10.

¹⁴ Burk, “American Foreign Economic Policy and Lend-Lease”, p.52; Kimball, *Forged in War*, p.70. British assets in Argentina were valued at £442,261,086 in 1938. The next biggest site of British investment was in Brazil, where assets were valued at £262,252,091 in the same year. See “British Investments in Latin America”, *South American Journal*, 14 Jan. 1939, p.26.

¹⁵ Entry for 17 July 1940, 610, vol.3, Henry Morgenthau, Jr. Diaries (microfilm copy), The Roosevelt Study Center, Middelburg [hereafter RSC]. Morgenthau strongly approved of the line taken by Roosevelt toward Phillips, describing it as striking “absolutely the right tone”. See *ibid.*

¹⁶ Sayers, *British Financial Policy*, p.369.

¹⁷ *Ibid.*

reasoning, the targeting of British interests in South America as a precondition to Britain receiving US aid was also representative of exclusionary tendencies within the Roosevelt administration. In a memorandum prepared for Roosevelt in November 1940 it was suggested that the US acquire Britain's South American assets in return for any possible aid.¹⁸ Similarly, in a deal proposed by CIAA, British assets in Argentina would be transferred to US control in exchange for aid. "There are some good properties in the British portfolio", noted the CIAA memo, "and we might well pick them up now".¹⁹

The presence of exclusionary tendencies within the administration was again confirmed following the eventual granting of US aid to Britain in the form of Lend-Lease in March 1941. An early suggestion as to how Britain should repay the aid granted by the US was for British assets in South America to be transferred to US ownership. Eventually this suggestion was abandoned, given that the Latin American experts in the State Department believed that the trend toward nationalisation in the region would make ownership of the British assets more trouble than they were worth.²⁰ But nevertheless, the fact that such a proposal was seriously discussed is indicative of the exclusionary elements within the Roosevelt administration during this period.

Cumulatively, the presence of such exclusionary elements in the US during the period prior to US entry into the war offers an alternative picture of the region to that presented by previous studies. Moreover, these elements constituted the source of criticism of British activities in the South America in the era of US neutrality.

British Censorship

Criticisms of British trade practices in South America first came to the fore via Britain's colonial possessions in the Western Hemisphere. Pan-American Airlines used these strategically placed islands as refuelling stations when carrying international mail. Since the outbreak of war Britain had been examining letters and parcels from the US to Germany carried by these planes, in the hope of gaining

¹⁸ Memorandum by Hammer, 29 Nov. 1940, OF48, Box 2, Official File, Franklin D. Roosevelt Papers, FDRL.

¹⁹ Quoted in Green, *The Containment of Latin America*, p.139-140.

²⁰ Hooker ed., *The Moffat Papers*, pp.352-353.

military intelligence and intercepting contraband.²¹ This practice was the occasion for much criticism. Inspection of US mail touched a sensitive nerve in the country's political tradition, inciting fears of an infringement upon individual privacy rights. For this reason Britain agreed to cease censorship of US mail in the British West Indies in October 1939.²²

Meanwhile, censorship of US mail by the British authorities continued on the North Atlantic island of Bermuda, where US planes and ships stopped en route to Europe. This ensured that the criticisms from the US continued.²³ On 2 January 1940 Hull issued an official protest to Britain, claiming that the examination of US mail at Bermuda violated the Hague convention of 1907 concerning the right of capture in naval warfare. The State Department and the Foreign Office eventually agreed to disagree on their respective interpretation of international law regarding this matter and cooperated in measures to ensure that British censorship caused as little disruption to US correspondents as possible.²⁴

However, in February Senator Melvin J. Mass (Rep.-Minn.) made far more sinister accusations against the British. The real reason Britain was examining US correspondence with Europe, Mass claimed, was to steal cost data and other business information contained in commercial correspondence. This, Mass contended, would allow British firms to undercut their US competitors.²⁵ No evidence was ever produced to substantiate these claims, but the British government was well aware of the potential danger such allegations presented to relations with the US.²⁶ It was with these concerns in mind that Sir John Reith, the Minister of Information, publicly repudiated the allegations. During a session of Parliament on 4 March 1940 Reith stated unequivocally that the allegations of British abuse of censorship for commercial gain had "no foundation in fact".²⁷ For a while the Foreign Office considered going beyond these verbal denials and inviting a US official to observe British censorship at

²¹ Kennedy to Hull, 7 Oct. 1939, *FRUS*, 1939, vol.2, pp.266-267; Johnson to Hull, 4 Dec. 1939, *FRUS*, 1939, vol.2, p.269.

²² Memo of conversation between Moffat and Lothian, *FRUS*, 1939, vol.2, p.267.

²³ Beatrice Bishop Berle and Travis Beal Jacobs eds, *Navigating the Rapids, 1918-1971: From the Papers of Adolf A. Berle* (New York: Harcourt Brace Jovanovich, 1973), p.287.

²⁴ Doenecke, *Storm on the Horizon*, pp.71-72; *FRUS*, 1940, vol.3, pp.79-86; Hull, *The Memoirs of Cordell Hull*, vol.1, pp.734-735.

²⁵ "Senators Defeat Clipper Mail Curb", *New York Times*, 16 Feb. 1940, p.9; "Bermuda and the American Mails", *Chicago Tribune*, 23 Feb. 1940, p.12; Doenecke, *Storm on the Horizon*, p.71.

²⁶ Griffith to Herbert, 15 Mar. 1940, Ministry of Defence [MOD] Postal and Telegraph Censorship Papers, DEFE1/145, TNA.

²⁷ "Statement by Sir John Reith in answer to question by Arthur Henderson", 4 Mar. 1940, FO371/25093/W3929, TNA.

Bermuda, in the hope that this would quieten accusations of British abuse of the process.²⁸ This idea never came to fruition, and while Britain was clearly not indifferent to the criticisms emanating from the US, by the spring of 1940 concern over this criticism was overshadowed by evidence of German circumvention of censorship in the Western Hemisphere.

British officials had become increasingly aware by this time that Germany was actively taking advantage of the lack of censorship on the British-ruled West Indian island of Trinidad in order to escape the censors at Bermuda. In particular, it was believed mail and contraband were being sent via Trinidad from the US to Brazil where they could be flown by Italian-owned airlines to Europe. This view was re-enforced by a report that the German government had informed its officials abroad that Trinidad could be considered a safe route for correspondence to pass through. Given that Britain had no hope of getting the Italian airlines to submit to British censorship, the only way to intercept the suspected traffic in correspondence and contraband was to re-instate censorship in Trinidad and examine the contents being carried between the US and South America by Pan-American Airlines.²⁹

Arguing that “an organised traffic in contraband” between the Western Hemisphere and Germany had created a new set of circumstances, Lothian requested Under Secretary of State Sumner Welles’ support for the restoration of British censorship in Trinidad in June 1940.³⁰ Unwilling to give an immediate reply, Welles foretold the kind of criticism likely to be provoked by British examination of US correspondence with South America. Based on past experience, he predicted that the process would “raise the gravest kind of disquiet in the United States on the ground that the British authorities censoring American mail would utilize trade secrets to the detriment of United States commerce with the other American republics”.³¹

Such a forewarning of criticisms from the US caused the British government to maintain its ban on censorship in Trinidad for the time being. However, the British belief that the island was being used to facilitate correspondence between Germany

²⁸ Campbell to Foreign Office, 8 Mar. 1940, Young minute, 14 Mar. 1940, Fitzpatrick minute, 16 Mar. 1940, MOD Postal and Telegraph Censorship Papers, DEFE1/145, TNA.

²⁹ Foreign Office to Lothian, May 1940, MOD Postal and Telegraph Censorship Papers, DEFE1/145, TNA; Governor of Trinidad to Secretary of State for the Colonies, 8 Feb. 1940, FO371/25093/W2214, TNA.

³⁰ Foreign Office to Lothian, May 1940, MOD Postal and Telegraph Censorship Papers, DEFE1/145, TNA; Memo of conversation between Welles and Lothian, 5 June 1940, Folder 1, Box 163, Welles Papers, FDRL.

³¹ *Ibid.*

and its allies continued to increase, as advertisements in the US press openly offered to send mail to Germany via South America, thereby escaping the British censors.³² It was such blatant circumvention of British censorship that Lord Halifax, the new British ambassador in Washington, sought to impress upon Hull during a meeting on 31 March 1941. Britain had “refrained for as long as possible from examining mail transiting Trinidad”, stated Halifax, but it was now of “vital necessity” to the British war effort to resume censorship of inter-American mail.³³

John Bull’s Wandering Eyes

Unsurprisingly, the criticisms foretold by Welles did indeed transpire. Initially the principal complaint against British censorship in Trinidad was that it severely delayed the passage of commercial correspondence between US export firms and their South American clients. As a US survey of South American industry in May 1941 reported, inter-American correspondence that should normally take five days could now take up to two weeks. Such delays, the author commented, did nothing to “help the South Americans love us”.³⁴

The Foreign Office sought to counter these criticisms by detailing cases to the State Department where the delay to the passage of mail had occurred not at Trinidad, but at a later stage of the carrier’s journey to South America. The British censors in Trinidad, London claimed, worked throughout the night while planes stopped over, in order that in most cases no delay was caused at all. While accepting that short delays of three days may be inevitable in some cases, the Foreign Office sought to reassure the State Department that the British censors in Trinidad were alive to the importance of performing “their task with the least possible inconvenience to correspondents or delay to mail services”.³⁵

But the criticisms of British censorship became more cutting as the year went on. In July the *Chicago Tribune*, a leading organ of anti-British sentiment, reported a story of a Montevideo-based firm that had negotiated the purchase of firebricks from a US company. Following negotiations for the sale, the representative of the US firm sent an airmail to his head office. Three days later the Uruguayan company was apparently approached by the Commercial Secretary of the British embassy in

³² Halifax to Hull, 31 Mar. 1941, MOD Postal and Telegraph Censorship Papers, DEFE1/145, TNA.

³³ Ibid.

³⁴ “British Battle for US Trade in South America”, *Chicago Tribune*, 22 May 1941, p.3.

³⁵ Halifax to Hull, 31 Mar. 1941, MOD Postal and Telegraph Censorship Papers, DEFE1/145, TNA.

Montevideo offering the services of British firms to fulfil the order sought in the US. The US representative later claimed to have discovered that the British censors in Trinidad had intercepted his correspondence and forthwith passed it on to the British embassy in Uruguay in order to try to promote British commercial interests.³⁶

US business backed up these allegations. In September Clarence Wisely of National City Bank complained to the State Department that US business correspondence with South America was regularly delayed by several weeks in reaching its intended recipient. Such a delay indicated, so he believed, that the letters had been intercepted by the British censors in Trinidad and sent to London for the information of the British government.³⁷

Anglophobes in Congress latched on to these allegations and ensured that the criticisms of British censorship continued into the autumn of 1941.³⁸ In November, following a tour of South America, Everett M. Dirksen (Rep.-Ill.) accused British censors of seizing US money en route to South America. Perhaps less scurrilous, but of more importance, Dirksen contested that the British censors were copying US commercial correspondence and passing it on to British industry in order to aid their competition with US business in the region. “If a South American sends an order to New York”, stated Dirksen, “the British are immediately aware of it”. He went on to claim that “in many cases British salesmen are sent to the writer of the letter in an effort to induce him to make the order in Britain rather than in the United States”.³⁹

No solid evidence to suggest that British censors in Trinidad were indeed using their access to US-South American commercial correspondence for the advantage of British private interests was ever produced. So while the criticisms

³⁶ “Charges British Sell Goods Given Them to Carry on War”, *Chicago Tribune*, 1 July 1941, p.1; Washington to Foreign Office, 6 July 1941, MEW Records, FO837/198, TNA; Statement by Louis C. Rabaut (Dem.-Mich.), *Congressional Record*, 13 Nov. 1941, 77th Congress, 1st Session, p.8844.

³⁷ Memo of conversation between Wisely and Ravndal, 22 Sept. 1941, Box 26, Memorandums Relating to Individual Countries, Office of American Republic Affairs [OARA], Record Group 59 [RG59], United States National Archives and Records Administration, College Park, Maryland [hereafter NARA]. For a defence of British censorship from US business, see Franklin Johnston, “How Britain’s Blacklists and Censorship Affect American Traders”, 3 Mar. 1941, *Export Trade and Shipper*, p.5.

³⁸ For more on the Anglophobic and economic nationalist sentiments in Congress, see Burk, “American Foreign Economic Policy and Lend-Lease” p.58.

³⁹ “Dirksen Charges British Censors Seize US Money”, *Chicago Tribune*, 16 Nov. 1941, p.7. For similar allegations, see *Congressional Record*, 13 Nov. 1941, 77th Congress, 1st Session, p.8844. For more on Dirksen, see “Everett Dirksen, American Original”, *Time*, 19 Sept. 1969, available at: <http://www.time.com/time/magazine/article/0,9171,901449-1,00.html> (accessed 29 Oct. 2008). Criticisms of British abuse of censorship continued well into the war. See, for example, Franklin Johnston, “From Rio to Miami”, Oct. 1943, *American Exporter*, p.33.

fuelled suspicion of British trade practices in the region, the issue never became a serious factor in the diplomacy between the US and Britain concerning South America. The same cannot be said of the major plank of British economic warfare policy in South America during this period: blacklisting.

Defining British Blacklisting Policy

Announced in 1939 as part of the Trading with the Enemy Act, the British statutory list was an inventory of companies and individuals deemed an asset to Nazi Germany. By barring British firms from trading with concerns on the list the aim was to harm Germany's economy and thereby advance the Allied war effort.⁴⁰ Since its conception the British embassy in Washington had been encouraging US authorities to follow its lead in South America and ban US traders from doing business with firms on the British statutory list.⁴¹ However, while the State Department, along with CIAA, did advise US firms against trading with 'anti-American' concerns in South America, adherence to this advice remained voluntary.⁴² On the whole, then, British hopes that the US would mirror its blacklisting policy in the region went largely unfulfilled until the summer of 1941.⁴³

In light of this failure the British Board of Trade tended to adopt a 'go slow' attitude toward blacklisting in South America. The logic behind this was that if the British blacklisted a firm without parallel action from the US, the effect would be simply to divert the business away from Britain and into the arms of their US competitors.⁴⁴ For a while the Ministry of Economic Warfare (MEW) protested against the board's attitude, arguing that they were putting commercial concerns ahead of wartime needs. In reply the Board of Trade pointed out that the export trade was itself a vital component of the war effort, in terms of generating much needed

⁴⁰ W. N. Medlicott, *The Economic Blockade*, 2 vols (London: HMSO, 1952), vol.1, pp.21-22.

⁴¹ MEW to Washington, 11 Feb. 1941, FO371/28738/W1466, TNA; "British Ask US Aid on War Blacklist", *New York Times*, 2 May 1941, pp.1, 12; MEW to Washington, 3 June 1941, FO371/28745/W6868, TNA.

⁴² Statement by Nelson A. Rockefeller, 8 Jan. 1941, FO371/28740/W1896, TNA; Washington to MEW, 27 Mar. 1941, FO371/28738/W1466, TNA; Berle and Jacobs eds, *Navigating the Rapids*, p.332. See also Paul Kramer, "Nelson Rockefeller and British Security Coordination", *Journal of Contemporary History*, vol.16, no.1 (1981), p.78.

⁴³ Caracas to Foreign Office, 17 Dec. 1940, FO371/28740/W1830, TNA; Medlicott, *The Economic Blockade*, vol. 1, p.127, vol.2, p.138; Franklin Johnston, "How Britain's Blacklists and Censorship Affect American Traders", 3 Mar. 1941, *Export Trade and Shipper*, pp.3-4.

⁴⁴ Surveys by both the British and US government supported this conclusion. See MEW to Washington, 11 Feb. 1941, FO371/28738/W1466, TNA; Statement by Nelson A. Rockefeller, 8 Jan. 1941, FO371/28740/W1896, TNA.

revenue to purchase supplies.⁴⁵ Eventually, British government departments converged their policy toward blacklisting in South America by way of a test case in Venezuela.

Imports to this country were controlled by a group of large concerns, known collectively as the ‘big five’.⁴⁶ The two most powerful of these firms, Gustavo Zingg & Co. and Blohm & Co., were German-owned and widely believed to have connections with, and sympathies toward, the Nazi regime.⁴⁷ On this basis MEW advocated their inclusion on the statutory list.⁴⁸ The Board of Trade, on the other hand, argued that to put them on the statutory list would only divert their business to the US. Until the US authorities instigated a parallel blacklist to operate alongside Britain’s in South America, severing British trade with the Venezuelan companies would merely harm British commerce without achieving any commensurate damage to Germany.⁴⁹ In an inter-departmental meeting held in April 1941 the Board of Trade’s view won out. So long as US companies were free to trade with the ‘big five’ in Venezuela, the British government would allow British firms to trade with them also.⁵⁰

The dilemma faced by the British authorities in Venezuela, noted one Board of Trade official, had raised “a political question of the first importance”.⁵¹ The conclusion reached concerning this country – and more importantly the reasoning behind that conclusion – would therefore provide a template to guide future British blacklisting policy in South America. As Lord Farrer of MEW explained to the British embassy in Washington, “in placing before the State Department ... the case of Venezuela, you should I suggest, indicate that exactly similar problems, although usually in a less acute form, arise throughout Latin America”.⁵² British policy, then, as

⁴⁵ Overton to Leith-Ross, 7 Jan. 1941, FO371/28738/W390, TNA. For the differing attitudes of the Board of Trade and MEW toward blacklisting, see Medlicott, *The Economic Blockade*, vol.1, p.125, vol.2, pp.31-32.

⁴⁶ “Statutory List Policy in Venezuela”, undated, FO371/28742/W4978, TNA.

⁴⁷ Draft memorandum on “Statutory List in Venezuela” by Cahan for Caracas and Washington, undated [April 1941], FO371/28744/W6031, TNA.

⁴⁸ Carter to Cahan, 25 Apr. 1941, “Statutory List Policy in Venezuela”, Apr. 1941, FO371/28742/W4978, TNA.

⁴⁹ Carter to Cahan, 25 Apr. 1941, FO371/28742/W4978, TNA; Draft memorandum on “Statutory List in Venezuela” by Cahan for Caracas and Washington, undated [April 1941], FO371/28744/W6031, TNA.

⁵⁰ *Ibid.*; MEW to Washington (copied to Caracas), 6 June 1941, FO371/28745/W6868, TNA; MEW to Caracas, Apr. 1941, FO371/28745/W6868, TNA.

⁵¹ Carter to Cahan, 25 Apr. 1941, FO371/28742/W4978, TNA.

⁵² MEW to Washington, 3 June 1941, FO371/28745/W6868, TNA. See also, “British Ask US Aid on War Blacklist”, *New York Times*, 2 May 1941, pp.1, 12.

defined by this case, would be to refrain from blacklisting hostile concerns when such action would cause greater harm to British commerce than that which it would inflict upon the enemy. So while the advancement of British private interests was clearly a factor in British blacklisting policy, their importance in raising revenue needed for wartime purchases meant that the promotion of such interests could not be wholly separated from the war effort. In this sense it was not so much that the British government was seeking to advance private British interests at the expense of the war effort, but that it saw the two goals as mutually compatible.⁵³

The Grey Edges of Blacklisting

Problems arose when this policy was pursued in conjunction with the attempts of the British embassy in Washington to convince the State Department to force US companies to stop trading with pro-Axis companies in South America. Americans correctly charged Britain with advocating a tough blacklisting regime for US firms, while operating a lenient policy for its own concerns. Whereas British officials believed this policy was the only one available to them until their blacklisting efforts were mirrored by the US authorities, many Americans interpreted British blacklisting policy as a cloak with which to dupe them into losing out to Britain in the realm of South American trade.⁵⁴

Such suspicions were not altogether new. Spruille Braden had long been involved in the commercial and political affairs of Latin America. Originally gaining experience of the region while working for his father's Chilean-based copper company, he went on to be appointed ambassador to Colombia in 1939.⁵⁵ One of Braden's first forays into public affairs was his service on the Allied Commercial Committee in Chile during World War I. This body was charged with administration of the blacklist in South America. Reflecting on this experience many years later, Braden recalled how the British delegates on the committee were "more dedicated to their commerce than to winning the war". Whether this was the product of a failure to comprehend the new realities of total warfare, or the result of a traditional dependence

⁵³ MEW to Washington, 3 June 1941, FO371/28745/W6868, TNA; Medlicott, *The Economic Blockade*, vol.1, p.136.

⁵⁴ *Ibid.*, vol.2, p.32.

⁵⁵ Spruille Braden, *Diplomats and Demagogues: The Memoirs of Spruille Braden* (New Rochelle: Arlington House, 1971); Friedman, "There Goes the Neighborhood", p.575; Mallory to Braden, 4 Jan. 1939, Folder 3, Box 132, Studies Department Records, Council on Foreign Relations Papers [hereafter CFR Papers], Mudd Library.

on foreign trade, Braden's early experience of the British in South America convinced him that they were "a nation of merchants" to be constantly viewed with suspicion.⁵⁶

Braden's knowledge of blacklisting in South America gained during World War I made him an obvious candidate to take responsibility for the role when war once again broke out in Europe in 1939.⁵⁷ Operating from his post in Colombia, Braden subsequently took on primary responsibility for the application of blacklisting matters on the ground in South America. In his new post Braden retained the same suspicions of British involvement in these affairs that he had first acquired during World War I.⁵⁸ Braden believed that whereas US officials operated the blacklist in a wholly patriotic and altruistic manner, the British "appeared to regard the black list as a way to eliminate competitors and to favour clients they might later want to sell [to]".⁵⁹

Many other Americans shared Braden's views. In late 1940 and early 1941 the Federal Bureau of Investigation (FBI) reported a number of instances of British companies failing to adhere to the statutory list, while British officials in Washington simultaneously advocated a US boycott of the companies blacklisted by Britain.⁶⁰

Reports such as these made it difficult for British officials coordinating economic warfare in Washington to gain the support of the US authorities for a tougher blacklisting policy in South America. In December 1940 Warren F. Pierson, President of the Export-Import Bank, informed British officials of his willingness to coerce US firms in to breaking connections with companies on the British statutory list. However, this eagerness was diminished, Pierson stated, by the perceived leniency of the British government in its own blacklisting policy.⁶¹

⁵⁶ Braden, *Diplomats and Demagogues*, pp.57-59; "The Reminiscences of Spruille Braden" (1956), pp.178-183, Oral History Collection, Butler Library, Columbia University, New York [hereafter Butler Library]. In reality, the Wilson administration was also not averse to using wartime controls like the blacklist to advance the interests of US commerce in South America. See Rosenberg, *World War I and the Growth of United States Predominance in Latin America*, pp.48-55.

⁵⁷ Braden, *Diplomats and Demagogues*, pp.58, 59; Max Paul Friedman, *Nazis and Good Neighbors: The United States Campaign against the Germans of Latin America in World War II* (Cambridge: Cambridge University Press, 2003), p.80-81.

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*, p.58

⁶⁰ Unknown to Bonsal, 27 Nov. 1940, Unknown to Bonsal, Woodward, Finley, Geist, 16 Dec. 1940, Memo by unknown for Notter, Harrison, Woodward, Findley, Geist, Box 4, Memorandums Relating to General Latin America Affairs, OARA, RG59, NARA; Hoover to Berle, 4 Dec. 1940, State Department Decimal File, 610.4117/21 [hereafter cited by decimal reference], RG59, NARA.

⁶¹ Washington to Foreign Office, 3 Dec. 1940, FO371/28740/W1896, TNA.

The Washington embassy was keen to gain Pierson's support and therefore advised MEW to at least take action against the more flagrant instances of non-compliance with the blacklist by British companies in South America. Along these lines they suggested that MEW prevent the British rubber giant, Dunlop, from employing agents in South America with links to the Nazi regime. Enlisting Pierson's support for the blacklist in South America, they noted, would be made all the more harder if "our hands are not clean as regards British firms, and important British firms in particular".⁶² These arguments did not fall entirely on deaf ears in London. Indeed, the Colombian-based agents of Dunlop were subsequently placed on the statutory list following the appeals of the Washington embassy.⁶³ But on the whole, the consensus in London by the end of 1940 remained that without gaining parallel action from the US, a more stringent blacklisting policy in South America would only act to harm British commercial interests without substantially advancing the war effort.

It was again with reference to Dunlop that the different prerogatives of MEW and the British embassy in Washington were starkly highlighted. MEW had approached the embassy about getting a South American firm removed from the statutory list so that Dunlop could resume trade with them. Replying to this request in May 1941, the British embassy noted that while the opportunity for Dunlop to sell "a good many tyres" was not wholly irrelevant, it was "not an argument which would carry much weight" in the US. To the contrary, to pursue such an argument with the US authorities, the embassy went on, "would in fact do infinite damage for it would confirm an impression which is already about that we use the Statutory List for our own trade purposes and not necessarily for damaging Germany". Emphasising the fact that "this particular line is the one about which the Americans are more suspicious than any other", the Washington embassy concluded by stating bluntly that "the whole of this question is just dynamite".⁶⁴

British embassies in South America were similarly cautionary in warning MEW that Britain's blacklisting policy in the region was eliciting harsh criticism from their US counterparts. The US embassy in Caracas, reported the British ambassador to

⁶² Washington to Foreign Office, 4 Dec. 1940, FO371/28740/W1896, TNA.

⁶³ Medicott, *The Economic Blockade*, vol.2, p.33.

⁶⁴ Washington to MEW, 21 May 1941, MEW Records, FO837/198, TNA.

Venezuela, neither understands nor approves of British blacklisting policy in the country, but views it as “purely mercenary”.⁶⁵

Berger & Co.

One case that elicited particularly intense criticism of British blacklisting policy involved the Buenos Aires-based firm, Curt Berger & Co. It is worth examining the case of Berger and Co. in Argentina in some detail, as it sheds light both on US criticisms of British blacklisting policy in South America and on the gradual change in the British response to this censure. Berger & Co. was originally a German company, but was registered as an Argentine concern in 1937.⁶⁶ During the inter-war years the leading directors of the firm gained Argentine citizenship and largely divested the company of its German connections.⁶⁷ However, having been included on the blacklist operated by the British in the First World War, the company again appeared on the statutory list when war broke out in 1939.⁶⁸

Immediately after the British announced the statutory list, British companies that had previously conducted trade with Berger & Co. began petitioning government departments to remove the ban on trading with the firm. They argued that trade with the concern was of great value to British industry and blacklisting it would do more harm to British industry than any damage that might be inflicted upon Germany.⁶⁹ These arguments were backed up by a protest from the Argentine government that the company could no longer be fairly described as an asset to Germany and its inclusion on the statutory list was therefore unjustified.⁷⁰

Initially the Board of Trade was discouraging as to the likelihood of removing Berger & Co. from the statutory list. Taking such a step, the board argued, would undermine attempts to secure the cessation of trade with enemy firms by neutral countries, such as the US.⁷¹ However, as British companies persisted in making the case that blacklisting Berger & Co. was seriously harming British industry,

⁶⁵ Caracas to MEW, 6 June 1941, MEW Records, FO837/198, TNA. For similar sentiments, see Buenos Aires to MEW, 21 May 1941, MEW Records FO837/198, TNA.

⁶⁶ Curt Berger & Co. to Messrs. Croda Ltd., 16 Dec. 1939, MEW Records FO837/191, TNA.

⁶⁷ Argentine embassy in London to Mounsey, 21 Dec. 1939, MEW Records, FO837/191, TNA.

⁶⁸ Memo by blacklist committee, 14 Mar. 1940, MEW Records, FO837/191, TNA.

⁶⁹ C. Brandauer & Co. Ltd. to Treasury and Board of Trade, 19 Dec. 1939, The Waverley Rubber Co. Ltd. to Department of Overseas Trade, 26 Dec. 1939, Croda Ltd. to Board of Trade, 28 Dec. 1939, Carter to White, 3 Jan. 1940, MEW Records, FO837/191, TNA; Carter to Reading, 16 Jan. 1940, MEW Records, FO837/192, TNA.

⁷⁰ Argentine embassy in London to Mounsey, 21 Dec. 1939, MEW Records, FO837/191, TNA.

⁷¹ Carter to White, 3 Jan. 1940, MEW Records, FO837/191, TNA.

government departments began to change their attitude.⁷² Eventually Whitehall accepted these arguments and the inter-departmental blacklist committee approved the removal of Berger & Co. from the statutory list in January 1941.⁷³ “It seems clear”, the committee concluded, “that to treat ... Berger as an enemy would damage us more than the enemy”.⁷⁴ The decision was taken, then, both “in the interests of British trade” and with a view to advancing the war effort.⁷⁵

Having originally been placed on the British statutory list, the firm was one of the concerns that the State Department had advised US companies against trading with. It was not surprising, then, that news that the British authorities had removed Berger & Co. from the statutory list for the benefit of private interests caused a barrage of criticism from US business interests in Argentina.⁷⁶ They were “so convinced of German control of the firm” reported the British embassy in Buenos Aires, that nothing but returning Berger & Co. to the statutory list could “persuade them that the list cannot be manipulated to our advantage when required”.⁷⁷ The removal of the firm from the statutory list also drew criticism from the State Department. They argued that the move only undermined their attempts to convince US companies not to trade with firms deemed an asset to Germany.⁷⁸

These criticisms increasingly highlighted the residual differences between the Board of Trade and MEW. The Board of Trade continued to assert the importance of Berger & Co. to British industry and surmised that to re-list the firm would only divert that trade to US companies, losing Britain “many thousands of pounds of valuable exchange”.⁷⁹ MEW, on the other hand, argued that criticisms from the US, elicited by the removal of Berger & Co. from the statutory list, hampered efforts aimed at winning US cooperation in blacklisting matters. As one MEW official put it,

⁷² Carter to Reading, 16 Jan. 1940, MEW Records, FO837/192, TNA.

⁷³ Memo of blacklist committee, 5 Dec. 1940, Foreign Office to Buenos Aires, 10 Dec. 1940, MEW Records, FO837/192, TNA. The British government agreed to this, subject to a verbal pledge by the company not to trade with or materially aid Germany during the war. See ‘Draft Declaration’, undated, MEW Records, FO837/192, TNA.

⁷⁴ Minutes of blacklist committee meeting, 7 Nov. 1940, MEW Records, FO837/192, TNA.

⁷⁵ Blacklist committee minute, 29 Mar. 1940, MEW Records, FO837/192, TNA.

⁷⁶ Franklin Johnston, “How Britain’s Blacklists and Censorship Affect American Traders”, 3 Mar. 1941, *Export Trade and Shipper*, p.4; Buenos Aires to Foreign Office, 7 July 1941, MEW Records, FO837/198, TNA.

⁷⁷ Buenos Aires to MEW, 9 July 1941, MEW Records, FO837/198, TNA.

⁷⁸ Washington to Foreign Office, 30 May 1941, FO371/28742/W4898, TNA; Buenos Aires to Foreign Office, 6 May 1941, MEW Records, FO837/198, TNA; MEW to Washington, 23 July 1941, MEW Records, FO837/198, TNA; Buenos Aires to Foreign Office, 7 July 1941, MEW Records, FO837/198, TNA.

⁷⁹ Carter to Cahan, 4 June 1941, MEW Records, FO837/198, TNA.

the suspicion that Britain was using blacklisting for its “own trade purposes” could “seriously jeopardise our growing prospects of cooperation from” the US government.⁸⁰

In June 1941 the criticisms from US business concerning the case were reported by the *New York Times*. In this version of the story the British government had removed the company from the statutory list solely in order to provide British companies the opportunity to fulfil a large order for printing equipment.⁸¹ In August, following this “temporary accommodation” by the British authorities, it was reported that Berger & Co. had subsequently been reinstated on the statutory list. US traders were motivated in their complaints over such apparent connivance on the part of the British company and authorities, the story asserted, not by Anglophobic political bias, but solely by commercial considerations.⁸²

When the accusations that the British had removed Berger & Co. from the blacklist for commercial reasons became public this tilted the internal debate within the British government in favour of MEW and those who advocated re-listing the firm.⁸³ Berger & Co. was subsequently returned to the blacklist, then, not on the basis of any aid the firm might provide to Germany, but to appease the criticisms from the US. While this decision may have been detrimental to British commercial interests in South America, concluded the blacklist committee on 10 July 1941, the need to quieten criticism of British trade practices from the US now outweighed this consideration.⁸⁴

Coordinating Blacklisting Policy

Remaining criticisms of British blacklisting policy in South America were further quietened when Roosevelt announced a US blacklist to operate in Latin America on 17 July 1941.⁸⁵ This went some way toward aligning US and British goals in the region and therefore removed the basis of previous criticisms. However, there

⁸⁰ Davies to Carter, 14 June 1941, MEW Records, FO837/198, TNA.

⁸¹ “Exporters Charge British Re-sales”, *New York Times*, 6 July 1941, pp.1, 2. See also “British Trade Aims Raising Problems”, *New York Times*, 11 July 1941, p.28.

⁸² “British Put Berger Back on Blacklist”, *New York Times*, 28 Aug. 1941, p.34. See also Medlicott, *The Economic Blockade*, vol.2, p.34n.

⁸³ Washington to Foreign Office, 6 July 1941, FO837/198, TNA.

⁸⁴ Memo of blacklist committee, 10 July 1941, MEW Records, FO837/198, TNA.

⁸⁵ “The President Blacklists 1,800 Latin American Firms Deemed to Be Aiding Germany or Italy. Proclamation No. 2497. 17 July 1941”, Samuel I. Rosenman ed., *The Public Papers and Addresses of Franklin D. Roosevelt, 1941: The Call to Battle Stations* (New York: Harper & Bros., 1950), pp.267-269; Friedman, “There Goes the Neighborhood”, p.580.

remained a number of firms on the British statutory list that were not on the US proclaimed list. MEW believed that inclusion of a firm on the British statutory list should prima facie be reason for the US authorities to add the firm to the proclaimed list.⁸⁶ But the US authorities continued to insist on freedom of action in compiling their own blacklist.⁸⁷

Moreover, greater discrepancies between the two lists existed where firms were included on the US proclaimed list, but were absent from the British statutory list. This created the impression that the US government was enforcing a much stricter blacklisting policy in South America than were the British.⁸⁸ In August Dean G. Acheson, US Assistant Secretary of State, highlighted this concern in a meeting with Halifax. The State Department was anxious to know, stated Acheson, what steps were being taken by the British authorities to discourage British traders from doing business with firms included on the US proclaimed list, but absent from the British statutory list.⁸⁹ Wisely of the National City Bank put things more bluntly when expressing the frustration of US business, telling Christian M. Ravndal, Chief of the Division of Exports and Requirements in the State Department, that “the Americans are trying to be more British than the British” in the application of the blacklists in South America.⁹⁰

There was no denying that once the US set upon a course of blacklisting in South America, it was vigorous in its execution of the policy. If the British continued to be more lenient in their parallel enforcement of blacklisting, they would indeed be putting US commerce at a disadvantage. In order to prevent the issue becoming a danger to securing US goodwill, it was therefore necessary, as one British diplomat put it, to “stifle incipient criticism that we are not prepared to go as far as the United States in listing enemy firms”.⁹¹ The British government took concrete steps toward achieving this goal by coordinating the two government’s blacklists. This would remove any grounds for the charge that Britain was not applying blacklisting policy in

⁸⁶ MEW to Washington, 4 Sept. 1941, FO371/28748/W9893, TNA.

⁸⁷ Caracas to MEW, 31 July 1941, FO371/28745/W6868, TNA; Washington to MEW, 30 Aug. 1941, FO371/28748/W9893, TNA.

⁸⁸ MEW to Washington, 29 July 1941, FO371/28748/W9257, TNA; Rovensky to McQueen, 5 Jan. 1942, Box 107, Records of the Office of Inter-American Affairs [OIAA], RG229, NARA.

⁸⁹ Washington to MEW, 10 Aug. 1941, FO371/28748/W9894, TNA.

⁹⁰ Memo of conversation between Wisely and Ravndal, 22 Sept. 1941, Box 26, Memorandums Relating to Individual Countries, OARA, RG59, NARA.

⁹¹ Guatemala to Foreign Office, 25 July 1941, FO371/28748/W9134, TNA. Expressing agreement with this statement, see Montevideo to Foreign Office, 12 Aug. 1941, FO371/28748/W9134, TNA.

South America with the same enthusiasm as the US.⁹² This process finally came to fruition in October 1941 when the British agreed to add all firms on the US proclaimed list to the British statutory list.⁹³

Further evidence of British attempts to quell US criticisms is revealed in the attitude taken toward enemy firms once they had been blacklisted. The crux of US criticisms concerning British blacklisting was that the policy was being used to advance British commercial interests in the region at the expense of US commerce. The British sought to counter this claim by ensuring that British commercial interests were not seen to benefit from blacklisting. As one MEW official put it, the British were always “careful in using the statutory list, particularly in Latin America, to avoid, wherever possible, the accusation that we were using a legitimate wartime weapon in order to benefit our peace-time commercial interests”.⁹⁴

This attitude was manifested by the government’s action regarding the ‘big five’ Venezuelan-based German firms once they had been placed on the statutory list. Based on previous experience, MEW believed that the Venezuelan government could be persuaded either to nationalise the firms or to transfer their business to existing friendly concerns. The only firms of sufficient standing in the country that would be able to take on the business of the blacklisted concerns were a Dutch firm and a British company, Boulton & Co. However, the Foreign Office advised against encouraging the Venezuelans to award the business to the British firm in order to avoid criticism from within the US that blacklisting was advancing the interests of British companies in South America.⁹⁵ In this way the Foreign Office sought to sacrifice British commercial interests for the sake of avoiding further US criticisms.

The British attempts at placating US criticisms of its blacklisting policy in South America were reasonably successful and a degree of cooperation between the two countries in the prosecution of economic warfare against Nazi interests in the region was evident by the summer of 1941.⁹⁶ However, by this time, US criticisms regarding blacklisting had been usurped by new concerns over British use of Lend-Lease materials in South America.

⁹² Mew to Washington, 5 Aug. 1941, Washington to Latin America missions, 11 Aug. 1941, FO371/28748/W9257, TNA.

⁹³ Foreign Office to Washington, 9 Oct. 1941, Reading to Helm, 10 Oct. 1941, FO371/28752/W12610, TNA; Medlicott, *The Economic Blockade*, vol.2, p.139.

⁹⁴ Cahen to Gallop 27 Oct. 1941, FO371/28753/W12959, TNA.

⁹⁵ Cahen to Gallop 27 Oct. 1941, Talbot to Cahen, 11 Nov. 1941, FO371/28753/W12959, TNA.

⁹⁶ Buenos Aires to Foreign Office, 21 May 1941, MEW Records, FO837/198, TNA.

Abusing the Spirit of Lend-Lease

The Lend-Lease Act, passed by Congress on 11 March 1941, represented a huge victory for the Roosevelt administration in its attempts to provide greater assistance to the British war effort.⁹⁷ However, the aid also had the paradoxical effect of intensifying the criticisms of British trade practices in South America. Britain's export trade to the region had previously been justified as a wartime necessity on the basis that it generated revenue to purchase war supplies. Once the US was supplying aid to Britain the country's need to retain an export trade in South America was seemingly removed in the eyes of many Americans. However, Britain did still continue to export a limited amount of goods to South America following the passage of Lend-Lease. This was deemed necessary both to acquire materials not readily available from the US and to retain established British markets in the region. When British exports did arrive in South America following the passage of the Lend-Lease bill they elicited fierce criticisms from within the US.

These criticisms originally came from US businessmen based in South America who accused Britain of re-exporting materials received under Lend-Lease in order that British firms might compete with their US counterparts in the region.⁹⁸ In particular, US manufacturing firms claimed that their British rivals were shipping steel products to South America, obtained under the Lend-Lease programme.⁹⁹ In a variation of this allegation, Britain was accused of substituting materials supplied under Lend-Lease in order to free up exports to South America that would otherwise have been used for war purposes.¹⁰⁰ Such use of Lend-Lease for commercial gain, rather than the intended purpose of contributing to the war effort, was obviously deemed misuse of the aid.¹⁰¹

But beyond viewing such practices as an abuse of the spirit of the Lend-Lease, US business also held far more self-interested concerns over British exports to South

⁹⁷ James MacGregor Burns, *Roosevelt, 1941-1945: The Soldier of Freedom* (San Diego: Harcourt, 1970), pp.43-49.

⁹⁸ Grigsby to Campbell, 26 May 1941, FO371/25989/A4507, TNA; Washington to Foreign Office, FO371/25989/A5599, TNA. See also Sayers, *Financial Policy*, p.400; Dobson, "The Export White Paper", pp.63-4; Dobson, *US Wartime Aid to Britain*, p.130.

⁹⁹ Washington to Foreign Office, 4 July 1941, FO371/25989/A5384, TNA; W. K. Hancock and M. M. Gowing, *British War Economy* (London: HMSO, 1949), p.244.

¹⁰⁰ Burns to Cox, 14 Aug. 1941, Complaints and Criticisms, Box 97, Office of Lend-Lease Administration [OLLA], Records of the Foreign Economic Administration [hereafter FEA], RG169, NARA.

¹⁰¹ Sayers, *Financial Policy*, p.398; Hancock and Gowing, *British War Economy*, p.243.

America. Throughout 1941 the US economy was gradually converted to war production. This entailed the creation of a number of government agencies, including the Office of Production Management in January and the Supply Priorities and Allocations Board in August. These agencies controlled access to strategically important raw materials and issued export licenses.¹⁰² Partly as a result of organisational flaws in these agencies, US exporters increasingly found it difficult to obtain the raw materials and export licenses necessary to supply the South American market.¹⁰³ Moreover, in April Roosevelt issued an Executive Order recommending priority treatment for strategically vital goods to Latin America.¹⁰⁴ US exporters wishing to provide the market with consumer goods, therefore, were at a distinct disadvantage. At the same time, they believed the same restrictions were not being applied to British traders, allowing them to undercut the US export trade in the region.¹⁰⁵

While the majority of US business may have been happy to contribute to the Allied war effort, the impression that those efforts were being abused by the British to gain commercial ground in South America at the expense of their own interests was clearly a cause for concern. One anecdote that became notorious in business circles in Colombia told how a representative of the renowned US company, International General Electric, received a request for a large motor base but lost the sale on account of not being able to promise delivery within a reasonable period. Subsequently, a British firm gained the order and shipped the product to the Colombian customer. When it arrived at the port and was unpacked, it was marked: “Made in the United States”.¹⁰⁶

¹⁰² Harold G. Vatter, *The US Economy in World War II* (New York: Columbia University Press, 1985), p.36.

¹⁰³ *Ibid.*, p.38; “British Battle for US Trade in South America”, *Chicago Tribune*, 22 May 1941, p.3; Mather-Jackson minute, 16 June 1941, FO371/25989/A4507, TNA.

¹⁰⁴ Green, *The Containment of Latin America*, p.96.

¹⁰⁵ “Certain Aspects of British and American Trade with Colombia as noted in the Medellín Consular District” memo by Fluharty, 27 Nov. 1941, 621.4117/15, RG59, NARA; Braddock to State Department, Sept. 1941, 632.4117/31, RG59, NARA. See also Washington to Board of Trade, 30 July 1941, FO371/25990/A5959, TNA; “Report of Committee Appointed to Make Recommendations on White Paper Policy”, July 1943, Lend-Lease, Box 64, Subject File, Records of the Office of the Administrator, FEA, RG169; Green, *The Containment of Latin America*, pp.98-99.

¹⁰⁶ “Certain Aspects of British and American Trade with Colombia as noted in the Medellín Consular District” memo by Fluharty, 27 Nov. 1941, 621.4117/15, RG59, NARA. For a repetition of this story, see *Congressional Record*, 13 Nov. 1941, 77th Congress, 1st Session, p.8844. The story was verified by the investigations of the US Vice Consul in the region.

While many stories such as this one were no doubt embellished for dramatic effect, they did betray a real concern on the part of US exporters in South America, fuelled by the continuing flow of British exports to the region following the passage of the Lend-Lease bill. US officials in the region shared this concern. Vernon L. Fluharty, the US Vice Consul in the Medellín region of Colombia, reported his belief that British manufacturers were supplying the South American market with goods that US exporters were barred from exporting. The unfortunate consequence of this situation was to engender on the part of local customers, a “deep resentment toward the United States”, while Britain developed a “strong commercial sympathy for herself”. In the longer-term Fluharty feared that “this resentment may well result, upon the termination of the war, in a certain loss of American trade, with a corresponding gain for English commerce”.¹⁰⁷

The Climax of US Criticism

The accusations relating to Britain’s alleged abuse of Lend-Lease in South America is the facet of US criticisms of British trade practices in the region that has received the most attention in the existing literature.¹⁰⁸ But while usually viewed solely through the prism of the debates over Lend-Lease, these attacks on Britain were in fact the climax of a concerted censure of British activities in South America.

These accusations began circulating publicly in the summer of 1941. Following a seven-week tour of South America James S. Kemper, former president of the US Chamber of Commerce, reported his findings. Kemper believed that while the US was pouring all its industrial efforts into war production, the British, on the other hand, were “pursuing business vigorously wherever it could be found in this country’s neighbor nations to the South”.¹⁰⁹ The influential National Research Council pronounced a similar verdict following a two-month tour investigating South American industry. Summarising the mission’s findings, Dr. Harold Vagtborg delivered a damning verdict on the conduct of British traders in the region. “There can be no doubt”, he claimed, “that ... British trade are doing all possible to maintain

¹⁰⁷ Ibid. It was customary at this time use ‘England’ or ‘the English’ interchangeably with ‘Britain’ or ‘the British’.

¹⁰⁸ Gardner, *Economic Aspects of New Deal Diplomacy*, pp.212-213; Reynolds, *The Creation of the Anglo-American Alliance*, p.273; Dobson, “The Export White Paper”, pp.63-4; Dobson, *US Wartime Aid to Britain*, p.130; Dobson, *The Politics of the Anglo-American Special Relationship*, pp.35-36.

¹⁰⁹ “Charges British Sell Goods Given Them to Carry on War”, *Chicago Tribune*, 1 July 1941, p.1.

old and seize new customers in South America regardless of how this affects the United States". While the US had sought to assist Britain in its war effort, war had seemingly done nothing to temper traditional British avarice. "The spirit of English businessmen", suggested Vagtborg, "has not changed a whit".¹¹⁰

Embittered opponents of the Lend-Lease bill focused on this issue in order to try to discredit Lend-Lease, following their failure to defeat the granting of aid to Britain. The *Chicago Tribune*, which had campaigned against Lend-Lease, concluded from reports of British misuse of the aid that "American commerce with South America is suffering severely", while "English export houses are giving American firms the stiffest sort of competition".¹¹¹ Criticisms of Britain in South America also found political representation in Congress. James Francis O'Connor (Dem.-Mont.), a long-time Anglophobe, took up the cause in July when he introduced a resolution into the House of Representatives calling for an investigation into British trade practices in South America.¹¹² Employing colourful language, O'Connor depicted the British "stooping to a practice beneath the cheapest double-dealing that is capable of being imagined".¹¹³

That the *Chicago Tribune* and Congressmen like O'Connor would latch onto British trade activities in South America as another stick with which to beat Britain is unsurprising.¹¹⁴ More concerning for British officials, though, was the way in which elements usually sympathetic to Britain and US intervention in the war joined the chorus berating Britain for its perceived misuse of Lend-Lease in South America. In July the generally Anglophile *New York Times* ran a story repeating the accusations that the British were exporting goods received under Lend-Lease in order to advance their commercial interests in South America.¹¹⁵ In August the accusations raised sufficient public interest for *Time* magazine to publish an account of them. Pointing to

¹¹⁰ "British Battle for US Trade in South America", *Chicago Tribune*, 22 May 1941, p.3.

¹¹¹ Ibid.

¹¹² House Resolution 266, 9 July 1941, FO371/25990/A6310, TNA; Dobson, *US Wartime Aid to Britain*, p.130. For more on O'Connor, see Doenecke, *Storm on the Horizon*, p.31; "O'Connor, James Francis", *Biographical Directory of the United States Congress*, available at: <http://bioguide.congress.gov/scripts/biodisplay.pl?index=O000029> (accessed 11 Aug. 2008).

¹¹³ *Congressional Record*, 7 July 1941, 77th Congress, 1st Session, p.5849. O'Connor's investigation never got off the ground, seemingly for lack of solid evidence to support the accusations against the British. See Washington to Foreign Office, 31 July 1941, FO371/25991/6331, TNA.

¹¹⁴ Alexander Hehmeyer, an OLLA official, described Lend-Lease as "a natural isolationist target". See Hehmeyer to Currie, "Lend-Lease" Folder, Box 64, Subject File, Records of the Office of the Administrator, FEA, RG169, NARA. For more on the *Chicago Tribune*, see Doenecke, *Storm on the Horizon*, p.180.

¹¹⁵ "Exporters Charge British Re-sales", *New York Times*, 6 July 1941, pp.1, 2.

British abuse of US generosity in South America, the article wondered whether Uncle Sam had not become “Uncle Sucker”?¹¹⁶ Henry Luce, the editor of *Time*, was among the best known internationalists and Anglophiles in the US.¹¹⁷ With the accusations that Britain was abusing Lend-Lease in South America coming from sources like this, the issue was sure to attract the attention of British officials.

The Climax of British Mollification

Initially the reaction provoked within the British government was to regard the accusations that it was misusing Lend-Lease aid to promote its export trade in South America merely as hostile propaganda that could be counteracted by some publicity in the US.¹¹⁸ But following a warning from Halifax in July 1941 that the accusations were part of a more serious campaign, the proponents of which were willing “to use all possible means to besmirch [the] Lend-Lease Act and [Britain] in particular”, officials in London gave the matter further thought.¹¹⁹ They eventually deemed it necessary to investigate the allegations coming out of South America and to clarify Britain’s export policy toward the region.¹²⁰

The conclusion reached was that the accusations being made by US businessmen were largely without foundation. It was pointed out that Lend-Lease supplies had only just begun to reach Britain by the summer of 1941, making it physically impossible for them to have been re-exported to South America by the time the criticism began. Furthermore, once Lend-Lease aid had been secured from the US, exports to South America had in fact been drastically curtailed. While a small amount of exports were continuing to reach the region it was argued that these were necessary in order to obtain raw materials from these countries, essential to the war effort.¹²¹

¹¹⁶ “Uncle Sucker?”, *Time*, 18 Aug. 1941, available at:

<http://www.time.com/time/printout/0,8816,802156,00.html> (accessed 22 Aug. 2008).

¹¹⁷ Marco Mariano, “The US Discovers Europe: *Life* and the Invention of the Atlantic Community in the 1940’s”, conference paper provided by the author, pp.11-12.

¹¹⁸ Cohen to Swing, 9 July 1941, FO371/25989/A5366, TNA; Shackle to Perowne, 15 July 1941, FO371/25989/A5529, TNA.

¹¹⁹ Washington to Foreign Office, 6 July 1941, MEW Records, FO837/198, TNA.

¹²⁰ Shackle to Perowne, 15 July 1941, FO371/25989/A5529, TNA.

¹²¹ Mather-Jackson minute, 16 June 1941, Perowne to Grubb, 25 June 1941, FO371/25989/A4507, TNA; “U.K. Export to S. America: A US Complaint Unjustified” *The Financial Times*, 8 July 1941, ‘United Kingdom Trade Policy in Latin America’, 610.4117/22, RG59, NARA; Ashton minute, 7 July 1941, Foreign Office to Washington, 12 July 1941, FO371/25989/A5384, TNA; Washington to Foreign Office, 18 July 1941, FO371/25989/A5601, TNA. See also, Sayers, *Financial Policy*, p.400; Dobson, “The Export White Paper”, p.64.

Leading figures in the Roosevelt administration generally accepted that the complaints against the British were largely unfounded.¹²² They tended instead to view such accusations principally as a political weapon being deployed by the domestic opponents of the aid program.¹²³ However, Lend-Lease was subject to annual renewal by Congress, so the maintenance of US public support for the aid was a top priority.¹²⁴ In this respect accusations of British misuse of the aid were a cause of great anxiety and seen as a threat to the continuation of the aid program.¹²⁵ Harry L. Hopkins, Special Assistant to Roosevelt, and Oscar Cox, General Counsel to the Lend-Lease administration, became particularly concerned that the accusations against the British had the potential to derail the appropriation bill for Lend-Lease soon to be put before Congress.¹²⁶

It was with these concerns in mind that Hopkins advised British officials in Washington that it may be wise to cease all exports to South America containing steel while these materials were being received under Lend-Lease.¹²⁷ British officials accepted this advice and stated such a policy in a memo to the State Department by Sir John Anderson, Lord President of the Council in the British War Cabinet.¹²⁸ A few days later Anderson gave a more general assurance to John G. Winant, the US ambassador in London, that goods received under the Lend-Lease programme would not be “diverted to the furtherance of private interests”.¹²⁹

Perhaps more importantly, British officials sought to make their stance clear to the US public. On 10 July Sir Kenneth Lee, representative of the British Industrial and

¹²² Cox to Hopkins, 7 July 1941, “Alleged Misuse by Great Britain of Lend-Lease Funds” Folder, Box 305, Harry L. Hopkins Papers, FDRL; Welles to Eaton, 16 July 1941, Folder 5, Box 50, Jacob Viner Papers, Mudd Library; Washington to Foreign Office, 22 July 1941, FO371/25989/A5728, TNA; Stettinius to Love, 9 Sept. 1941, “Alleged Misuse by Great Britain of Lend-Lease Funds”, Box 305, Hopkins Papers. FDRL.

¹²³ Welles to Winant, *FRUS*, 1941, vol.3, p.8; Washington to Foreign Office, 10 July 1941, FO371/25989/A5384, TNA; Cox to Early, 15 July 1941, “Lend-Lease” Folder, Subject File, President’s Secretary’s File, Roosevelt Papers (microfilm copy), RSC. See also Sayers, *Financial Policy*, pp.400-401; Dobson, “The Export White Paper”, p.64.

¹²⁴ MacGregor Burns, p.49; Sayers, *Financial Policy*, pp.400-401.

¹²⁵ Sayers, *Financial Policy*, p.399; Hancock and Gowing, *British War Economy*, p.244; Dobson, *US Wartime Aid to Britain*, p.130.

¹²⁶ Cox to Hopkins, 7 July 1941, Hopkins to Winant, 9 July 1941, Cox to Hopkins, 20 Aug. 1941, “Alleged Misuse by Great Britain of Lend-Lease Funds” Folder, Box 305, Hopkins Papers, FDRL.

¹²⁷ Washington to Foreign Office, 10 July 1941, FO371/25989/A5384, TNA.

¹²⁸ Winant to State Department, 24 July 1941, *FRUS*, 1941, vol.3, p.9; Winant to Secretary of the Treasury, 24 July 1941, “Alleged Misuse by Great Britain of Lend-Lease Funds” Folder, Box 305, Hopkins Papers, FDRL. See also, “Misuse of Aid Denied by Britain”, *New York Times*, 22 Aug. 1941, p.5.

¹²⁹ Winant to Acting Secretary for the Secretary of the Treasury, 31 July 1941, “Alleged Misuse by Great Britain of Lend-Lease Funds” Folder, Box 305, Hopkins Papers, FDRL.

Export Council in Washington, explained to a National Foreign Trade Council luncheon that the accusations concerning Lend-Lease could hardly be valid, given that the Lend-Lease Act was only passed in March.¹³⁰ A few days later John Maynard-Keynes, who was visiting Washington as Churchill's representative in matters pertaining to Lend-Lease, made a joint statement with Sir Owen Chalkley, the Commercial Counsellor at the British embassy in Washington, outlining British export policy to South America. While accepting that there would still be a small amount of British exports reaching South American shores, both in order to acquire essential raw materials and to supply spares for British-made machinery, they pledged that Lend-Lease aid would not be used to compete with US exporters. Furthermore, this statement pointed to specific examples of British contracts that had been abandoned in South America under government orders.¹³¹

The efforts of the British government to demonstrate that it would not use materials received under the Lend-Lease programme to advance its commercial interests in South America certainly satisfied some. In an August press conference Roosevelt lent assistance to the British propaganda campaign when he dismissed such accusations as part of "an organized campaign to spread rumours, distortions of half-truths, and ... falsehoods".¹³² Similarly, General Burns, Chief of the Office of Lend-Lease Administration (OLLA), expressed his belief in response to a complaint over British abuse of Lend-Lease in South America "that instances of improper competition are now rare and ... the British Government is making every effort to eliminate them completely".¹³³ Likewise, Winant informed Morgenthau that "a genuinely sincere effort" had been made by the British government to meet the criticisms being made of its use of Lend-Lease in South America.¹³⁴

¹³⁰ "British Trade Aims Causing Problems", *New York Times*, 11 July 1941, p.28.

¹³¹ "British Export Policy", 14 July 1941, Folder 5, Box 50, Viner Papers, Mudd Library; "British Restrict Trade Competition with Our Products", *New York Times*, 15 July 1941, pp.1, 10; "Keynes Denies Leased Goods are Resold", *Washington Post*, 15 July 1941, p.6; Sayers, *Financial Policy*, p.400. For a further defence of British export policy to South America, see "Lend-Lease and the Plate", Sept. 1941, *The British Export Gazette*, pp.19-21.

¹³² "The Seven Hundred and Sixty-fourth Press Conference (Excerpts), 26 August 1941", Rosenman ed., *The Public Papers and Addresses of Franklin D. Roosevelt*, pp.346-347; Entry for 26 Aug. 1941, Oscar Cox Diaries, FDRL; "Roosevelt Brands Lend-Lease Misuse Reports as Sabotage", *Washington Post*, 27 Aug. 1941, pp.1, 2; Sayers, *Financial Policy*, p.400.

¹³³ Burns to Martling, 18 Aug. 1941, Complaints and Criticisms, Box 97, General Subject File, OLLA, FEA, RG169, NARA.

¹³⁴ Winant to Morgenthau, 28 July 1941, "Alleged Misuse by Great Britain of Lend-Lease Funds" Folder, Box 305, Hopkins Papers, FDRL. See also Welles to Eaton, 16 July 1941, Folder 5, Box 50, Viner Papers, Mudd Library; Stettinius to Love, 9 Sept. 1941, "Alleged Misuse by Great

But notwithstanding the appreciation expressed for the steps taken by Britain to allay US fears, a more concrete attempt to pacify the criticism of Britain's alleged misuse of Lend-Lease was deemed necessary by officials in Washington. This eventually came in the form of the British Export White Paper of 10 September 1941. This statement of policy, announced by Foreign Secretary Anthony Eden in Parliament, committed Britain not to use material received under Lend-Lease "in such a way as to enable their exporters to enter new markets or to extend their export trade at the expense of the United States exporters".¹³⁵ Furthermore, the Export White Paper pledged that "no materials of a type of which is being restricted in the United States on the grounds of short supply, and of which we obtain supplies from the United States ... will be used in exports". The Export White Paper thus imposed formal restrictions on British exports to South America, while Britain was in receipt of Lend-Lease aid from the US.

Moreover, it represented a comprehensive policy response to the criticisms aimed at Britain concerning the misuse of Lend-Lease in South America. While formally a unilateral British pronouncement, in reality the Export White Paper was a bilateral agreement between Britain and the US, and represented the end product of several weeks of negotiations between the two governments.¹³⁶ By agreeing to the restrictions on its exports demanded by US officials, Britain had implicitly accepted that a measure of its control over export policy in South America would be handed to Washington. In this sense, it was indicative of the sacrifices Britain was willing to make in South America in order to engender good relations with the US.

Irreconcilable Critics

The Export White Paper satisfied most in the upper echelons of the Roosevelt administration that Britain would not abuse Lend-Lease for commercial gain in South America. However, others in the US refused to abandon this belief. Elements of the

Britain of Lend-Lease Funds" Folder, Box 305, Hopkins Papers, FRDL; *Department of State Bulletin*, 15 Nov. 1941.

¹³⁵ "Correspondence Respecting the Policy of His Majesty's Government in Connexion with the Use of Materials Received Under the Lend-Lease Act", Cmd. 6331, 10 Sept. 1941, *Parliamentary Papers 1940-41, vol.3: United States No.2* (London: HMSO, 1941).

¹³⁶ Sayers notes that the Export White Paper "was in substance an international agreement although in form a unilateral declaration". See Sayers, *Financial Policy*, p.398. See also Dobson, "The Export White Paper", p.68. For the negotiations between Britain and the US leading up to the Export White Paper, see *FRUS*, 1941, vol.3, pp.8-37; John G. Winant, *A Letter from Grosvenor Square: An Account of a Stewardship* (London, Hodder and Stoughton, 1947), pp.105-109.

US political establishment therefore remained focused on British trade practices in South America through to the end of 1941. In November the issue gained the attention of a Congressional Appropriations Subcommittee that toured Latin America.¹³⁷ Having conferred with US officials and businessmen throughout the region, the Chairman of the Subcommittee, Louis C. Rabaut (Dem.-Mich.), echoed their concerns that British exports, subsidised by Lend-Lease, were threatening US interests in the region. Speaking before the House of Representatives, Rabaut advised the State Department to be “on the lookout for the defense of American business all over South and Central America”.¹³⁸

There were many in the State Department who needed little encouragement along these lines. Ambassador Braden informed Washington in December 1941 of his belief that Britain was still delivering materials to Colombia that were restricted in the US. He suggested that Britain ought to cease taking orders that had previously been refused by US exporters and – in line with the Export White Paper – stop shipping non-essential goods to South America.¹³⁹ Similarly, Fluharty reported from Medellín that notwithstanding British declarations to the contrary, British goods continued to arrive in South America, which, according to his investigations, left British shores after the Export White Paper came into effect.¹⁴⁰ In response to these reports Lynn R. Edminster, the Vice Chairman of the US Tariff Commission, noted with some concern in a memo to Acheson that “it still appears to be true that considerable supplies of goods of the same type, or made from materials of the same type, as we are lend-leasing to the United Kingdom have been arriving in Colombia since the issuance of the British White Paper”.¹⁴¹

Neither was it just in Colombia that complaints over British misuse of Lend-Lease continued to be heard. In Brazil John F. Simmons, Counselor of the US embassy in Rio, reported in December that a British firm was supplying plastics that their US competitors were unable to gain the raw materials for from the US Board of Economic Warfare (BEW).¹⁴² In Argentina allegations that Britain was still exporting

¹³⁷ For details of the subcommittee’s Latin American tour, see *Congressional Record*, 13 Nov. 1941, 77th Congress, 1st Session, pp.8137-8138.

¹³⁸ Braddock to State Department, 15 Sept. 1941, 632.4117/31, RG59, NARA; Fluharty to State Department, 27 Nov. 1942, 621.4117/15, RG59, NARA; *Congressional Record*, 13 Nov. 1941, 77th Congress, 1st Session, p. 8138.

¹³⁹ Braden to State Department, 16 Dec. 1941, 621.4117/17, RG59, NARA.

¹⁴⁰ Fluharty to State Department, 10 Feb. 1942, 621.4114/21, RG59, NARA.

¹⁴¹ Memo by Edminster for Acheson, 26 Dec. 1941, 621.4117/19, RG59, NARA.

¹⁴² Simmons to State Department, 17 Dec. 1941, 632.4117/32, RG59, NARA.

electric cable received under Lend-Lease were similarly fed back to Washington in January 1942.¹⁴³

More general criticism of British misuse of Lend-Lease in South America also remained commonplace in Washington. Edminster complained that the continuing flow of British exports to South America would “have the effect of maintaining or extending British trade channels in South America while cutting off our own”.¹⁴⁴ A more biting criticism came from E. F. McDonald, an official in OLLA. Considering the necessity of monitoring the use of Lend-Lease goods by recipient countries, he believed that Britain was the only country where this would be necessary. “Never for a minute”, McDonald mused, “no matter how dire the emergency, do the British fail to think of the ultimate future and their position”.¹⁴⁵

By the end of 1941 the main US grievance in South America was the use by British traders of a sticker displayed on imports reaching the region that read: “Britain Delivers the Goods”. US businessmen and officials reported widespread sightings of this label on goods arriving at ports throughout South America.¹⁴⁶ The displaying of this seemingly innocuous sticker caused serious concern in the State Department. In a telegram intended for the US embassy in London the author concluded that “the use of the slogan ‘Britain Delivers the Goods’ frequently has the effect of suggesting to consumers in the other American Republics that the United States is not delivering the goods”.¹⁴⁷ The result, therefore, would be to further harm the US export trade in the region with a corresponding gain for British repute. One official in the American Hemisphere Exports Division hoped that the unilateral declaration of British

¹⁴³ “Export of American Made Electric Cable”, 6 Jan. 1942, Case Histories of Lend-Lease Complaints, Box 40, Britain, General Country File, OLLA, FEA, RG169, NARA. US criticisms of British abuse of Lend-Lease in South America in fact continued, albeit to far lesser extent, throughout the war. See, for example, Case Histories of Lend-Lease Complaints, 8 Apr. 1942, Box 40, General Country File, OLLA, FEA, RG169, NARA; Wiley to Hull, 19 Apr. 1944, 625.4117/26, RG59, NARA.

¹⁴⁴ Memo by Edminster for Acheson, 26 Dec. 1941, 621.4117/19, RG59, NARA. See also Dobson, *The Politics of the Anglo-American Economic Special Relationship*, pp.38-39.

¹⁴⁵ McDonald to McCabe, 26 Jan. 1942, Disposition of Lend-Lease Materials Abroad, Box 104, General Subject File, OLLA, FEA, RG169, NARA.

¹⁴⁶ “Certain Aspects of British and American Trade with Colombia as noted in the Medellín Consular District” memo by Fluharty, 27 Nov. 1941, 621.4117/15, RG59, NARA; Corrigan to State Department, 21 Apr. 1942, 610.4117/25, RG59, NARA; Hancock and Gowing, *British War Economy*, p.244.

¹⁴⁷ State Department to London, 3 Mar. 1942, 610.4117/241/2, RG59, NARA. After further consultation the telegram was not in fact sent. The slogan was considered in similarly elevated terms by British interests, with one commentator remarking that “if we drop the slogan ‘Britain Delivers the Goods’ – and all it has come to stand for – then we drop the heart out of our export trade”. See “It’s Time To Stop Saying – Britain Delivers the Goods”, 1 Sept. 1941, *American Export Trade and Shipper*, pp.3-4.

achievement might be replaced by a united slogan, such as: “The United Nations Deliver the Goods” or “The Democracies Deliver the Goods”.¹⁴⁸

The resentment felt in the US against this symbolic gesture of British industrial prowess in South America represented a lingering suspicion of British trade practices in the region that persisted until the end of 1941. The attempts by US officials to remove the sticker were likewise representative of the control the US now held over British commercial activities in the region.

Conclusion

By 1941 British exports to South America totalled £27.3 million, down from a pre-war figure of £34.2 million.¹⁴⁹ It is impossible to tell precisely how much this decline was attributable to the response to US criticisms and how much to the inevitable drop in British exports brought about by war-induced shortages in manpower and resources.¹⁵⁰ More insight can be gauged from the export of manufactures containing materials such as steel and iron, given that these products were specifically targeted by British policies in response to US criticisms. In this case exports to Brazil dropped from £40,000 in the first quarter of 1941 to £3,000 in the final quarter of that year.¹⁵¹ Similarly steep declines were mirrored in Argentina and Chile.¹⁵²

What is less quantifiable but still clear are the political decisions made by Britain that indicate its retreat from South America in this period. Mirroring the US blacklisting policy in South America not only barred British companies from gaining as a result of economic warfare in the region, but more importantly, acknowledged that the US would take the lead in blacklisting matters in South America.¹⁵³ Similarly, the announcement of the British Export White Paper not only prevented British companies from exporting goods when they were willing and able to do so, but more significantly, it conceded a large measure of Britain’s export policy in South America to the US government.

¹⁴⁸ Schnee to Ravndal, 5 Mar. 1942, 610.4117/241/2, RG59, NARA.

¹⁴⁹ *Statistical Digest of the War* (London: HMSO, 1951), p.166. Figures sourced from the Board of Trade.

¹⁵⁰ British exports as a whole in this period fell from £471 million in 1938 to £365 million in 1941. See *Statistical Digest of the War*, p.162.

¹⁵¹ Hancock and Gowing, *British War Economy*, p.244.

¹⁵² *Ibid.*

¹⁵³ Medlicott has made a similar point. See Medlicott, *The Economic Blockade*, vol.2, p.139.

At a time when Britain was fighting for its very survival such issues were understandably not of paramount concern. However, when viewed with the benefit of hindsight, the process whereby factions within the US began to exclude Britain from South America was, in the context of planning for the post-war era, of a more significant nature. But even if the implications of this process were appreciated at the time, it was perhaps inevitable that Britain would have to concede to US demands in a period when the fate of the country was seemingly so bound to winning US support for its cause. However, once the US entered the war, and Britain's need to court the US was removed, the sense that Britain was being excluded from South America became an increasingly prominent concern for British officials and businessmen.

Chapter 3

British Suspicions and Attempts at Cooperation (Winter 1941-1942 – Autumn 1942)

With the US a fully-fledged belligerent in a global conflict a partnership between the US and Britain, unprecedented in the history of Anglo-American relations, ensued. Throughout 1942 the unity of purpose between the two countries was accentuated by the perilous military threats faced by the Allies. Despite its geographic isolation from the European and Asian theatres of conflict, one effect of the new accord between the two countries was moves toward cooperation and collaboration in commercial matters between the US and Britain in South America. This cooperation came in the form of aligning the two countries' blacklisting policies in South America, and collaborating in the supply of essential goods to the region.

However, as this chapter shows, cooperation between the US and Britain in the commercial affairs of South America was continually hampered throughout the first half of 1942 by conflicting trends on both sides of the Atlantic. For Britain the new co-belligerent status of the two countries removed the impetus to placate US criticisms of British trade practices that had actuated British policy during the period of US neutrality. In its place British officials sought to forge a partnership with the US, which would entail an active role for Britain in directing the economic affairs of Latin America. This, they believed, would best serve immediate wartime needs in the region, as well as protecting Britain's commercial status in South America for the longer-term. But British hopes of forging a constructive partnership with the US were often dashed, as US officials directing policy in Latin America acted unilaterally in the promotion of US interests in the region, and, moreover, sought to consolidate inter-American economic solidarity.

This attitude fuelled suspicions among British officials and businessmen that the true aim of their US counterparts was to use opportunities afforded by the war to exclude British commercial interests from South America on a permanent basis. They detected this motive both in a general resentment shown toward British interests by US officials in the region, and in more concrete US policies, most notably the application of blacklisting.

Such anxieties on Britain's part were a cause of concern to internationalists within the State Department. Led by Hull, this group included prominent members of the Roosevelt administration, such as Acheson and Harry Hawkins, Chief of the Division of Commercial Policy and Agreements.¹ Long concerned with the promotion of economic multilateralism in negotiations with Britain, this group were at the forefront of promoting such a system in Anglo-American negotiations during the war.² Viewed in this context, the suspicions on Britain's part that the US wished to exclude British interests from South America represented a threat to the internationalists' programme of promoting multilateralism. They therefore attempted to quell British fears by instructing US representatives in South America to cooperate with their British counterparts in the attainment of shared goals in the region. Moreover, they advocated multilateralism to US officials and businessmen in the region as an alternative to any ambitions to exclude British interests from South America.

In taking these steps US internationalists hoped both to advance the war effort and convince the British government that the multilateral trade system that they sought to implement in the post-war era would apply equally to South America as to British-dominated regions. These attempts at fostering cooperation between the wartime allies in South America began to bear fruit during the second half of 1942, and there resulted in London, a lessening of suspicions that the US was intent on excluding British interests from the region.

A New Role for Britain in Latin America

The day after the US became a fully-fledged belligerent, one of the British Chiefs of Staff suggested to the Prime Minister that a more deferential tone be employed in a message to the US. Churchill replied: "Oh! that is the way we talked to her when we were wooing her; now that she is in the harem, we talk to her quite differently".³ This new way of talking to the US reflected a widespread belief within the British

¹ For more on internationalists in the State Department, see Gardner, *Sterling-Dollar Diplomacy*, p.16; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.24-26; Woods, *A Changing of the Guard*, p.13; Friedman, *Nazis and Good Neighbors*, pp.79-82; Watt, *Succeeding John Bull*, p.95.

² Arthur W. Schatz, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace, 1936-1938", *The Journal of American History*, vol.57, no.1 (1970), pp.85-103; Woods, *A Changing of the Guard*, p.15.

³ Arthur Byrant, *The Turn of the Tide, 1939-1943: A Study Based on the Diaries and Autobiographical Notes of Field Marshal The Viscount Alanbrooke K. C., O. M.* (London: Collins, 1957), p.282.

establishment that a new equality, based on their common belligerent status, now existed between the two countries.

This sentiment was no less felt with regard to South America. It was certainly the case for British traders hoping to retain their markets in the region. In a letter to Keynes reflecting on British commercial policy in the region, Kenneth C. Robinson, Governing Director of Thomas Bell & Co., referred disapprovingly to a lingering “tendency to talk as though we must keep friendly with the United States at all costs and must suffer any injustice which they seek to inflict upon us”. If such an attitude were retained with regard to British export policy in South America, Robinson believed, the country’s position would be irreparably damaged in the post-war era. In order to remedy this he sought to convey to the government the changed reality which he perceived in the post-Pearl Harbor era. “The full entry of the United States into the World War has produced a new situation”, Robinson stated. In these new circumstances a new attitude was required in British dealings with the US. “We are now, or ought to be”, Robinson believed, “frank and avowed allies in the one war effort and there is, therefore, no longer any necessity to truckle or cajole Washington”.⁴

This view was received sympathetically in the South American department of the Foreign Office.⁵ Perowne referred to the US and Britain as “full and equal partners” in a minute written shortly after Pearl Harbor.⁶ In this context London’s mollification of the criticisms of British trade practices in South America that had passed over the previous year was no longer deemed appropriate or necessary. Instead, the Foreign Office sought to initiate a new spirit of collaboration between Britain and the US in Latin America, which would entail an active role for Britain in the region as an equal partner. In a telegram sent to Washington and copied to all Latin American missions in December 1941 the Foreign Office expressed its wish to establish the “fullest understanding with [the] United States Government as regards joint policy and co-operation in respect of Latin America”.⁷ More generally, the Foreign Office sought to impress upon the State Department its desire to “afford the

⁴ Robinson to Keynes, 2 Apr. 1942, FO371/30503/A3423, TNA.

⁵ Mather-Jackson minute, 14 Apr. 1942, Gallop minute, 14 Apr. 1942, FO371/30503/A3423, TNA.

⁶ Perowne minute, 31 Dec. 1941, FO371/26036/A10669, TNA.

⁷ Foreign Office to Washington, 21 Dec. 1941, FO371/26036/A10529, TNA.

greatest measure of assistance to [the] United States ... in all matters connected with the prosecution of the war” in Latin America.⁸

However, initial indications from Washington were that US officials were reluctant to engage with their British counterparts in any in depth discussions concerning Latin America.⁹ But British officials refused to be spurned in their offers of cooperation, believing that the new co-belligerent status of the two countries allowed them to exert some degree of pressure on the US to engage in talks on Latin America.¹⁰ On 28 December 1941 this persistence paid off and Halifax secured a meeting with Welles where he expressed Britain’s desire to play a constructive role in the affairs of Latin America. But Welles’ response was vague and noncommittal, giving only a brief outline of current US goals in the region that seemingly contained no place for Britain.¹¹

Such a response from Welles was disappointing, if not particularly surprising, to the Foreign Office. As Perowne noted on 31 December, Welles “quite naturally regards Latin America as his own particular oyster”, and was not particularly inclined to share the region with Britain or even discuss policy there.¹² Perowne saw no reason to believe that in his direction of Latin American affairs Welles would necessarily take a hostile attitude toward British interests in the region, but “the question”, as he phrased it, was whether the Foreign Office wished “to encourage the benevolent despotism which the State Department is apt to exercise where we are concerned, or whether we desire rather to make it clear that we regard ourselves as equal partners in a common enterprise in Latin America”.¹³ The fact that British officials subsequently adopted the latter course offers an important rebuttal of the common view that the Churchill government viewed Latin America as a US sphere of influence.¹⁴ However, as British officials attempted to forge an active role for the country in Latin American affairs its efforts were repeatedly rejected by the US. This, in turn, fed British suspicions that the US sought to exclude British interests from South America for the post-war era.

⁸ Ibid.

⁹ Perowne minute, 19 Dec. 1941, FO371/26036/A10529, TNA.

¹⁰ Ibid.

¹¹ Washington to Foreign Office, 27 Dec. 1941, FO371/26036/A10669, TNA.

¹² Perowne minute, 31 Dec. 1941, FO371/26036/A10669, TNA. See also Henderson minute, 30 Dec. 1941, FO371/26036/A10669, TNA.

¹³ Perowne minute, 31 Dec. 1941, FO371/26036/A10669, TNA.

¹⁴ Campbell, “Anglo-American Relations”, pp.3, 9, 15; Kimball, “The Juggler”, pp.27-28; Kimball, *The Juggler*, p.122.

A 'Pan-American Customs Union'?

These suspicions increased in the early months of 1942 as British officials observed the first inter-American conference since the US entered the war. The meeting of the Ministers of Foreign Affairs of the American Republics was held in Rio de Janeiro during the second half of January. During the meeting British hopes of having any input on the proceedings were dashed when Welles, who headed the US delegation to the conference, failed to find the time to receive Sir Noel Charles, the British ambassador in Rio. Britain's sense of exclusion was heightened further when another member of the US delegation, Under Secretary of Commerce Wayne Taylor, informed Charles that US officials were fundamentally opposed to seeking assistance from Britain in any matter concerning the American states.¹⁵ Such rejections of British assistance in Latin America led the Foreign Office to the conclusion that State Department policy toward Latin America was being actuated "by a feeling that the sub-continent falls into their sphere of influence and that, fundamentally, we have no business there".¹⁶

The Rio conference is best remembered for the partially successful attempt by the US to secure a unanimous severance of relations with the Axis countries by the American states.¹⁷ However, another important aim of the conference at Rio was to promote greater economic cooperation in the Americas.¹⁸ It was potential progress toward this latter goal that caused British suspicions of being excluded from South America to increase further. The specific instance for these concerns came in the form of a press report quoting a high-ranking official from the US Commerce Department who claimed that the US delegation to the conference would propose the elimination of all trade barriers between the American states and the adoption of a common currency. This plan was justified on the grounds that it would facilitate the flow of

¹⁵ Draft memo by Gallop, FO371/30503/A1817, TNA; "Memorandum respecting the Anglo-United States-Brazilian Triangle" by Gallop, 15 July 1942, FO371/30369/A6565, TNA; Medicott, *The Economic Blockade*, vol.1, p.141.

¹⁶ Draft memo by Gallop, 23 Feb. 1942, FO371/30503/A1817, TNA.

¹⁷ Michael J. Francis, "The United States at Rio, 1942: The Strains of Pan-Americanism", *Journal of Latin American Studies*, vol.6, no.1 (1974), pp.77-95; Sumner Welles, *The Time for Decision* (London: Hamish Hamilton, 1944), pp.180-184.

¹⁸ Gordon Connell-Smith, *The Inter-American System* (London: Oxford University Press, 1966), pp.120-124; Michael J. Francis, "The United States at Rio", pp.77-95.

munitions and war-related materials around the continent.¹⁹ But it clearly had commercial implications for non-hemisphere countries like Britain of an abiding nature. The danger, as far as British interests were concerned, was that a customs union would be set up between the American states that would increase inter-American trade, while excluding that of outside countries. Such a system would in effect create an exclusive trade bloc in the Western Hemisphere dominated by the US.²⁰

It was certainly true that schemes such as the one reported during the Rio conference had been present in the thinking of influential US officials for some time. As far back as November 1939 Adolf A. Berle, Assistant Secretary of State, had presented a plan for a common currency for the American states to the Inter-American Financial and Economic Advisory Committee.²¹ While Berle acknowledged that such a system was not attainable at the present time, he believed it was wise for the US to “consider the possibility of securing at least some of the advantages of such a system”.²²

Berle had a life long interest in the affairs of the American states, which he developed over the years into a political philosophy based on ‘continentalism’. The basis of this was that the economic unification of the American states in the Western Hemisphere would provide a model for the other continents of the world to mirror.²³ This attitude dovetailed with a general scepticism toward the European powers and a particular distrust of Britain. Specifically, Berle resented what he regarded as a lingering British mercantilism.²⁴ Certainly Berle would have not been troubled if one effect of the greater economic unity he sought in the Western Hemisphere would be to exclude British interests from South America.

¹⁹ “Gigantic War Plan for Western Hemisphere” undated, FO371/30503/A912, TNA; Washington to Foreign Office, 23 Jan. 1942, FO371/30503/A2186, TNA.

²⁰ Mather-Jackson minute, 3 Feb. 1942, Perowne to Fraser, 9 Mar. 1942, FO371/30503/A912, TNA.

²¹ The committee was created at the first meeting of the Ministers of Foreign Affairs of the American Republics in Panama in September 1939 to promote closer economic ties between the American states. See Welles, *The Time for Decision*, p.166.

²² Entry for 20 Nov. 1939, Adolf A. Berle Diaries, RSC; Berle and Jacobs eds, *Navigating the Rapids*, pp.271-273.

²³ Berle and Jacobs eds, *Navigating the Rapids*, pp.xxiv, xxxiv-xxxv. See also Freidman, *Nazis and Good Neighbors*, p.79.

²⁴ Entry for 14 Mar. 1941, Berle Diaries, RSC; Berle and Jacobs eds, *Navigating the Rapids*, pp.xxvi, xxix. John Harper has characterised this attitude within the Roosevelt administration as “Europhobic-hemispherism”. See John Harper, *American Visions of Europe: Franklin D. Roosevelt, George F. Kennan, and Dean G. Acheson* (Cambridge: Cambridge University Press, 1994), p.60. For more on Berle’s attitude toward Britain, see Charmley, *Churchill’s Grand Alliance*, p.36.

The leading members of the US delegation to the Rio conference – Welles, Taylor, and Pierson – shared Berle’s attitude toward the Western Hemisphere and Britain to varying degrees.²⁵ It was they who had formulated the plan to eliminate trade barriers and establish a single currency in the Western Hemisphere at the Rio conference.²⁶ However, when presented with this scheme, Morgenthau vetoed it for being too far reaching a proposal to be decided at a conference limited to inter-American participation.²⁷ Consequently, when the Final Act of the Rio conference was issued, reference to any kind of Pan-American customs union was absent. On the contrary, the signatures to the act pledged allegiance to the principles enshrined in the Atlantic Charter, among them a commitment to economic multilateralism.²⁸

Nevertheless, proposals such as that advocated by the US delegation did indicate that steps toward greater economic solidarity in the Western Hemisphere would be forthcoming. Indeed, one US commentator stated in a report on the conference that the themes initiated at Rio, if pursued, “might result in the establishment of a more or less closed New World economic bloc”.²⁹ Moreover, in an address to mark Pan-American Day shortly after the conference in Rio, Taylor indicated that it was precisely such a permanent unified economic system in the Western Hemisphere that he desired to see take shape. “The solemn undertakings contained in the resolutions” of the Rio conference, predicted Taylor, “would grow rapidly in actuality and would remain as the fundamentals of our economic association long after the [war] had passed”. “A common Pan-American economic policy”, then, was certainly a post-war aim for some US officials.³⁰

Such contradictory trends ensured that a sense of consternation remained prominent in the Foreign Office. In a letter to the Board of Trade, Perowne sought to impress the reality that a Pan-American trade bloc may well constitute a tempting

²⁵ For Welles, see Burk, “American Foreign Economic Policy and Lend-Lease”, p.46; Harper, *American Visions of Europe*, pp.56-57. For Taylor see Wayne Taylor, “Where Do We Go From Rio?”, 20 Apr. 1942, *Export Trade and Shipper*, pp.3-5, 21. For Pierson see, Humphreys, *Latin America and the Second World War*, pp.77-78; Chalkley to Butler, 20 Apr. 1942, FO371/30503/A4132, TNA.

²⁶ “Gigantic War Plan for Western Hemisphere” undated, FO371/30503/A912, TNA.

²⁷ Washington to Foreign Office, 23 Jan. 1942, FO371/30503/A2186, TNA.

²⁸ “Final Act and Resolutions, January 28, 1942”, Leland M. Goodrich ed., *Documents on American Foreign Relations* [DAFR], vol.4, July1941-June1942 (Boston: World Peace Foundation, 1970), p.329; See also Connell-Smith, *The Inter-American System*, p.122; Welles, *The Time for Decision*, p.183.

²⁹ David H. Popper, “The Rio de Janeiro Conference of 1942”, *Foreign Policy Reports*, vol.18 (1942), p.34.

³⁰ Wayne Taylor, “Where Do We Go From Rio?”, 20 Apr. 1942, *Export Trade and Shipper*, p.5.

prospect to agencies in the US government like the Commerce Department and the Export-Import Bank, as well as US business interests in the region. However, he was able to take solace in the fact that the proposed scheme for the Rio conference had in this instance been rejected by the leadership of the Roosevelt administration and would be in direct contradiction to the central tenets of official US economic plans.

As Perowne explained:

Such a union would be wholly irreconcilable with Article 7 of the [Lend-Lease] consideration Agreement, would be inconsistent with efforts to remove or reduce incidence of Imperial Preference, and mean the abandonment of Mr. Hull's long campaign on behalf of liberal principles of international trade.

But while this may be so, Perowne still harboured suspicions that there would remain powerful forces in Washington that would try to exclude British interests from South America. As he went on to caution:

There may not be a few in Washington who would like to see Pan-American preference put into the scales to balance imperial preference, and there may be others too who, while not thinking as Pan-American preference as a *quid pro quo*, would consider it legitimate to aim at achieving the virtual, if not complete elimination of British ... trade from the markets of South and Central America.³¹

So while Morgenthau may have prevented attempts to exclude British interests at the Rio conference, the British government should remain vigilant for any future “startling surprises”, which those hostile to British interests in the region may have in store.³² The dichotomy identified by Perowne – between the official US economic policy of Hullian multilateralism and the dangers of a move toward an exclusionary policy in Latin America – represented the first indications from within the British government of a perception that it was by promoting multilateralism in South America that British interests would best be protected. This idea developed as British officials sought to identify the different factions within the US and their corresponding attitudes toward British interests in South America.

US Friends and Enemies

As British officials reflected on the Rio conference they began to develop a thesis that identified within the US government those thought to be hostile toward Britain in South America and those believed to be sympathetic. This argument was first systematically articulated in February 1942 in a paper by R. A. Humphreys, an

³¹ Perowne to Fraser, 9 Mar. 1942, FO371/30503/A912, TNA (emphasis in original).

³² Ibid.

academic drafted into government service during the war to provide expertise on Latin America. Humphreys began his paper by identifying two distinct and opposing schools of thought within the US concerning Latin American affairs:

In the United States the division is between those who may, somewhat loosely, be called internationalists and those who tend to look upon the new world (with the exception of Canada) as a private hemisphere. The former believe that the problems of the western hemisphere cannot be solved in isolation from other parts of the world. The latter regard British activities in Latin America with much suspicion, and they would like, in extreme circumstances, to turn Pan-Americanism into hemispheric isolationism.

Humphreys went on to make clear that movements toward greater Pan-American solidarity during the war need not necessarily translate into “hemispheric isolationism”. Indeed, the picture painted of US intentions toward Britain in South America was largely one of ambiguity. But he was keen to warn British officials of the dire threat to British interests if US policy in Latin America did in fact turn out to be one of an exclusionary nature. A policy of “hemispheric autarky”, noted Humphreys, would result “in very severe and very successful competition against British commercial interests”. Moreover, Humphreys was keen to impress the broader ramifications of a competitive situation arising between the US and Britain in the region. There was certainly the “possibility of a serious divergence of opinion between the United States and Great Britain over Latin American affairs” noted Humphreys. “Such a clash”, he went on, “would be profoundly disturbing to the general harmony of Anglo-American relations”.³³

Humphreys’ paper was widely circulated within the American departments of the Foreign Office. All who read it largely endorsed the thesis outlining Britain’s friends and enemies in the US with regard to British interests in South America. In particular, Welles, Pierson, and Taylor were increasingly viewed as the leading figures threatening British interests in the region. The head of the North American department, Sir Neville Butler, described them as a “formidable trio”, while others referred condescendingly to Welles and Pierson as “the two great princes of S[outh] American politics and finance”.³⁴ Hull and his fellow advocates of multilateralism in

³³ “British and United States Propaganda and Policy in Latin America”, by Humphreys, undated [Feb.1942], FO371/30500/A1516, TNA. See also “The Purposes and Consequences of Pan-Americanism” by Humphreys, undated [July 1942], FO371/30508/A6865, TNA.

³⁴ Butler minute, 4 Feb. 1942, Mather-Jackson minute, 3 Feb. 1942, FO371/30503/A912, TNA. See also Henderson minute, 19 Feb. 1942, FO371/30500/A1516, TNA.

the State Department, on the other hand, were seen as Britain's allies in ensuring its interests in South America were maintained.³⁵

But while there was general agreement that there were indeed factions present within the US that aimed to eliminate British interests from South America, there was less accord as to the influence and the pervasiveness of this desire. The South American department of the Foreign Office tended to regard exclusionary sentiment in the US as widespread and dangerous. Rodney Gallop, assistant to the head of the South American department, believed Humphreys' paper underestimated the exclusionary tendencies of the movement toward Pan-Americanism, which had been manifest during and since the Rio conference.³⁶ In a similar vein, Perowne believed that the State Department itself was "determined to eliminate all alien influences (including our own) in Latin America".³⁷ The North American department of the Foreign Office, on the other hand, regarded such views as overly alarmist. Butler rejected Perowne's assertion that the State Department was aiming at the complete elimination of all non-American interests from Latin America.³⁸ Similarly, Francis Evans, a clerk in the North American department, believed that while there may be some in the State Department who harboured ambitions to remove British interests from South America, "the weight of evidence does not yet show that it is the considered policy of the U.S. Government to exclude us from the South American market".³⁹

The most forceful rebuttal of the South American department's fears over exclusionary elements in the US came from Chalkley in the British embassy in Washington. Chalkley had long experience both in Latin America and in the US. He had consequently developed a special interest in the triangular commercial relations between the US and Britain in South America.⁴⁰ Having been sent Humphreys' paper, along with the comments on it by Foreign Office personnel, Chalkley challenged the characterisation of Welles, Pierson and Taylor directly. Chalkley had worked alongside Welles in Argentina during the First World War and had been acquainted

³⁵ Perowne to Fraser, 9 Mar. 1942, FO371/30503/A912, TNA; Mather-Jackson minute, 27 Mar. 1942, FO371/30503/A2021, TNA.

³⁶ Gallop minute, 20 Feb. 1942, FO371/30500/A1516, TNA.

³⁷ Perowne minute, 27 Feb. 1942, FO371/30500/A1516, TNA.

³⁸ Butler minute, 2 Mar. 1942, FO371/30500/A1516, TNA.

³⁹ Evans minute, 18 Mar. 1942, FO371/30503/A1817, TNA.

⁴⁰ Chalkley to Butler, 20 Apr. 1942, FO371/30503/A4132; Butler minute, 4 Feb. 1942, FO371/30503/A912, TNA.

with him in Washington for the last eight years. He acknowledged that there were widespread fears that if – as expected at this time – Welles replaced Hull as Secretary of State he would abandon the latter’s programme of economic multilateralism in favour of a discriminatory “Pan-American Union”. However, having expressed these fears himself to Hawkins, Chalkley had been reassured that Welles would continue along Hull’s path of multilateralism. This faith was supported by reference to a speech by Welles at a World Trade dinner in October 1941 where the latter asserted his belief in the principles of multilateralism.

Regarding Taylor, Chalkley believed that he similarly ascribed to Hull’s economic policy. Moreover, he pointed out, even if Taylor were disposed to exclude British interests from South America, he lacked the power to do so from his position in the Commerce Department. Finally, with regard to Pierson, Chalkley acknowledged that the President of the Export-Import Bank was largely hostile toward Britain. However, having had several conversations with him, Chalkley came away with the impression that Pierson was largely unconcerned with British interests in South America. The fears of the South American department, then, according to Chalkley, were largely without foundation. Moreover, he argued that it was exactly such suspicions – based on rumours, rather than facts – that would make Anglo-American cooperation in the establishment of multilateral trade for the post-war era, all the harder to attain.⁴¹

But Chalkley’s portrait of the US officials and his dismissal of British suspicions were greeted with a certain degree of scepticism in London. Christopher Steel, First Secretary in the Foreign Office, believed that Chalkley’s long service in the US, rather than making him an authority on the subject of Anglo-American commercial relations in South America, had led him to become “a bit tinged with the Washington point of view”. Consequently, he had come to regard “his American friends with less suspicion than he might in consequence”.⁴²

Similarly, Sir Edward Mather-Jackson, the Foreign Office official in charge of commercial affairs in South America, while grateful to hear of Welles’ public pledge of allegiance to multilateralism, questioned whether this rhetoric was matched by the actions of Welles and Pierson in South America. Indeed, it was precisely the divergence between the US advocacy of multilateralism for the rest of the world and

⁴¹ Chalkley to Butler, 20 Apr. 1942, FO371/30503/A4132, TNA.

⁴² Steel minute, 12 May 1942, FO371/30503/A4132, TNA.

their failure to adhere to these principles in South America that had fuelled British suspicions. As Mather-Jackson cogently put it on 6 May 1942, British fears had been aroused “by a marked difference in Anglo-American relations in that which concerned Latin America and that which concerned other parts of the world”. Expanding on the motivations that he believed guided US foreign policy, he went onto explain:

There is always the danger in America that one string of the typical idealistic-materialistic nexus will be unloosed, and [with regard to South America] we were fearful lest the materialistic urge might be set free to achieve its own ends ... at a time when our own hands were bound by the war effort.⁴³

From Mather-Jackson’s perspective, then, strong suspicions of a will in the US to exclude British interests from South America had been wholly valid. It was with such abiding suspicions of US intentions toward British interests in the region that the British government developed its policies toward South America throughout 1942.

The Joint Supply of Goods

In some respects British concerns over the war being used as an opportunity to exclude its interests from South America had been present for some time. This had certainly been the case regarding the previous year’s allegations that Britain was re-exporting Lend-Lease goods to South America in order to compete with the US unfairly. Whereas Roosevelt and his advisors interpreted these criticisms as a political attack on the aid programme and the broader foreign policy goals of the administration, many in Britain suspected that these criticisms were merely a cover being used to exclude British interests from the region.

The South American department of the Foreign Office was virtually unanimous in this belief. Mather-Jackson noted in June 1941 that following the passage of the Lend-Lease Act, US businessmen in the region felt sure that “the market was his for the rest of the war, and with any luck for all time”. When British exports continued to compete with US business into the summer of 1941, this aspiration was therefore challenged. For Mather-Jackson it was more the prospect of US monopolistic control of the South American market being threatened, than legitimate concerns over the misuse of Lend-Lease, which subsequently led to the criticism of Britain.⁴⁴ Similarly, Perowne believed that the accusations against the

⁴³ Mather-Jackson minute, 6 May 1942, FO371/30503/A4132, TNA.

⁴⁴ Mather-Jackson minute, 16 June 1941, FO371/25989/A4507, TNA.

British in South America resulted from a “general jealousy of what has formerly been our commercial position in that sub-continent”.⁴⁵

British businessmen based in South America voiced the same suspicions. In Brazil Henry Walter Foy wrote to his head office in London that his US competitors in the country had received instructions from the US government to detail all alleged abuses of Lend-Lease by the British in order to force British companies out of Brazil.⁴⁶ Similarly, J. J. Soar, an agent for British business in Brazil, believed that the US had virtually eradicated the British export trade to that country by the end of 1941, under the pretext of Lend-Lease restrictions, but in reality to remove British competition for the post-war era.⁴⁷

Viewed in the light of these suspicions, the Export White Paper of September 1941 was regarded as a threat to British interests in South America. Moreover, now that the US had entered the war, British officials believed it to be outdated and inappropriate for the changed circumstances. Gallop expressed this belief in April 1942, stating that the current British export policy toward South America was “dictated by motives of political [expediency] rather than of logic or justice”.⁴⁸ British officials therefore hoped to change this situation by getting the Export White Paper superseded by a system of joint programming between the US and Britain in the supply of goods to Latin America.⁴⁹

Internationalists in the State Department shared this aspiration. They believed that cooperation between the US and Britain in furnishing Latin America with the exports it needed would be aided by the changing functions of the US economy brought about by the country’s new belligerent status. As the US diverted its productive capacities away from normal peacetime trade to an even greater extent, and focused predominantly on wartime production, the effect in Latin America, so it was hoped, would be to replace Anglo-American export competition with collaboration in the supply of wartime needs for the region. Acheson conveyed the

⁴⁵ Perowne to Grubb, 25 June 1941, FO371/25989/A4507, TNA. See also Dobson, “The Export White Paper”, p.65.

⁴⁶ Foy to Pole, 10 Sept. 1941, FO371/25781/A9761, TNA.

⁴⁷ Soar to Anti-Attrition Metal Company Ltd., 19 Jan. 1942, 632.4117/34, RG59, NARA.

⁴⁸ Gallop minute, 14 Apr. 1942, Mather-Jackson minute, 14 Apr. 1942, FO371/30503/A3423, TNA. Similarly, the British embassy in Washington had expressed its collective view in January 1942 that the entry of the US into the war made the provisions of the Export White Paper governing British exports outdated. See Washington to Foreign Office, 14 Jan. 1942, Board of Trade, Commercial Relations and Exports, BT11/1735, TNA.

⁴⁹ Washington to Foreign Office, 14 Jan 1942, Board of Trade, Commercial Relations and Exports, BT11/1735, TNA; Sayers, *Financial Policy*, p.404.

new dynamics that should guide US officials and businessmen in Latin America in a circular sent to US missions in all Latin American republics on 25 March 1942:

Basically, the problem is no longer one of competition in the supply of normal needs but is one of joint supply of needs out of a pool of materials and equipment definitely limited in size and undergoing continuous contraction. ... In these circumstances, competition must be replaced by collaboration.⁵⁰

Moves toward the establishment of joint programming between the US and Britain in the supply of goods to Latin America were evident in the early months of 1942. The establishment of the Combined Raw Materials Board in Washington appeared to be a first step toward achieving the kind of joint supply to the region envisioned by Acheson.⁵¹ However, joint programming failed to materialise. This was partly due to the administrative difficulties of working out supply schedules for the region.⁵² But it was also reflective of the reluctance of some in the US to concede control to the British over the supply of goods to Latin America.

This sentiment was expressed in a State Department memo in April 1942 that cautioned against the US being “jockeyed into any position where the British will lead us around by the nose”. On the contrary, the supply of goods to Latin America during wartime, the memo went on, should be based on the premise that “the Western Hemisphere is our back yard and we are the ones, like it or not, who are going to play a principal role there”. So while Britain may be “given a voice ... in the general supply situation” the US should “maintain a firm policy that final determinations in this Hemisphere are necessarily ours”.⁵³ Sentiments such as these ensured that the Export White Paper would remain intact.

This fact was reaffirmed on the ground in South America by the experience of a British company in Brazil. In March 1942 Babcock & Wilcox offered to supply combustion engines to a local customer within six weeks, thereby surpassing the delivery terms offered by their US competitors in the trade. Such enterprise was justified, according to the British trader, as the entry of the US into the war had automatically released Britain from the restrictions imposed on its export business by

⁵⁰ State Department to American Diplomatic and Consular Offices in the other American Republics, 25 Mar. 1942, 610.4117/23A, RG59, NARA. For the formulation of this thinking, see memo by Edminster for Acheson, 26 Dec. 1941, 621.4117/19, RG59, NARA.

⁵¹ Sayers, *Financial Policy*, p.404.

⁵² Dobson, *The Politics of the Anglo-American Economic Special Relationship*, p.36.

⁵³ Memo by unknown for Bonsal, 14 Apr. 1942, Memos Relating to General Latin American Affairs, OARA, Box 6, RG59, NARA.

the Export White Paper.⁵⁴ Unsurprisingly, the US firm competing for the Brazilian business failed to share such an interpretation. William Haller, representative of the New York-based Combustion Engineering Company, wrote to the commercial attaché at the US embassy in Rio expressing his disbelief that British companies were now exempt from priority controls in accessing the raw materials needed to facilitate their export trade. “We cannot well imagine”, Haller exclaimed, “that such a handicap could have been knowingly and intentionally put [up]on American export endeavours”.⁵⁵

Of course, in reality, no matter how much the restrictions on British exports to South America may have seemed unfair to British businessmen and officials once the US was a co-belligerent in the war, nothing had in fact altered the restrictions imposed on British exports by the White Paper of September 1941. This was reiterated in Acheson’s circular to Latin American posts in March 1942. Notwithstanding the cooperation being forged between Britain and the US in the realm of export policy in South America, Acheson reminded US representatives that “the White Paper remains in full effect”.⁵⁶ OLLA relayed a similarly unequivocal message to Chalkley on 20 April.⁵⁷

Rattling the Chains of the White Paper

It was subsequently to the task of loosening the restrictions on British exports, within the constraints of the Export White Paper, that the British government set its mind during the spring of 1942. As the embassy in Washington put it, until the Export White Paper could be replaced by a system of joint programming, it was necessary to make the best of the interim arrangements.⁵⁸

In its attempts to alter the restrictions on Britain’s exports to South America the Foreign Office was guided by both long and short-term objectives. In the short run Britain’s objective was to ensure that the South American countries received the equipment they needed to supply Britain with materials essential to the war effort.⁵⁹ A

⁵⁴ Haller to Childs, 25 Mar. 1942, 632.4117/33 RG59, NARA.

⁵⁵ Ibid.; Washington to Rio, 5 May 1942, Board of Trade, Commercial Relations and Exports, BT11/1735, TNA.

⁵⁶ State Department to American Diplomatic and Consular Offices in the other American Republics, 25 Mar. 1942, 610.4117/23A, RG59, NARA.

⁵⁷ Dobson, *The Politics of the Anglo-American Economic Special Relationship*, p.37.

⁵⁸ Washington to Foreign Office, 7 May 1942, Board of Trade, Commercial Relations and Exports, BT11/1735, TNA.

⁵⁹ Perowne minute, 23 Apr. 1942, FO371/32417/W5680, TNA.

prominent example was British exports of specialist agricultural equipment to enable South American countries to produce foodstuffs that were exported to Britain and used to supply the armed forces.⁶⁰ In the longer-term Britain's aim was to retain important markets in South America for the post-war era.⁶¹

For many in the US Britain's hopes of retaining South American markets for the post-war years was clearly not a valid reason to loosen the restrictions enforced by the Export White Paper. British officials, moreover, were well aware of this fact. As one Foreign Office official put it, "OLLA is supposed to unsympathetic" and there was, in fact, no particular reason "to expect any US Dep[artment] to look with sympathy on our exports to S[outh] America".⁶² If Britain were to win US approval to break free from the restrictions on its exports imposed by the White Paper this would have to be justified on the basis of the essential requirements of the South American countries, rather than the promotion of the British export trade.⁶³

It soon became clear to British officials that OLLA would be more likely to grant waivers for British exports to South America if the requests came directly from the South Americans themselves.⁶⁴ This would give the impression that the waiver was needed not to aid the British export trade, but to meet the requirements of South America. The Foreign Office sought to ensure, therefore, that requests for waivers appeared as much as possible as spontaneous requests from South America, rather than pleas from the British.⁶⁵

But this posed a separate dilemma for British officials. By April 1942 progress toward loosening the White Paper restrictions on British exports had been made by British officials in Washington in the form of an agreement with OLLA that goods needed in South America would be regarded as unobtainable from the US if they could not be delivered promptly. This would free British exporters to supply goods under a waiver from the White Paper if they were able to do so in a shorter timeframe than their US counterparts.⁶⁶ In this context British officials were faced with the challenge of formulating the correct response to be given to requests from South

⁶⁰ Foreign Office to Latin American missions, 4 Apr. 1942, FO371/32417/W7050, TNA.

⁶¹ Perowne minute, 23 Apr. 1942, FO371/32417/W5680, TNA.

⁶² Aston minute, 21 Apr. 1942, FO371/32417/W5680, TNA.

⁶³ Washington to Foreign Office, 13 Apr. 1942, Board of Trade, Commercial Relations and Exports, BT11/1735, TNA.

⁶⁴ Washington to Foreign Office, 15 Apr. 1942, FO371/32417/W5680, TNA.

⁶⁵ Ashton to Fraser, 28 Apr. 1942, FO371/32417/W5680, TNA.

⁶⁶ Washington to Foreign Office, 13 Apr. 1942, FO371/32417/W5680, TNA.

American customers for goods that were governed by the White Paper restrictions. On the one hand, when the US was able to supply the goods, the Foreign Office was loath to direct these enquires to Washington, for fear that such action would be interpreted by the South Americans “as a gratuitous abandonment by us of our interest in the Latin American market”. On the other hand, when Britain was able to supply the goods more promptly, it was desirable that the South American customers should approach the authorities in Washington.⁶⁷

The Foreign Office therefore suggested to the Board of Trade that requests from South American customers should be referred to Washington only when Britain was able to supply the goods required.⁶⁸ But the Board of Trade pointed out to the Foreign Office that should British representatives follow such a course of action it would soon become clear both to the South Americans and US officials that Britain was “endeavouring to adopt a non too subtle circumvention of our obligations under the White Paper”.⁶⁹ The Foreign Office conceded this point and the policy finally settled upon was to direct all enquiries from South American customers to OLLA in the hope of waivers being granted where Britain could supply the goods more promptly.⁷⁰ A similar pattern of British suspicions and limited cooperation emerged with regard to blacklisting policy in Latin America.

The Uses and Abuses of Economic Warfare

When US blacklisting policy has been discussed in the existing literature the focus has usually been on the tensions between the US and the Latin American states caused by the policy.⁷¹ But US application of the blacklist in Latin America also resulted in rivalry with Britain. Originally, British officials welcomed the announcement of the US proclaimed list in July 1941 as a contribution to their own existing efforts to eradicate Nazi interests in South America. However, once the US entered the war and began executing its blacklisting policy with much greater vigour, this appreciation was soon tempered by fears that the US would use blacklisting to try to advance its

⁶⁷ Ashton to Fraser, 28 Apr. 1942, FO371/32417/W5680, TNA.

⁶⁸ Ashton to Campbell, 12 May, 1942, FO371/32417/W7050, TNA.

⁶⁹ Campbell to Ashton, 23 May, 1942, Ashton to Campbell, 30 May, 1942, FO371/32417/W7050, TNA.

⁷⁰ Foreign Office to Latin American missions, 30 June 1942, FO371/32417/W7050, TNA.

⁷¹ Friedman, “There Goes the Neighborhood”, pp.569-597; Friedman, *Nazis and Good Neighbors*, pp.74-101. For an exception to this, see Wood, *The Dismantling of the Good Neighbor Policy*, pp.15-17.

own commercial interests for the longer-term. This fear hinged on the suspicion that the US would seek to replace ousted Nazi concerns in South America with US interests, and thereby gain a predominant position in the region.

In a telegram to MEW in February 1942 Halifax expressed these suspicions bluntly:

Americans make no secret of the fact that their objective is not merely to thwart the enemy's war activities in Latin America, but to stamp out his influence for good. His firms are to be put right out of business and there can be no doubt that the dream is that they should be entirely supplanted by Americans.⁷²

Private US interests, or representatives of companies serving the government for the wartime era, were centrally involved with the prosecution of blacklisting in South America.⁷³ It is not surprising that these figures did indeed harbour hopes that blacklisting would benefit US commerce in the post-war era. Pan-American Airways for one, which was centrally involved in US efforts to eradicate Italian airlines from South America, openly sought a monopoly of the aviation industry in the region for the post-war era.⁷⁴ Similarly, representatives of International Telephone & Telegraph (ITT) who worked on blacklisting matters in Latin America during World War II sought to advance the corporation's standing in the region by replacing Nazi concerns.⁷⁵

Many US officials shared these ambitions. As early as 1940 the Chief of the Chemicals Division of the Bureau of Foreign and Domestic Commerce informed members of the American Pharmaceutical Manufacturers Association that "it is logical to assume that much of the medicinal and pharmaceutical business that Latin American countries have been giving to [the belligerent countries] will be, for some

⁷² Washington to MEW, 15 Feb. 1942, FO371/30500/A1516, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, pp.15-16.

⁷³ Rosanna Ledbetter, "ITT: A Multinational Corporation in Latin America during World War II", *Historian*, vol.47, no.4 (1985), p.534; Graham D. Taylor, "The Axis Replacement Program: Economic Warfare and the Chemicals Industry in Latin America, 1942-44", *Diplomatic History*, vol.8, no.2 (1984), p.146.

⁷⁴ Entry for 20 Nov. 1939, Berle Diaries, RSC; Berle and Jacobs eds, *Navigating the Rapids*, p.336; William A. M. Burden, *The Struggle for Airways in Latin America* (New York: Council on Foreign Relations, 1943), pp.63-79; Frank D. McCann, Jr., "Aviation Diplomacy: The United States and Brazil, 1939-1941", *Inter-American Economic Affairs*, vol.21, no.4 (1968), pp.35-50.

⁷⁵ Ledbetter, "ITT", pp.530-531, 534. For a similar scenario with regard to the chemicals industry, see Taylor, "The Axis Replacement Program", pp.145-164; Memo by Tucker for Crowley, 15 Oct. 1942, "Brazil" Folder, Box 930, National Defense Committee, Records of the United States Senate, RG46, NARA, Washington DC.

time to come, diverted to the United States”.⁷⁶ Similarly, Braden predicted more generally that the blacklisting of Nazi firms “will benefit American commerce after the war”.⁷⁷ British suspicions regarding US ambitions in its blacklisting policy, then, were clearly not without foundation.

Acting on these suspicions, the British government sought to ensure that it was not sidelined by the US in the application of the blacklists in the region. The British feared that if they allowed the US sole jurisdiction in blacklisting matters they would lose valuable commercial connections in the region, with a corresponding gain for US commercial penetration. Halifax explained this reasoning when he warned that the British would “lose ground in South America if in each important centre we do not play our full part in listing work, thus maintaining our contact with and influence over [the] local business world”. In practical terms, Halifax counselled that the “effective association of our missions with Americans seems essential if we are to safeguard our interest”.⁷⁸

Halifax’s advice was followed and during the early months of 1942 British officials attempted to collaborate with their US counterparts in the prosecution of economic warfare, both in Washington and throughout Latin America. The first step toward this goal was achieved in January when British officials reached agreement with the State Department to ensure British participation on the proclaimed list committee in Washington that directed blacklisting policy in the Western Hemisphere.⁷⁹ The State Department sought to ensure the effective collaboration of Anglo-American blacklisting policy in Latin America by reminding its missions throughout the region that the effective coordination of the blacklists in Washington could only be possible if augmented by similar cooperation with British representatives on the ground in Latin America.⁸⁰ The following month MEW agreed to mirror the instructions given to US representatives in the region by the State

⁷⁶ C. C. Concanon, “The Trade Outlook for Medicinals and Pharmaceuticals”, 1 Jan. 1940, *Export Trade and Shipper*, p.8.

⁷⁷ Quoted in Friedman, “There Goes the Neighborhood”, p.580. See also Friedman, *Nazis and Good Neighbors*, p.189.

⁷⁸ Washington to MEW, 14 Feb. 1942, FO371/30500/A1516, TNA.

⁷⁹ State Department to London, 20 Jan. 1942, *FRUS*, 1942, vol.5, pp.283-284. A reciprocal arrangement was made whereby US officials were represented in London on the committee directing blacklisting policy in the Eastern Hemisphere.

⁸⁰ State Department to representatives in American Republics, 28 Jan. 1942, *FRUS*, 1942, vol.5, pp.285-286.

Department when instructing Britain's representatives in the application of the blacklist in Latin America.⁸¹

However, while this successful cooperation did take place, British efforts to collaborate with the US in blacklisting matters again exposed the limitations of US cooperation in the region. This limitation stemmed from a desire within the US to maintain independence from Britain when it came to blacklisting in Latin America. Joseph C. Rovensky was an international banker and an important shareholder in Bolivian mining companies who served in CIAA during the war.⁸² He expressed this unilateralist tendency within the Roosevelt administration, stating in January 1942 that it was inevitable that US blacklisting policy in the region would continue to operate independently of Britain. US interests in Latin America were so complex "and so preponderant", believed Rovensky, "that we are practically obliged to take our own point of view on" these issues.⁸³ The contradiction between this attitude and attempts at cooperation in the coordination of blacklisting with Britain eventually came to a head in Brazil.

A Breakdown in Cooperation in Brazil

Application of the blacklists had been a particular grievance of the Brazilian government for some time.⁸⁴ Along with many other Latin Americans, the Brazilians viewed the lists as an unjustified infringement upon their sovereignty and as potentially damaging to the national economy.⁸⁵ Following Brazil's severance of relations with the Axis powers in January 1942 it increasingly demanded more authority over blacklisting policy within its own borders and attempted to wrest control of the process from the proclaimed list committee in Washington.⁸⁶ On the whole, British and US officials were in agreement that the Brazilians were not up to the task of administering the blacklists, lacking the objectivity to apply them effectively.⁸⁷ However, unlike the British, the US was highly dependent by this time

⁸¹ Memo from British embassy, 26 Feb. 1942, Memos Relating to General Latin American Affairs, OARA, Box 6, RG59, NARA.

⁸² Gardner, *Economic Aspects of New Deal Diplomacy*, p.200.

⁸³ Rovensky to McQueen, 5 Jan. 1942, Box 107, OIAA, RG229, NARA.

⁸⁴ "Accomplishments of the Proclaimed List Section" by Caffery, undated, Folder 5, Box 77, Welles Papers, FDRL; Friedman, "There Goes the Neighborhood", pp.588-589.

⁸⁵ *Ibid.*, pp.582-583, 584-585.

⁸⁶ Welles to Duggan, 19 Mar. 1942, Folder 3, Box 169, Welles Papers, FDRL; Rio to MEW, 2 Feb. 1942, FO371/30516/A5768, TNA.

⁸⁷ Rio to MEW, 13 Feb. 1942, Rio to MEW, 19 Mar. 1942, FO371/30516/A5768, TNA.

on Brazilian cooperation in supplying vital resources and facilitating US bases on its soil.⁸⁸ These imperatives made the Roosevelt administration more likely to grant Brazil concessions on blacklisting policy.⁸⁹

By April 1942 such concerns compelled the US embassy in Rio to inform the Brazilian government that consultations would take place in order to remove Brazilian interests from the blacklist. Crucially, insofar as Anglo-American relations were concerned, negotiations toward this end would take place in Rio and be conducted on a bilateral basis between the US embassy and the Brazilian government.⁹⁰

Such a prospect immediately caused alarm in London. MEW alerted the British embassy in Washington that if consultations concerning the blacklist between the US and the Brazilians in Rio were allowed to supplant the established committee in Washington this would effectively eliminate British participation from the process. Moreover, MEW believed that any agreement reached with the Brazilians along the lines suggested would act as a precedent for blacklisting policy throughout Latin America in the years to come. If Britain were to remain active in the blacklisting process – and thereby sustain its best chance of maintaining its interests in South America – it was of paramount importance for British officials to approach the State Department and ensure that the negotiations proposed by the US embassy in Rio were quashed.⁹¹

However, when Acheson met with British officials at the end of May he informed them, “with considerable embarrassment”, that the “machinery for United States-Brazilian condominium on Black List matters was now developed”. Acheson justified this bilateral arrangement by claiming that the US need for strategic and economic cooperation from Brazil was so great that concessions to the Brazilian government on the blacklist were inevitable. While British officials were sympathetic to this argument, Noel Hall, representative of MEW at the British embassy in Washington, pointed to the embarrassment that the unilateral US action would cause

⁸⁸ Taylor, “Hemispheric Defense in World War II”, p.338.

⁸⁹ Rio to MEW, 24 Mar. 1942, FO371/30516/A5768, TNA; State Department to Rio, 30 Mar. 1942, *FRUS*, 1942, vol.5, pp. 759-765; Rio to State Department, 1 Apr. 1942, *FRUS*, 1942, vol.5, p.765; “Proposed Position on Proclaimed List for Other American Republics” memo, 5 Jan. 1942, Folder 71, Box 9, CIAA, DC Files, RG4, Nelson A. Rockefeller Papers, Rockefeller Family Archives [RFA], The Rockefeller Archive Center, Sleepy Hollow, New York [hereafter RAC].

⁹⁰ Rio to MEW, 10 Apr. 1942, FO371/30516/A5768, TNA; Rio to State Department, 17 Apr. 1942, *FRUS*, 1942, vol.5, pp.765-6; “Accomplishments of the Proclaimed List Section” by Caffery, undated, Folder 5, Box 77, Welles Papers, FDRL. Wood, *The Dismantling of the Good Neighbor Policy*, p.15.

⁹¹ MEW to Washington (copied to Rio) 17 Apr. 1942, FO371/30516/A5768, TNA.

British representatives in Rio and stressed the need for “Anglo-American unity on all matters connected with the conduct of the war”. Acheson assured Hall that authority for blacklisting in Latin America would remain with the proclaimed list committee in Washington, thereby retaining British participation in the process.⁹²

Reflections on the Brazilian Imbrolio

British officials in Washington welcomed this assurance from Acheson. But the events concerning blacklisting in Brazil left lasting impressions of a disconcerting nature, both in South America and London. In the midst of the crisis in Brazil Charles sent a telegraph to MEW that was copied to all other British missions in Latin America. In his message the British ambassador described what he saw as the driving force behind US attempts to exclude Britain from the blacklisting procedures in that country. US actions were motivated, stated Charles, “by the determination to remove British influence and enterprise from Brazil”.⁹³ In this sense, British officials viewed the sidelining of Britain from blacklisting affairs in Brazil as a symptom of a broader drive to exclude British interests from that country. One important question for officials in London was to what extent this drive was mirrored throughout South America.

In general it was felt that the attempt to use blacklisting as a cover to exclude British interests was strongest in Brazil, which the US seemed to regard as their own “special preserve”.⁹⁴ It was certainly true that US officials during World War II viewed Brazil, in particular, as their own domain. The US had long had closer ties with Brazil than with the rest of the South American countries. In part this was due to the cultural affinity between the two countries – both being non-Spanish speaking.⁹⁵ It was also a product of the complementary nature of the two countries’ economies. While US trade with South America was largely insignificant for much of the nineteenth century, it did establish strong trade links with Brazil toward the turn of the century.⁹⁶

⁹² Washington to MEW, 23 May 1942, FO371/30516/A5768, TNA.

⁹³ Rio to MEW (copied to all Latin American missions), 23 Apr. 1942, FO371/30516/A4605, TNA.

⁹⁴ Ibid., Gallop minute, 11 June 1942, FO371/30516/A4605, TNA; “Memorandum Respecting the Anglo-United States-Brazilian Triangle” by Gallop, 13 July 1942, FO371/30369/A6565, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16.

⁹⁵ Duggan, *The Americas*, p.54.

⁹⁶ Rippy, *South America and Hemisphere Defense*, p.47; Hyam, *Britain’s Imperial Century*, p.60. Between 1870 and 1885 South American markets constituted an average of just 3 percent of total US exports and 12 percent of its imports. See Rippy, *South America and Hemisphere Defense*,

Moreover, a general desire in the US to encourage the industrialisation of Latin America during the war – and thereby create a new market for US exports and capital – was focused most prominently on Brazil.⁹⁷ In October 1940 Eugene P. Thomas, President of the National Association of Manufacturers, urged that “Brazil’s vast area and natural resources should be a new frontier for United States enterprise”.⁹⁸ In 1942 this ambition was given expression in a high profile US technical mission to Brazil led by Morris L. Cooke to explore the potential for the country’s development.⁹⁹

The notion that the Roosevelt administration thought of Brazil as their own exclusive territory was reinforced within the Foreign Office by various off-hand comments by US officials regarding that country. In January 1942 Pierson reportedly told an official in the British embassy in Rio that the US would happily leave the commercial field to the British in Argentina, but were determined that the British should leave them Brazil in return. Similarly, Welles once compared the US position in Brazil with that of Britain’s in Egypt.¹⁰⁰

But while Brazil may have been a special case, fears that blacklisting was similarly being used to exclude British interests throughout the region were expressed. In Uruguay the British ambassador reported nascent “signs of a desire on the part of

pp.47-48. See also Joseph Smith, *Illusions of Conflict: Anglo-American Diplomacy Toward Latin America, 1865-1896* (Pittsburgh: University of Pittsburgh Press, 1979), pp.118-119; Frank D. McCann, Jr., *The Brazilian-American Alliance, 1937-1945* (Princeton: Princeton University Press, 1974) p.5.

⁹⁷ *Ibid.*, pp.380-399; “Brazil: A 20 Year Boost”, *Business Week*, 18 Nov. 1942, p.18; Gardner, *Economic Aspects of New Deal Diplomacy*, pp.195-198; David Green, “The Cold War Comes to Latin America” in Patterson ed., *Cold War Critics*, pp.153-154; Steward, *Trade and Hemisphere*, p.150. For the more general encouragement of industrialisation in the region, see Noble to Hopkins, 9 Feb. 1940, “Economic Warfare” Folder, Box 310, Hopkins Papers, FDRL; Inman, “Planning Pan-American Trade”, pp.140, 142-143; Charles A. Bliss, “Our Trade to the South”, *Harvard Business Review*, vol.20, no.1 (1941), p.115; Francis O. Wilcox, “The Monroe Doctrine and World War II”, *The American Political Science Review*, vol.36, no.3 (1942), p.437. For a British perspective, see “New Industries in South America”, May 1943, *The British Export Gazette*, pp.20-21.

⁹⁸ Eugene P. Thomas, “The Coming Assault on the Economic Relations of the Americas”, 21 Oct. 1940, *Export Trade and Shipper*, p.4.

⁹⁹ For details of the Cooke mission, see McCann, *The Brazilian-American Alliance*, pp.381-386; Kenneth E. Trombley, *The Life and Times of a Happy Liberal: A Biography of Morris Llewellyn Cooke* (New York: Harper & Bros., 1954), pp.215-219; Gardner, *Economic Aspects of New Deal Diplomacy*, pp.212-213; Humphreys, *Latin America in the Second World War*, pp.70-71.

¹⁰⁰ “Memorandum Respecting the Anglo-United States-Brazilian Triangle” by Gallop, 15 July 1942, FO371/30369/A6565, TNA; Gallop minute, 11 June, 1942, FO371/30516/A4605, TNA; Scott to Drogheda, June 1942, FO371/30369/A5693, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16; Humphreys, *Latin America and the Second World War*, p.77. For a similar comparison between the US position in Latin America and Britain’s influence throughout its informal Empire, see Gideon Seymour et al, “Hemispheric Policy” (Washington DC: The National Policy Committee, 1943), Folder 8, Box 102, Viner Papers, Mudd Library.

the United States to oust British interests and influence” from the country. In Bolivia the ambassador pointed to indications “that the policy of the United States Government is aimed at [the] long-term object of eradicating British interests”. Similarly, in Chile the ambassador judged that US ambitions to exclude Britain from the country, while “by no means so obvious” as in Brazil, were nevertheless “possibly latent”.¹⁰¹

These reports fuelled the belief in London that the flow of events in Brazil was the beginning of a broader movement across South America to exclude British interests. Lord Drogheda of MEW expressed this belief to Under Secretary of State David Scott, noting that the breakdown of Anglo-American cooperation in Brazil was not a matter solely of blacklisting policy, but pertained to commercial relations generally. “The question”, stated Drogheda, “is really one of the protection of British interests and influence in Latin America against American aggression”.¹⁰²

The Foreign Office was of the same mind. Scott agreed with Drogheda that whereas Britain was pursuing the limited goal in the prosecution of economic warfare in Latin America of damaging the Axis war effort, US policy was aimed at the eradication of “all Axis connections and interests, ... with a view to commercial domination *after the war*”. It was clear, Scott went on, that “we have almost as little place in this post-war scheme as the Germans”. In order to try to check US intentions it was therefore deemed necessary to again draw attention in Washington to the US breach of the Anglo-American arrangements for consultation over blacklisting in South America.¹⁰³

Halifax subsequently raised the issue in a meeting with Welles on 9 June. The unilateral decision of the US to negotiate the removal of Brazilian firms from the blacklist outside of the established proclaimed list committee, stated Halifax, “implied a certain lack of co-operation” between the US and Britain in that country. But Welles queried Halifax’s version of events in Brazil, suggesting that the US had been forced to exclude Britain from the blacklisting process in Brazil due to Brazilian resentment

¹⁰¹ Montevideo to MEW (copied to all Latin American missions), 29 Apr. 1942, Lima to MEW (copied to all Latin American missions), 16 May 1942, Santiago to MEW (copied to all Latin American missions), 7 May 1942, FO371/30516/A4605, TNA.

¹⁰² Drogheda to Scott, 8 May 1942, Drogheda to Scott, 4 June 1942, FO371/30516/A4605, TNA. Wood, *The Dismantling of the Good Neighbor Policy*, p.15.

¹⁰³ Gallop minute, 11 June, 1942 FO371/30516/A4605, TNA (emphasis in original).

of Britain. He therefore shrugged off Halifax's protest and British suspicions were left undiminished.¹⁰⁴

The failure of Anglo-American cooperation in Brazil also reaffirmed British perceptions of its friends and enemies concerning its interests in South America. The different version of events concerning blacklisting policy in Brazil adhered to by Welles was, British officials believed, the result of him having been given a false picture of the situation by Jefferson Caffery, the US ambassador in Rio.¹⁰⁵ Caffery, it was believed, was overstating anti-British feeling within the Brazilian government in order to use this as an excuse to exclude Britain from wartime activities in the country.¹⁰⁶ The true source of Anglophobic sentiment, British officials believed, was Caffery himself. Beyond a presumption that Caffery's Irish-Catholic heritage endowed him with an anti-British bias, his attempts to try to sideline Britain from events in Brazil added to the conviction among British officials that he was to be regarded as a danger to British interests in South America.¹⁰⁷ "Twisting the British tail", remarked Scott, was one of Caffery's favourite hobbies.¹⁰⁸

This may not have been viewed with any great concern in London had it not been for Caffery's perceived influence and autonomy in directing US policy in Brazil. A career Foreign Service officer who had first gained experience of Latin America when posted to Caracas in 1911, Caffery went on to gain great experience of the region. During the inter-war years he served as ambassador to El Salvador, Colombia and Cuba, before taking up his post in Brazil in 1937.¹⁰⁹ By 1942 Caffery regarded that country, according to Mather-Jackson, as his own personal "satrapy" where he

¹⁰⁴ Washington to Foreign Office (copied to Rio), 15 June 1942, FO371/30369/A5693, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16.

¹⁰⁵ This belief was confirmed by Acheson's admission earlier in the year that during the negotiations between the US and Brazil in Rio he and his colleagues in the State Department had not been kept informed by Caffery as to what was taking place there. See Washington to MEW, 23 May 1942, FO371/30516/A5768, TNA.

¹⁰⁶ Washington to MEW, 31 May, 1942, FO371/30516/A5768, TNA; Washington to Foreign Office, 15 June 1942, FO371/30369/A5693, TNA; Scott to Drogheda (draft), June 1942, FO371/30369/A5693, TNA; "Memorandum Respecting the Anglo-United States-Brazilian Triangle" by Gallop, 15 July 1942, FO371/30369/A6565, TNA. Caffery did indeed report that the Brazilian government was anti-British. See Rio to State Department, 11 Jan. 1943, 732.41/11, RG59, NARA.

¹⁰⁷ "Memorandum Respecting the Anglo-United States-Brazilian Triangle" by Gallop, 15 July 1942, FO371/30369/A6565, TNA; Report by Lord Davidson, undated [Nov.1942], FO371/30516/A10550, TNA.

¹⁰⁸ Scott to Drogheda (draft), June 1942, FO371/30369/A5693, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16.

¹⁰⁹ Philip F. Dur, *Jefferson Caffery of Louisiana, Ambassador of Revolutions: An Outline of His Career* (Lafayette: University of South-Western Louisiana, 1998).

would “countenance no opinion or influence but his own”.¹¹⁰ This belief left British officials with a sense of hopelessness when complaining to Washington about US policy in the country. As Charles put it, it was hard to influence US policy in Brazil when “we are not dealing with people who put their cards on the table”.¹¹¹ Similarly, having been rebuffed in his complaints to Welles over US policy in Brazil, Halifax concluded that such “frontal” approaches in Washington were likely to prove fruitless so long as Caffery was free to act with such a degree of autonomy in Rio.¹¹²

Codifying British Suspicions

In July the broader suspicions raised by the crisis in Anglo-American relations in Brazil were synthesised in a paper by Gallop that was distributed widely among British government departments. The implications of the breakdown in cooperation between the US and Britain with regard to blacklisting in Brazil, Gallop believed, went much further than economic warfare policy in that country. Rather, the situation in Brazil was an example of a nascent rivalry between US and British interests in South America. As such, the failure of cooperation between the two countries in the application of a wartime measure was caused by ambitions and concerns for the post-war era. These “first light skirmishes”, Gallop believed, were taking place in Brazil because the factors leading to a conflict of interest between the US and Britain were more fully advanced in that country than anywhere else in the region. In this sense, the crisis experienced in Brazil represented not an isolated incident, but rather a pattern that “is likely to repeat itself in other countries”.

Gallop began his paper with the solemn warning to government departments that “relations with the United States constitute the biggest long-term problem facing us in Latin America”. He then went on to describe the separate forces from within the US that were influencing the country’s policy in Latin America and the net effect that these various factions would have on British interests in the region. The principal threat to British interests, Gallop believed, came from “the imperialistic pressures of big business” to remove their British rivals from South America. While it remained

¹¹⁰ Mather-Jackson minute, 21 May 1942, FO371/30516/A4605, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16.

¹¹¹ Rio to MEW (copied to all other Latin American missions), 23 Mar. 1942, FO371/30516/A4605, TNA. See also Mather-Jackson minute, 21 May 1942, FO371/30516/A4605, TNA. For more on Charles’ generally negative view of Caffery, see Humphreys, *Latin America and the Second World War*, p.77.

¹¹² Washington to Foreign Office, 15 June 1942, FO371/30369/A5693, TNA.

improbable that the State Department shared this aim, it would be hard for them to wholly disregard the appeals of the business community. The resulting attitude of the State Department, therefore, was not an active drive to exclude British interests, but equally, neither was it a determined effort to protect British concerns.

Overall, Gallop surmised, the US attitude toward Latin America was based on the loose assumption that the US would occupy a “special position of hegemony” in the region. This presumption, he sought to make clear, was not expressed in official US policy and was rarely stated unambiguously by US officials. Indeed, it could not be, as the US attitude toward Latin America seemed to “conflict with the official United States policy as expressed in the Atlantic [Charter]”. Instead, “the feeling that the United States shall be the preponderant influence in Latin America” found expression in a general disinclination on the part of the State Department and other US agencies to cooperate with Britain in that region. When looking forward to the post-war era, Gallop concluded, the US would regard Latin America as an area in which they must have a special position”. With regards to Britain’s place in South America, on the other hand, the US expected its “political and economic interests to dwindle”.¹¹³

So by the summer of 1942, notwithstanding the limited cooperation achieved with the US regarding blacklisting and the supply of goods to South America, British suspicions of its interests being excluded from the region in the post-war era remained. US officials in the State Department were well aware of this. As Selden Chapin, Assistant Chief of the Division of American Republic Affairs put it, there remained among the British in South America an “underlying feeling of distrust which is ready to break into more active hostility at any time”.¹¹⁴ It was consequently to the task of allaying British fears that internationalists in the State Department put their minds.

Promoting Multilateralism

Internationalists in the State Department viewed the disunity between Britain and the US in South America not only as a distraction from Anglo-American collaboration in the successful prosecution of the war, but also as a potential danger to the multilateral

¹¹³ “Memorandum Respecting the Anglo-United States-Brazilian Triangle” by Gallop, 15 July 1942, FO371/30369/A6565, TNA.

¹¹⁴ Chapin to Duggan, 6 Apr. 1942, 610.4117/31, RG59, NARA.

trade programme that they were so determined to ensure British participation in during the post-war era. They fully understood that Britain's chief fear regarding South America was that the war would be used as an opportunity to eradicate British export markets on a permanent basis. Internationalists like Herbert Feis, Economic Advisor for International Affairs in the State Department, recognised that Britain would need such markets in the post-war years in order to maintain a healthy balance of payments.¹¹⁵ Moreover, internationalists feared that British suspicions of being excluded from South America would dilute their calls for Britain to liberalise its protected markets.

No one was more aware of this dilemma than Acheson. He personified the dual goals of promoting multilateral trade and attaining cooperation with the British, given his professional attachment to the multilateral trade programme and his personal affection for the British.¹¹⁶ He had perceived British suspicions of being excluded from South America as a threat to the US ambition of forcing British acceptance of multilateralism in early negotiations over Article VII of the Lend-Lease agreement – the section aimed at instituting a multilateral trade system in the post-war era. In late 1941 Acheson was presented with a revised draft of Article VII prepared by the British War Cabinet. In this version the US and Britain would work toward the “economic objectives” of the Atlantic Charter only “as part of a general plan”, aimed at the “attainment of a *balanced* international economy”. Acheson immediately understood these opaque references to be an attempt to ensure British access to South America in return for liberalising its protected markets.¹¹⁷

In light of negotiations such as this, internationalists like Acheson saw it as imperative to try to convince Britain that the multilateral trade philosophy – exalted in the Atlantic Charter and being pursued in negotiations concerning Article VII of the Master Lend-Lease Agreement – would apply equally to Latin America as to the rest of the world. As Chapin put it, this would reassure the British that the US did not look

¹¹⁵ Feis, *The Sinews of Peace*, pp.183-187.

¹¹⁶ For Acheson's involvement with the institution of a multilateral trade programme, see Dean G. Acheson, *Present at the Creation: My Years in the State Department* (New York: WW Norton & Co., 1969), pp.27-34; Woods, *A Changing of the Guard*, p.29. For his personal attachment to the British, see John T. McNay, *Acheson and Empire: The British Accent in American Foreign Policy* (Columbia: University of Missouri Press, 2001); Harper, *American Visions of Europe*, pp.235-331.

¹¹⁷ Acheson, *Present at the Creation*, p.31 (emphasis in original).

upon Latin America “as a closed market for American goods” and would not try to exclude British traders from the region in the post-war years.¹¹⁸

Hawkins, also, had long been an advocate of multilateralism.¹¹⁹ In order to placate British fears of being excluded from South America he believed that the US should re-negotiate the existing Lend-Lease agreements with the South American countries to incorporate a pledge instituting a multilateral trade system in Latin America, similar to the one being negotiated with Britain.¹²⁰ Without this, he warned his colleagues, suspicions could be raised that the US planned “a different kind of regime for this hemisphere than that which we want for the rest of the world”.¹²¹ This was a step too far for others in the State Department who lacked the same zeal for multilateralism as Hawkins, but nevertheless a circular sent to Latin American missions on 10 July 1942 concerning commercial relations with Britain was unequivocal in its conveyance of US trade principles.

With Acheson as the author, this circular noted with concern the “mutual suspicion and bitter rivalry” that continued to characterise Anglo-American commercial relations in the region. Such acrimony, Acheson explained, while being “unfortunate at any time”, was “particularly harmful under present wartime conditions”. The remedy suggested was for US officials to emphasise the multilateral trade programme, currently being negotiated between the US and Britain, in all discussions with their British counterparts in the region, as well as with US businessmen. Acheson paid particular attention to Article VII of the Master Lend-Lease Agreement that he had taken the lead in negotiating with Britain. As he explained:

This Article is being recognized increasingly as a milestone in the development of international economic relations, providing as it does a framework for promoting mutually beneficial economic relations between the United Kingdom and the United States and ‘other nations of like mind’ based upon the principle of nondiscrimination [sic] and equality of treatment among nations.

In this sense Acheson sought to reaffirm the universal applicability of the multilateral trade policy being pursued by internationalists in the State Department in their negotiations with Britain. Within this general policy the US had no grounds, and

¹¹⁸ Chapin to Duggan, 6 Apr. 1942, 610.4117/31, RG59, NARA.

¹¹⁹ Woods, *A Changing of the Guard*, p.13.

¹²⁰ For US Lend-Lease to Latin America, see Connell-Smith, *The Inter-American System*, p.123.

¹²¹ Hawkins to Duggan, 13 Apr. 1942, 610.4117/32, RG59, NARA.

indeed, no reason, to try to exclude British interests from South America. Put more simply, he advocated “a live-and-let-live policy” that “will best serve the interests of both countries”.¹²²

Having been informed of the substance of the State Department circular, the Foreign Office took heart from the reassurance. Sir Ronald Campbell, the principal political advisor to Halifax in Washington, believed the instructions given by the State Department represented “a great advance in Anglo-American relations in Latin America”.¹²³ With US prompting the Foreign Office sent a parallel telegram to its missions in the region.¹²⁴ This repeated the substance of the State Department circular and reminded British officials that the British government “attach the utmost importance to ... fostering ... the closest possible relations between British and United States representatives, official and non-official, in all parts of the world”.¹²⁵

The Fruits of Cooperation

Both the US and British circulars to Latin America requested that their representatives report back on the status of Anglo-American commercial relations in their host country. The replies that the State Department received throughout the summer of 1942 included much to encourage those who hoped to foster a spirit of collaboration between the wartime allies in South America. A picture of mutual cooperation between US and British officials and businessmen throughout the region was conveyed, as one-time bitter rivals put their differences aside for the sake of unity in the war effort. As William Dawson, US ambassador to Uruguay put it, harmonious relations between the US and British communities had been “accentuated in the course of the present world conflict”. Indeed, Dawson went so far as to describe the collaboration in Uruguay as having reached an extent whereby “one can properly speak – as is often done – of a single Anglo-American community rather than two

¹²² Acheson to American Diplomatic and Consular Offices in the other American Republics, 10 July 1942, 610.4117/30A, RG59, NARA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16. This telegram subsequently served as the basis for instructions sent to US and British missions throughout the world to promote cooperation between the two countries. See Halifax to Welles, 23 Mar. 1943, Welles to Certain American Diplomatic and Consular Officers, 18 June 1943, 600.4117/247, RG59, NARA.

¹²³ Campbell to Scott, 31 July 1942, FO371/30516/A7299, TNA.

¹²⁴ Phelps to Hawkins, 16 May 1942, 610.4117/30A, RG59, NARA.

¹²⁵ Foreign Office to Rio, Buenos Aires, Santiago, Guatemala, Panama, Mexico City, Ciudad Trujillo, 25 Aug. 1942, FO371/30516/A7299, TNA. The text of the British circular was also handed to Welles on 31 August. See memorandum of conversation, 31 Aug. 1942, Memorandums of Conversations of Under Secretary of State Sumner Welles, Box 3, OARA, RG59, NARA.

separate colonies”.¹²⁶ The picture painted by US officials across the region may not quite have mirrored this level of fraternity, but nonetheless the general impression conveyed throughout South America was a sense of unity brought about by the co-belligerent status of the two countries.¹²⁷

The response from British representatives to the Foreign Office, while not as positive as on the US side, did portray a similar picture of improved cooperation in South America.¹²⁸ By July this amity in relations existed even to some degree in Brazil – the previous locus of Anglo-American rivalry in South America. Simmons described a “remarkable improvement” in relations between US and British commercial interests in Brazil, with even some “dyed-in-the-wool Anglophobes” among the US community showing a willingness “to bury the hatchet and exert themselves to a better Anglo-American understanding”.¹²⁹ Some of this improvement was due to the arrival in July of a new Commercial Counselor in the British embassy in Rio, Lyale Nosworthy. Upon arriving in Brazil, Nosworthy successfully established greater contact between the British and US missions in Rio.¹³⁰ Indeed, by November 1942 he was able to claim that far from the lack of cooperation that had previously characterised Anglo-American relations in Brazil, the two countries were now working together more closely than ever. Moreover, this collaboration was taking place, Nosworthy claimed, “on a footing of equality”.¹³¹

The one recurring issue that US officials reported as continuing to cause tensions between the British and Americans in South America was the continued use by British exporters of the “Britain Delivers the Goods” slogan placed on its exports to the region.¹³² In response to this British propaganda, US businessmen requested that a similar sticker be placed on US exports to the region, emphasising their own

¹²⁶ Dawson to State Department, 5 Aug. 1942, 610.4117/42, RG59, NARA.

¹²⁷ Norweb to State Department, 20 July 1942, 610.4117/39, RG59, NARA; Dawson to State Department, 24 July 1942, 610.4117/37, RG59, NARA; Corrigan to State Department, 25 July 1942, 610.4117/38, RG59, NARA; Bowers to State Department, 31 July, 1942, 610.4117/40, RG59, NARA; Bliss Lane to State Department, 21 Aug. 1942, 610.4117/44, RG59, NARA; Cross to State Department, 1 Sept. 1942, 610.4117/48, RG59, NARA; Frost to State Department, 22 Sept. 1942, 610.4117/51, RG59, NARA; Wood, *The Dismantling of the Good Neighbor Policy*, p.16.

¹²⁸ See Gallop minute, 17 Nov. 1942, FO371/30516/A10550, TNA; Brickell to Foreign Office, 21 Oct. 1942, Sands untitled report, 9 Dec. 1942, FO371/30516/A10693, TNA.

¹²⁹ Simmons to State Department, 23 July 1942, 610.4117/36, RG59, NARA.

¹³⁰ Nosworthy to Fraser, 12 Sept. 1942, FO371/30369/A9580, TNA.

¹³¹ Nosworthy to Scott, 15 Nov. 1942, FO371/30369/A11219, TNA. See also, Nosworthy to Perowne, 26 Dec. 1942, FO371/33666/A518, TNA.

¹³² Corrigan to State Department, 25 July 1942, 610.4117/38, RG59, NARA; Boal to State Department, 11 Sept. 1942, 610.4117/50, RG59, NARA.

source of origin. This would ensure US exporters gained the credit for continuing to supply South American needs despite the hardships brought about by the war. CIAA was keen on this idea, suggesting that a sticker placed on US goods would “compete favourably with the one used by the British”.¹³³ However, when this idea was put to the State Department it was vetoed for its potential to further increase tensions between the US and British communities in South America. Such a sticker would only act as “a further irritant” in so far as it would be “interpreted by the British as an attempt on our part to exclude them from trade in the Western Hemisphere”.¹³⁴ With this reasoning the proposed sticker to counter British propaganda and aid US exporters in South America was abandoned in the name of promoting multilateralism in the region and thereby ensuring cooperation with the British. In this sense the decision was representative of the broader attempt by internationalists in the State Department to allay British fears of being excluded from South America in the post-war era.

Guarded Optimism

For some British officials, US attempts to promote cooperation in South America amounted to little more than empty rhetoric. “Behind all the good cooperation which undoubtedly exists”, stated the ambassador in Caracas, there remained “a feeling on the American side that European countries are really intruders both politically, territorially, commercially and strategically in this hemisphere”.¹³⁵ Such a view was supported by British officials throughout the region. In Chile the British ambassador pointed to the “instinctive feeling” among US officials in the country that “the United States have a special position in South America and that there is by no means the same necessity for British representation”.¹³⁶ The British ambassador in Argentina, Sir David Kelly, was a prominent Foreign Service officer with substantial knowledge of South America.¹³⁷ Writing to the Foreign Office in October 1942, he stated his belief that for many Americans in Argentina ‘cooperation’ did not mean working

¹³³ Blumenthal to Drier, 7 Oct. 1942, 610.4117/10-742, RG59, NARA.

¹³⁴ Unknown to Drier, 26 Oct. 1942, Drier to Blumenthal, 30 Nov. 1942, 610.4117/10-2642, RG59, NARA.

¹³⁵ Quoted in Dobree to Foreign Office, 24 Dec. 1942, FO371/30516/A11902, TNA; Wood, *The Dismantling of the Good Neighbor Policy*, pp.16-17.

¹³⁶ Quoted in Dobree to Foreign Office, 24 Dec. 1942, FO371/30516/A11902, TNA.

¹³⁷ Sir David Kelly, *The Ruling Few: Or, The Human Background to Diplomacy* (London: Hollis & Carter, 1952); MacDonald, “The Politics of Intervention”, p.396.

together in order to achieve shared goals, but rather that Britain should stand aside and allow the US to direct events in the country, while neglecting to attend to British interests.¹³⁸ “Some Americans”, Kelly contested, “quite honestly use the word ‘co-operation’ in a different sense to ours”.¹³⁹

Lord Davidson, who also had extensive knowledge of South America, painted a similarly bleak picture.¹⁴⁰ During a tour of the region in November 1942, as part of his role as an informal advisor on British commercial policy in South America, Davidson described a situation that was generally unsatisfactory due to the feeling on the US side that Britain “had no future in South America and had better get out”.¹⁴¹ British businessmen based in the region voiced similar opinions. In Brazil Soar complained that the US was “not playing the game with the old country” when it came to cooperating in South America. On the contrary, Soar was convinced that “the Yanks [would] take every advantage to put on the screw and keep Britain out of all the markets they possibly can”.¹⁴² Such dissatisfaction regarding relations with the US remained widespread among British businessmen across the region.¹⁴³

But while this was the case both among private and official British circles in South America, there was a more optimistic response to US attempts to enforce cooperation in the region among British officials both in Washington and London. Alongside the joint circulars sent to Latin American missions in the summer of 1942, British officials were reassured that the US did not intend to exclude British interests from South America by a series of meetings with senior US officials in Washington. In July the British embassy in Washington reported that following several meetings with State Department officials they had gained the impression that the Roosevelt administration was beginning to believe that Anglo-American unity would serve both countries’ interests in South America.¹⁴⁴

These signs of encouragement were bolstered by a series of meetings between Adolf Berle and a variety of visiting British officials throughout the summer and

¹³⁸ Buenos Aires to Foreign Office, 29 Oct. 1942, FO371/30516/A9999, TNA.

¹³⁹ Ibid.

¹⁴⁰ For more on Davidson, see Sir Kenneth G. Grubb, *Crypts of Power: An Autobiography* (London: Hodder & Stoughton, 1971), pp.111, 134.

¹⁴¹ Report by Lord Davidson, undated [Nov.1942], FO371/30516/A10550, TNA; Grubb, *Crypts of Power*, pp.133-134.

¹⁴² Soar to Denby, 2 Sept. 1942, FO371/30369/A9580, TNA.

¹⁴³ Fraser to Nosworthy, 16 Oct. 1942, FO371/30369/A9580, TNA; Bonnin to Sands, 27 Nov. 1942, FO371/30369/A11121, TNA.

¹⁴⁴ Washington Chancery to South American Department, 9 July 1942, Butler minute, 15 July 1942, FO371/30516/A6602, TNA.

autumn. Although perceived to be generally Anglophobic, Berle surprised those whom he met both with his congenial manner and his declaration that there was no intention on the part of the US to exclude British interests from South America. To the contrary, Berle claimed, he was entirely in agreement with the commitment to multilateralism, which would bar any such exclusive policy.¹⁴⁵

In making his case to British officials, Berle articulated the belief that the post-war era would see the widespread industrialisation of Latin America, which, in turn, would expand the commercial opportunities in the region for both Britain and the US. In this vision of the post-war era, then, trade would cease to be a zero-sum game, and Anglo-American competition for scarce markets would become a thing of the past.¹⁴⁶ This argument struck a particular chord with Butler. He was convinced by the end of 1942 that previous British fears of being excluded from South America were based on a backward-looking conception of the region, which failed to account for the increased opportunities for trade that would materialise in the post-war years.¹⁴⁷ More generally, Butler counselled his colleagues in the Foreign Office that the denials of the Roosevelt administration of any desire to exclude British interests from South America should be taken at their word.¹⁴⁸

Others were not willing to go as far as Butler, but nevertheless, the general attitude in the Foreign Office by the end of 1942 was to cautiously welcome the stance of the State Department with regard to Anglo-American relations in South America. While noting that there was still “much leeway to make up”, Perowne pointed hopefully in October to the recent indications of a more cooperative attitude on the part of the Roosevelt administration.¹⁴⁹ In a similar vein, the Washington embassy believed that while there was no “guarantee that the present general attitude of the State Department will not change again under altered circumstances”, for the

¹⁴⁵ Millington-Drake to Sargent, 7 May, 1942, FO371/30516/A4964, TNA; Campbell to Perowne, 4 Sept. 1942, FO371/30516/A8580, TNA; Washington Chancery to Foreign Office, 8 Sept. 1942, FO371/30516/A8581, TNA. Statements such as these on Berle’s behalf caused Woods to define Berle as occupying both the internationalist and Latin Americanist camp in the State Department. See Woods, *The Roosevelt Foreign Policy Establishment and the ‘Good Neighbor’*, pp.25-26.

¹⁴⁶ Millington-Drake to Sargent, 7 May, 1942, FO371/30516/A4964, TNA.

¹⁴⁷ Butler minute, 16 Jan. 1943, FO371/30516/A12124, TNA. For a similar line of argument, see “British and United States Propaganda and Policy in Latin America”, by Humphreys, undated [Feb.1942], FO371/30500/A1516, TNA.

¹⁴⁸ Butler minute, 5 Sept. 1942, FO371/30516/A8229, TNA.

¹⁴⁹ Perowne to Campbell, 31 Oct. 1942, FO371/30516/A8581, TNA. See also Perowne minute, 15 Sept. 1942, FO371/30516/A8163, TNA.

time being, the impulse to exclude British interests from South America was not perceived to be a strong one.¹⁵⁰

Conclusion

It is important not to overstate the improvement in Anglo-American relations in South America which existed by the autumn of 1942. British scepticism in the region certainly remained strong. There may also have been a tendency for US officials stationed in the region to tell those hoping to engender cooperation between the wartime allies in South America what they wanted to hear, rather than giving a wholly accurate picture of the situation. But what is more significant for our purposes is the attempt itself by US internationalists to try to engender good relations with the British in South America – and, moreover, the way in which they sought to do this. Internationalists in the State Department took concerted actions to try to allay British fears of being excluded from South America by demonstrating that the multilateral trade system that they were promoting for the rest of the world would apply to Latin America also. In taking such action they demonstrated a real commitment to implementing a global multilateral system for the post-war world.

They did also manage to create a sense in Whitehall that British interests in South America may not have been in such danger as had previously been feared. In this sense the situation in South America by the end of 1942 tends to confirm the traditional characterisation of the year following Pearl Harbor as the high point of Anglo-American cooperation during the Second World War.¹⁵¹ This action on the part of the internationalists in the State Department also had the effect of confirming the impression among British officials that this group in the Roosevelt administration were friendly toward British interests in South America.

However, this knowledge did not necessarily detract from the conclusion drawn by British officials during the first half of 1942 that there were equally those in the Roosevelt administration who were hostile toward British interests in the region. Influential officials on the ground in South America like Caffery in Brazil and Braden in Colombia seemingly had no interest in the internationalists' multilateral project and resented Britain's presence in South America. Similarly, powerful figures in

¹⁵⁰ Washington Chancery to South American department, 9 July 1942, FO371/30516/A6602, TNA.

¹⁵¹ Kimball ed., *Churchill and Roosevelt*, vol.1, p.8; Sainsbury, *Churchill and Roosevelt at War*, p.15; David Dumbleby and David Reynolds, *An Ocean Apart: The Relationship between Britain and America in the Twentieth Century* (London: Hodder & Stoughton, 1998), pp.139-140.

Washington like Pierson at the Export-Import Bank, Taylor in the Commerce Department, and perhaps most importantly, Berle and Welles within the State Department, often appeared hostile toward British interests. What remained unclear by the autumn of 1942 was which of these two factions within the Roosevelt administration would ultimately be the more significant in determining the course of US policy toward British interests in South America.

Chapter 4

Challenges to Multilateralism and the Return of British Suspicions (Autumn 1942 – Spring 1943)

Throughout the autumn of 1942 and into the spring of 1943 it became clear that, notwithstanding the efforts of the internationalists to promote multilateralism in Latin America, there remained powerful forces within the Roosevelt administration and the broader US establishment which posed a direct challenge to this goal. This challenge to multilateralism in Latin America came from a wide variety of sources. Cumulatively, the influence of Latin Americanists within the State Department, temporary government agencies, and US business interests in the region represented a parochial faction within the US, focused on Latin America, and largely impervious to how this region related to broader global issues of post-war planning. While it may not have been their intention, the policies pursued by these groups did in fact threaten to exclude British interests from South America. As such, this chapter seeks to show that the promotion of multilateralism in Latin America that had been attempted by internationalists was continually undermined by the persistence of forces with different imperatives.

The most important of these were the Latin Americanists in the State Department. This group was led by Sumner Welles and also included Laurence Duggan, Assistant Secretary for Political Affairs, and members of the Division of American Republic Affairs. Imbued with an in-depth knowledge of Latin America and a sensitivity to the politics of the region, this group were at the forefront of guiding US Latin American policy during World War II. In claiming this region as their own exclusive policy domain, they tended to formulate policy toward the region without reference to broader geopolitical concerns.

Reflecting this parochial worldview, Latin Americanists were guided throughout World War II by an underlying desire to preserve the political integrity of the inter-American system constructed throughout the preceding decade.¹ In pursuing this goal, British interests in South America and the multilateral project of the internationalists were not of the utmost importance. However, a more general belief

¹ For more on Latin Americanists in the State Department, see Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.23-24; Freidman, *Nazis and Good Neighbors*, pp.78-79.

that European interests represented a potential threat to the unity of the inter-American system did lead Latin Americanists to advocate policies that had the consequence of excluding British interests from the region. This first became clear in the attitude of the Latin Americanists toward hemisphere communications interests and was later given ideological succour by Welles' conception of an economic Monroe Doctrine.

While Latin Americanists may have been the primary group guiding US policy in Latin America, temporary government agencies, set up for specific wartime purposes, increasingly played a more important role in implementing US policy in the region during this period. These agencies often acted autonomously of the State Department and had no interest in the internationalists' policy of winning British support for multilateralism in the post-war era. Moreover, these groups often worked in close alliance with – and were often represented by – US business interests.² This group, while not necessarily hostile to the internationalists' economic plans for the post-war era, had little interest in safeguarding British interests in South America in the service of this scheme. In looking toward post-war commercial opportunities in the region, while British interests were hampered by the war effort, these groups therefore represented a further threat to multilateralism.

As British officials observed these tendencies, any optimism that the efforts of US internationalists would protect British interests and engender cooperation between the two countries in South America soon evaporated. British suspicions of being excluded from the region, which had been partially allayed by internationalists in the State Department, were therefore quickly re-ignited.

Hemisphere Communications Policy

Internationalists within the State Department had taken the lead in promoting multilateralism in Latin America, just as they advocated such an economic system in direct negotiations with Britain concerning the post-war world. This has led many authors to believe that the State Department as a whole was committed to multilateralism in South America.³ But it was not the internationalists in the

² The presence of businessmen in temporary government agencies reflected a more general corporate make-up of the Roosevelt administration as the war progressed. See Gardner, *Economic Aspects of New Deal Diplomacy*, pp.197-198; Williams, *The Tragedy of American Diplomacy*, p.200.

³ For examples of this view, see Gardner, *Sterling-Dollar Diplomacy*, pp.12-13; Kolko, *The Politics of War*, pp. 244-255; Green, *The Containment of Latin America*, pp.177-188; Hathaway, *Ambiguous*

department that had primary responsibility for wartime policy in the region. Rather, this fell to the Latin Americanists. By the end of 1942, as the wartime policies initiated by the Latin Americanists started to come in to full operation, this group were forced to confront the fact that some of these policies posed a threat to the internationalists' efforts at promoting multilateralism. This was highlighted most dramatically by the case of the Brazilian telecommunications consortium, Radiobras, and in particular, the attitude adopted toward British interests in the consortium. In order to fully understand US policy regarding this case it is necessary first to discuss the Roosevelt administration's policy toward hemisphere communications systems more broadly.

The communications systems throughout Latin America were deemed an important factor affecting US national security even before Pearl Harbor, as the US sought to consolidate the defence capabilities of the Western Hemisphere.⁴ This was reflected in Roosevelt's instruction to Nelson A. Rockefeller, head of CIAA, on 24 September 1941 to form and chair an inter-departmental committee to study the state of inter-American communications systems and to suggest ways in which these might be improved.⁵ The committee formed to carry out this task, the Inter-departmental Advisory Committee on Hemispheric Communications (IACHC), painted a picture in its report of 30 January 1942 of a dilapidated network throughout Latin America. It recommended that out of necessity it would fall upon the US, with the aid of Latin American countries, to develop the communication systems of the Western Hemisphere.⁶ Of greater concern in the post-Pearl Harbor era, when the report was published, it also documented the vast interests that the Axis powers, along with other European countries, had in the communications systems of the region. Fearing the strategic benefits that control over telecommunications networks could provide the

Partnership, pp.16-35; Ikenberry, "Rethinking the Origins of American Hegemony", p.383. Kimball makes this point explicitly, stating: "the strong American reaction to British economic competition in Latin America (and elsewhere) was always couched in terms of open access". See Kimball, *The Juggler*, p.197.

⁴ For more on the general US policy of hemisphere defence in this period, see Doenecke, *Storm on the Horizon*, pp.119-138. See also, McCann, "Aviation Diplomacy", pp.35-50.

⁵ Roosevelt to Rockefeller, 24 Sept. 1941, "Inter-American Communications", "Communications" Folder, Box 2, BEW Papers, Butler Library.

⁶ The IACHC was an offshoot of the Federal Communications Commission and had representatives from State, War, Navy, Justice, Commerce, BEW, and CIAA. For more on the formation of the IACHC, see "Inter-American Communications", "Communications" Folder, Box 2, Board of Economic Warfare Papers, Butler Library; Ledbetter, "ITT", p.529.

Axis countries, the committee recommended the immediate elimination of Axis control or influence over these facilities in Latin America.⁷

This policy was in accordance with general measures of economic warfare carried out by the US in Latin America. However, the recommendations of IACHC went a step further and advocated the “acquisition by Hemisphere interests” of all telecommunications systems “now owned, directly or indirectly, by non-Hemisphere interests”.⁸ Although not stated explicitly, this would include British interests. Developed throughout the second half of the nineteenth century and the early part of the twentieth century, Britain retained substantial interests in Latin America’s telecommunications systems by the time of the Second World War.⁹ By expanding its aversion to Axis ownership of telecommunications systems in Latin America to include “non-Hemisphere interests” more broadly, the US committee therefore sought to make inter-American communications systems the exclusive preserve of “Hemisphere interests”.

Exactly how this goal would be achieved was left unclear in IACHC’s recommendations. For Rockefeller it was self-evident that US interests – be they private, governmental, or a combination of both – would play the dominant role in acquiring non-hemisphere communications concerns.¹⁰ However, this notion caused alarm in the State Department – which was also represented in the committee – for fear that it would provoke cries of ‘Yankee imperialism’ from the Latin American governments. These concerns led Welles to inform Rockefeller in April 1942 that the State Department “does not favour a monopolistic control by United States interests of telecommunication facilities in the other American republics”.¹¹ These differences over precisely how hemisphere telecommunications interests would be divested of control by non-hemisphere interests remained when Roosevelt endorsed IACHC’s recommendations and advocated their swift implementation later that month.¹²

⁷ “Inter-American Communications”, “Communications” Folder, Box 2, BEW Papers, Butler Library; “Recommendations of Policy and Program of Action”, 30 Jan. 1942, Folder 31, Box 4, CIAA, DC Files, RG4, Rockefeller Papers, RFA, RAC.

⁸ Ibid.

⁹ Marett, *Latin America*, p.11.

¹⁰ Memo by Braden for Hull, 11 May 1942, 810.15/7, RG59 832.77/1069, NARA; “Inter-American Communications”, “Communications” Folder, Box 2, BEW Papers, Butler Library.

¹¹ Welles to Duggan, 20 Feb. 1942, 810.70/49, RG59, NARA; Welles to Rockefeller, 2 Apr. 1942, Folder 31, Box 4, CIAA, DC Files, RG4, Rockefeller Papers, RFA, RAC.

¹² Roosevelt to Rockefeller, 23 Apr 1942, Roosevelt to Smith, Apr. 1942, Folder 31, Box 4, CIAA, DC Files, RG4, Rockefeller Papers, RFA, RAC.

Welles' objection to Rockefeller's proposal confirms the awareness of Latin American sensitivities commonly ascribed to Latin Americanists within the State Department.¹³ However, when viewed from the perspective of the Roosevelt administration's attitude toward European interests in Latin America, it is the consensus among policy-makers that is most striking. No one involved in policy discussions at this point – including Roosevelt – objected to the notion of eradicating non-hemisphere interests from the telecommunications industry of the Western Hemisphere. While Welles may have objected to excluding Latin American countries from the process, he voiced no such objection to excluding European interests from the region. On the contrary, he made it clear to Rockefeller that he favoured doing everything possible to encourage the Latin American governments to acquire communications concerns from their current European owners.¹⁴

The contradiction between this exclusionary policy and the multilateral trading system being advocated by internationalists in the State Department apparently did not occur to US policy-makers at this stage. It was only when US communications policy in the Western Hemisphere was put in to action, and an attempt to eradicate the interests of a British concern in the region was made plain, that the Latin Americanists were forced to confront this contradiction.

Radiobras

Following Roosevelt's acceptance of the recommendations made by IACHC he asked Vice President Henry A. Wallace, in his role as Chairman of BEW, to take responsibility for the implementation of a programme to achieve the goals set out by the committee.¹⁵ Subsequently, in May 1942, Wallace set up the US Commercial Company (USCC), as an offshoot of the Reconstruction Finance Corporation, to administer this programme.¹⁶ Muddying the waters further, Roosevelt left out any mention of eliminating non-Hemisphere interests from inter-American telecommunications systems in his instructions to Wallace, stating only that the purpose of the programme was to divest "enemy nationals of their present financial control of communication systems" and to improve "such facilities for the use of the

¹³ Friedman, *Nazis and Good Neighbors*, pp.78-79; Duggan, *The Americas*, p.60.

¹⁴ Welles to Duggan, 20 Feb. 1942, 810.70/49, RG59, NARA.

¹⁵ Roosevelt to Wallace, 4 May 1942, Roosevelt to Rockefeller, 4 May 1942, Folder 31, Box 4, CIAA, DC Files, RG4, Rockefeller Papers, RFA, RAC.

¹⁶ Ledbetter, "ITT", p.529.

governments of all the American Republics”.¹⁷ But when this programme was put in to practice by USCC it logically followed the recommendations adopted by IACHC, including the instruction to rid inter-American telecommunications systems of all non-Hemisphere interests.

This ambition was made plain by USCC’s policy toward the principal Brazilian telecommunications consortium, Companhia Radiotelegraphica Brasileira – known by its abbreviated name, Radiobras. Owned principally by a combination of US, British, and German interests, USCC sent a mission to Rio in late 1942 to eliminate Axis interests from Radiobras.¹⁸ At the outset Hugh Knowlton, the Vice President of USCC, made clear to Louis Halle of the State Department’s Office of American Republic Affairs, his reluctance to divest the company of its German concerns for fear that the spoils would have to be shared with British interests. Such action, noted Knowlton, would be contrary to USCC’s programme aimed at “the acquisition of non-hemisphere interests by hemisphere interests”. USCC therefore advocated the nationalisation of the company by the Brazilian government. Halle warned Knowlton of the danger of any actions that would cause distrust between the British and the US, but the mission went ahead as planned.

However, on arriving in Rio, Alexander Royce, the USCC official charged with this mission, informed Knowlton and Halle that Radiobras had in fact already been largely purged of Axis interests and was consequently owned by a combination of US and British concerns. On receiving this news Halle contacted Knowlton to enquire why USCC was still advocating the nationalisation of a company that was solely owned by US and British concerns. In reply Knowlton revealed that his ultimate aim was to get the company into Brazilian public ownership and subsequently get it distributed to US and Brazilian private interests. On completion of such action, Knowlton boasted, “we could congratulate ourselves on having very neatly eliminated *all* non-hemisphere interests from the Company”.¹⁹ The “British would not like it”, conceded Knowlton, but, as he made plain to Halle, such a goal

¹⁷ Roosevelt to Wallace, 4 May 1942, Folder 31, Box 4, CIAA, DC Files, RG4, Rockefeller Papers, RFA, RAC.

¹⁸ “Companhia Radiotelegraphica Brasileira, S. A. (Radiobras)”, 29 Dec. 1942, “Inter-American Communications” Folder, Box 1, E-27, Records of IACHC, Records of the Bureau of War Communications, RG259.

¹⁹ Halle to Daniels, Walmsley, deWolf, Duggan, 23 Oct. 1942, Memorandums Relating to General Latin America Affairs, OARA, Box 6, RG59, NARA (my emphasis).

was wholly consistent with official US policy toward inter-American communications systems.

On learning of USCC's blatant ambition "to oust the British from Radiobras" Halle was concerned over the effect this would have on winning British cooperation with US economic warfare policy in Latin America. He reminded Knowlton that the US was currently seeking British cooperation in implementing its communications policy in Latin America and that it was "therefore important to avoid taking any action which would confirm whatever suspicions the British may have of our motives". Moreover, Halle brought the case to the attention of others in the State Department, and advocated making clear to Knowlton that USCC's programme of "ousting the British from telecommunications" in the Western Hemisphere "is out of line with our foreign policy and therefore cannot be carried out".²⁰

Halle's objections to USCC's efforts to purge British interests from Radiobras centred on the effect such action would have on cooperation with the British government in the attainment of wartime policies in the region. But this case had much broader ramifications as it forced the State Department to recognise the contradictions between US policy toward inter-American communications systems during the war and its attempts to win British support for a multilateral trade programme in the post-war era. Moreover, it challenged the State Department to tackle this contradiction and bring its wartime policy into line with its post-war ambitions.

Wartime Policy and Post-War Ambitions

Bonsal fully understood that the case of Radiobras had raised "a matter of basic post-war policy", with implications "going far beyond the particular case" in question. As such, he believed that the issue raised by this case would be "increasingly raised with reference to other cases, not only in the field of telecommunications, but with regard to all vital public services that ... bear on hemisphere defence". He therefore requested guidance from his superiors in answer to the following question: "Shall it be our policy", asked Bonsal, "to favour the exclusion of non-hemisphere interests, whether United Nations or ex-Axis, from the participation in the vital public services

²⁰ Halle to Daniels, Walmsley, deWolf, Duggan, 23 Oct. 1942, Box 6, Memorandums Relating to General Latin America Affairs, OARA, RG59, NARA.

of the hemisphere?”²¹ Bonsal was well aware of the contradiction between such a policy and the multilateral trade programme being advocated for the post-war era. “To translate the political solidarity of the American republics into a commercial and economic exclusiveness”, as Bonsal put it, “would be wholly inconsistent with the general aims of our foreign policy”. So while excluding non-hemisphere interests from the major public services of the Western Hemisphere would undoubtedly “give the United States a preferred position in an area of immense economic possibilities during the next few generations”, such a policy, argued Bonsal, would ultimately “be contrary to our long-term political interests”.²²

The reply that Bonsal received from Welles was not the unequivocal rebuttal of an exclusionary policy that he had clearly hoped for. While Welles willingly asserted that the US government had “no desire to set up a closed area within the Western Hemisphere”, he subsequently went on to implicitly advocate just such a policy. “I feel very strongly”, stated Welles, “that from the security standpoint, under present unsettled conditions of the world, it is certainly in the interest of all the American Republics that aviation and communications ... be in the hands of interests of the American Republics”.²³ While this policy may have been justified as a response to the contingent threats created by the war, Welles wilfully ignored the obvious links between policy carried out during wartime and the situation that would arise thereafter. Put simply, it was obvious to all concerned that once excluded from Latin America, European interests would find it virtually impossible to regain footholds within that region. Such a statement of policy, then, explicitly denied any intention to exclude European interests from the vital public services of post-war Latin America and then went on to advocate a policy that would, in reality, have just that effect.

Welles’ contradictory views were subsequently echoed in the State Department’s administration of economic warfare in Latin America. A couple of months after the Radiobras debacle, Bonsal wrote a note to those requiring guidance on the implementation of policy regarding communications interests in Latin America. In his instructions Bonsal cloaked the dualism handed down by Welles with evasion. Previously Bonsal had demonstrated a clear understanding of the linkage between the measures of economic warfare and the status of Latin America in the

²¹ Bonsal to Duggan, Berle, Long, Welles, 25 Jan. 1943, 810.50/851/2PS/CH, RG59, NARA.

²² Ibid.; Bonsal to Duggan, Welles, 14 Nov. 1942, 810.50/581/2PS/CH, RG59, NARA.

²³ Welles to Bonsal, 17 Nov. 1942, 810.50/581/2PS/CH, RG59, NARA.

post-war era. In stark contrast he now stated glibly that “our policy of eliminating Axis interests from communications companies in this hemisphere is purely a war-time policy and ... it is unnecessary and perhaps undesirable at this time to take a position” regarding the post-war situation.²⁴ This doublespeak reflected the contradictions that existed in Welles’ own thinking about Latin America and the post-war economic planning.

Sumner Welles and the Inter-American System

Welles advocated a global system of economic multilateralism for the post-war world in a similar vein to all other high-ranking State Department officials. Indeed, Welles had played a significant role in attempting to win British support for a commitment to multilateralism in the Atlantic Charter declaration of 1941. As he recalled in his memoirs, his goal during these negotiations was to ensure that the US and Britain “jointly assume leadership in the post-war world in bringing about the elimination of autarchic trade systems, and in abolishing ... discriminatory commercial arrangements”.²⁵ But Welles’ commitment to economic multilateralism was largely based on the part it would play in securing political stability in the post-war world, rather than as an end in itself.²⁶ Moreover, while Welles was certainly involved in post-war planning with the British during the war, his principal focus was on Latin American policy.

Welles had long been an authority on Latin American affairs. He first gained experience of the region while serving as commercial attaché in Buenos Aires during World War I and later as Chief of the Division of Latin American Affairs in the early 1920s. By the time Roosevelt came to power in 1933 Welles had developed a sophisticated understanding of the politics of the region, as well as fluency in Spanish.²⁷ This expertise in Latin American affairs, alongside his friendship with Roosevelt, made Welles an obvious choice to serve as Assistant Secretary of State for

²⁴ Bonsal to Daniels, Halle, 25 Jan. 1943, 810.50/851/2PS/CH, RG59, NARA. This prioritisation of wartime objectives over post-war ambitions tends to support Kimball’s view that contingent factors often overrode long-term objectives in US economic policy during the war. See Kimball, “US Economic Strategy in World War II”, p.147.

²⁵ Welles, *The Time for Decision*, p.140.

²⁶ Woods, *A Changing of the Guard*, pp.19-20. For more on Welles and post-war planning, see Christopher D. O’Sullivan, *Sumner Welles, Postwar Planning and the Quest for a New World Order, 1937-1943* (New York: Columbia University Press, 2008).

²⁷ Benjamin Welles, *Sumner Welles: FDR’s Global Strategist* (Basingstoke: Macmillan, 1997), pp.52-79; Friedman, *Nazis and Good Neighbors*, pp.78-79; Harper, *American Visions of Europe*, p.56.

Latin American Affairs in the new administration.²⁸ In this role, during his brief interregnum as ambassador to Cuba, and finally as Under Secretary of State, Welles became the dominant figure throughout the 1930s implementing the administration's Good Neighbour policy toward Latin America.²⁹ Throughout this period Welles' overriding aim had been to forge an inter-American system, based on the principle of judicial equality between states.³⁰

As the threat of war in Europe loomed, the primary aim of US policy in Latin America – with Welles as the chief protagonist – was to engender sufficient unity among the American states to ensure the security of the Western Hemisphere.³¹ Substantial progress toward this goal was made at the Buenos Aires conference in 1936 where the principle was established that a threat to any American state was a threat to all.³² Welles was subsequently successful in maintaining a degree of unity among the American states at the Rio conference of 1942 when all agreed to a resolution advocating the breaking of relations with the Axis countries, following the attack on Pearl Harbor.³³ As Welles looked to the post-war era, maintaining the unity forged among the American states throughout the war – and therefore the integrity of the inter-American system – became one of his principal priorities.

In common with most other US officials, Welles believed that the inter-American system developed under the auspices of the Good Neighbour policy should serve as a model for the rest of the world to replicate in the post-war era.³⁴ However, while this was certainly a valid aspiration for Welles, his opinion of Europe made it seem an unlikely outcome. Welles viewed the major European countries of the 1930s

²⁸ Welles, *Sumner Welles*, pp.134-155; Harper, *American Visions of Europe*, p.56.

²⁹ Welles, *Sumner Welles*, pp.156-208; Welles, *The Time for Decision*, pp.145-188; Duggan, *The Americas*, pp.102-103.

³⁰ "Welles to Roosevelt: A Memorandum on Inter-American Relations, 1933", OF470, Official File, Roosevelt Papers, FDRL; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.23; Welles, *The Time for Decision*, p.145, 150, 186.

³¹ *Ibid.*, p.160; Duggan, *The Americas*, pp.70-72; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.24.

³² Welles, *The Time for Decision*, pp.161-163.

³³ *Ibid.*, pp.175-184. See also Francis, "The United States at Rio", pp.77-95; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.27-42.

³⁴ For reference to this widely held belief, see "The Pan American Union in the Post-War World" memo by Halle, 1 Feb. 1943, Box 8, Memorandums Relating to General Latin America Affairs, OARA, RG59, NARA; "From Good Neighbours to Good Partners", *Times*, 5 May 1943, p.5; "Speech of Mr. Henry A. Wallace at a Rally Celebrating 'I am an American Day'", 16 May 1943, FO371/33901/A4771, TNA; Hull, *The Memoirs of Cordell Hull*, vol.1, pp.309, 320-321, 344, 349-350; Kimball, *The Juggler*, pp.107-125; Harper, *American Visions of Europe*, p.56; Furniss, "Wartime Objectives in Latin America", p.374; Gardner, *Economic Aspects of New Deal Diplomacy*, p.58. For a derisive British report to this concept, see Perowne minute, 6 May 1943, FO371/33901/A4271, TNA.

– be they Axis or Allied – as unreformed imperialist powers.³⁵ He therefore held out little hope of them replicating the kind of respect for sovereign equality among states, which he believed to have been established in the Western Hemisphere. Welles subsequently held fast to the belief throughout the war that “the cornerstone of [US] foreign policy” in the post-war era should be continued participation in the inter-American system.³⁶

An ‘Economic Monroe Doctrine’

Welles’ dim view of the European powers, combined with his desire to preserve the integrity of the inter-American system, led to a natural aversion to European influence and interests in Latin America as he looked toward the post-war era. Echoing the Monroe Doctrine, first declared in the nineteenth century, Welles was concerned that European powers would use their influence in a particular Latin American state in order to disrupt the unity of the inter-American system. Welles was well aware that no European power was likely to achieve sufficient overt political control over any Latin American country in the post-war era to threaten the security of the Western Hemisphere. However, based on the precepts guiding US economic warfare policy in Latin America during the war, Welles came to the belief that economic domination of a Latin American country by a single European power necessarily implied a threatening degree of undue political influence, which could, by extension, threaten hemispheric security. He subsequently formulated a post-war aim of eradicating European economic domination of any one Latin American country.³⁷

During the winter of 1942-1943 it became clear to British officials that this ambition on Welles’ part applied equally to Britain as to a resurgent Germany or Italy.³⁸ During an informal conversation between Welles and Kenneth G. Grubb, a prominent official in the Ministry of Information with substantial experience of Latin

³⁵ Harper, *American Visions of Europe*, pp.56-57.

³⁶ Welles, *The Time for Decision*, p.187.

³⁷ Grubb to Perowne, 21 Jan. 1943, FO371/33903/A959, TNA. While Welles was certainly the key figure in advocating this goal, other US officials voiced similar ambitions. For example, in January 1942 Rovensky pointed to the desirability of eliminating “once and for all the still colonial-minded type of European commercial penetration” in Latin America. See memo by Rovensky to McQueen, 5 Jan. 1942, Box 107, OIAA, RG229, NARA. For more on the tendency to expand the Monroe Doctrine to include an aversion to economic penetration, see Haines, “The Roosevelt Administration Interprets the Monroe Doctrine”, pp.339-340.

³⁸ For examples of the more general tendency to conflate Britain and Germany when considering European trade competition in Latin America, see Braden, “Latin America, Nazi Penetration, and the United States”, Study Group Reports, 19 Jan. 1939, Folder 3, Box 132, CFR Papers, Mudd Library; “Fair Deal for American Exporters”, 30 Dec. 1941, *Chicago Tribune*, p.6.

America, the latter pushed Welles for his post-war policy toward Latin America.³⁹ Welles sought to reassure Grubb that “he was wrongly interpreted if it was supposed that he intended to make Latin America what was loosely called “an exclusive economic preserve for North American interests”. Nor was he “disposed to quarrel with the rights of free enterprise in its usual form”. However, he went on to express his fear that “the countries of Europe would after the war tend to build up their commerce in the form of virtually state controlled corporations”. “Such corporations in the field of foreign trade”, Welles continued, “necessarily exercised a penetrative political influence, although they did so under the guise of free competition and economic assistance”.

In order to meet the threat of European powers using a position of commercial dominance to disrupt the political unity of the Western Hemisphere, it was therefore necessary, Welles believed, “for the sake of the peace of America”, for the US “to build up a position both in the political and economic fields which would enable them to occlude any such ... activities”. Put another way, the US needed “to find some form of political attitude towards Latin America which maintained in a modern form the kind of guarantee of American invincibility contained in the Monroe Doctrine but advanced beyond that famous document to more positive conceptions”.⁴⁰

Welles justified extending the provisions of the Monroe Doctrine to include an aversion to significant European economic interests in Latin America on the basis of preserving the political stability of the Western Hemisphere, and by extension the security of the US. This concern was no doubt genuine and was indeed greeted sympathetically by some in the Churchill government.⁴¹ But regardless of the rationalisation offered for an economic Monroe Doctrine, what remained explicit was that such a policy would necessarily require US commercial dominance of the region, to the exclusion of British interests.⁴² Indeed, having explained his goals in Latin America, Welles acknowledged the dire ramifications of such a policy for

³⁹ For more on Grubb’s experience in South America, see Grubb, *Crypts of Power*, pp.26-51, 77-90.

⁴⁰ Grubb to Perowne, 21 Jan. 1943, FO371/33903/A959, TNA. For further explanation of Welles’ thinking, see Campbell to Perowne, 29 May 1943, FO371/33903/A5359, TNA.

⁴¹ See, for example, Campbell to Perowne, 29 May 1943, FO371/33903/A5359, TNA.

⁴² In his memoirs Welles rallied against domination of Latin American countries by any outside power, including the US. However, while still in power, Welles never conveyed his desire for this type of self-restraint. On the contrary, he made it clear that US commercial dominance was a necessary prerequisite of ensuring the continued security of the inter-American system. See Welles, *The Time for Decision*, p.188. See also “Latin America, 1945”, “Writings” Folder, Box 12, John C. Wiley Papers, FDRL; Feis, *The Sinews of Peace*, pp.162-164.

Anglo-American relations in the region. Britain, “because of her traditions”, Welles explained, “and the United States, because of its phenomenal activity through the good neighbour policy in Latin America, were patently becoming rivals” in the region.⁴³

Welles’ exposition of an economic Monroe Doctrine was only made in an informal context and no such policy was ever conveyed to London in an official capacity. However, the report of Welles’ views concerning Latin America seemed to British officials to be a new and dangerous variation of the US drive to exclude British interests from South America in the post-war era. As Perowne explained when reporting Welles’ views to Campbell, they appeared “to base on political grounds a claim for United States economic preponderance in Latin America”. As such, they were further proof of “the terrific American campaign aimed at the economic annexation of the sub-continent”.⁴⁴ Similarly, Humphreys noted that while it was not the official policy of the US to exclude British interests from South America, Welles was seemingly “so concerned about the importance of Latin America to the United States that he would like to see the influence of any other power there reduced to a minimum”.⁴⁵

Welles’ comments elicited the strongest response from Gallop. He regarded the claim that US security required economic predominance in Latin America as “a new, dangerous, and quite indefensible argument”. The natural corollary to this argument, noted Gallop, was that Britain “must be prepared to consent to our own virtual ‘occlusion’ in order that the US for purely *political* reasons may secure an overwhelming *economic* preponderance in Latin America”. Gallop went so far as to compare such a policy to the Nazi expansionist doctrine of Lebensraum. While allowing that the US was not yet “as imperialist as Germany or Sumner Welles as ruthless as Hitler”, he nevertheless maintained that “the parallel is not inept”.⁴⁶ If nothing else, the strength of feeling elicited by Welles’ comments is indicative of the sense of rivalry that existed between the US and Britain in South America by this point in time. And while sentiments such as Gallop’s were contained within the

⁴³ Grubb to Perowne, 21 Jan. 1943, FO371/33903/A959, TNA.

⁴⁴ Perowne to Campbell, 5 Apr. 1943, FO371/33903/A959, TNA.

⁴⁵ Humphreys to Gallop, 1 Mar. 1943, FO371/33903/A2213, TNA.

⁴⁶ Gallop to Campbell, Mar. 1943, FO371/33903/A2213, TNA (emphasis in original). For further reaction to Welles’ comments, see Gallop minute, 27 Apr. 1943, FO371/33908/A3834; Forbes to Eden, 27 May 1943, FO371/33903/A5656, TNA.

private correspondence of the British government, such attitudes were bound to have an effect on Anglo-American relations in the region.

Britain's Toxic Influence in Argentina

When expounding his theory of an economic Monroe Doctrine Welles made clear that the concept had particular relevance to Britain in regard to the country's role in Argentina.⁴⁷ Diplomacy between the US and Britain concerning Argentina during the war is the single topic that has received the most attention of all aspects of Anglo-American relations in South America during this period.⁴⁸ It is not the intention here to retrace Anglo-American diplomacy concerning Argentina in its entirety, but rather to show how relations between the US and Britain in that country informed Welles' concept of an economic Monroe Doctrine.

Of all Britain's economic interests in South American by the time of World War II, it was the country's ties to Argentina that most strongly echoed Britain's past supremacy in the region in the nineteenth century.⁴⁹ From the 1860s onwards, British interests dominated all substantial enterprise in Argentina.⁵⁰ Building the first long railway in the country in 1863, British interests went on to develop an extensive rail system in the country, which they retained control of by the time of the Second World War.⁵¹ The British community in Argentina by the 1940s remained the largest and most prosperous outside of the Empire.⁵² More importantly, Britain remained Argentina's principal market for its primary export, meat.⁵³ This commercial dominance gave Britain exactly the kind of political influence over Argentina that

⁴⁷ Grubb to Perowne, 21 Jan. 1943, FO371/33903/A959, TNA.

⁴⁸ See Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", pp.3-21; Gardner, *Economic Aspects of New Deal Diplomacy*, p.203; Green, *The Containment of Latin America*, p. 154-155; Woods, "Hull and Argentina", pp.361-363; Bowan, "The End of British Economic Hegemony in Argentina", pp.3-24; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp. 56-60, 147-149; MacDonald, "The Politics of Intervention", pp.267-368, 381-383.

⁴⁹ Hull, *The Memoirs of Cordell Hull*, vol.2, p.1409; Welles, *The Time for Decision*, p.186; Kelly, *The Ruling Few*, p.289; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp. 56-57.

⁵⁰ Hyam, *Britain's Imperial Century*, pp.59-60.

⁵¹ Kelly, *The Ruling Few*, pp.291-293; Raul Garcia Heras, "World War II and the Frustrated Nationalization of the Argentine British-Owned Railways, 1939-1943", *Journal of Latin American Studies*, vol.17, no.1 (1985), p.136; Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, pp.155-157.

⁵² Kelly, *The Ruling Few*, p.290

⁵³ Hyam, *Britain's Imperial Century*, pp.59-60; MacDonald, "The Politics of Intervention", p.366; Green, *The Containment of Latin America*, p.241; Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, pp.151-152.

Welles was so averse to. For instance, British interests had been particularly effective in influencing the Argentine government's labour policies in the late nineteenth century.⁵⁴ Moreover, the US experience with Argentina since entering the war had seemingly confirmed Welles' fear that Britain's position in the country could be used to disrupt inter-American unity.

US frustration with Argentina had begun during the Rio conference of January 1942 when the Argentine regime, under President Ramón Castillo, blocked a US proposal that all American states immediately sever diplomatic relations with the Axis countries following the attack on Pearl Harbor.⁵⁵ Throughout 1942, Argentina, along with Chile, retained diplomatic relations with the Axis countries and thereby caused a breach in the US policy of hemispheric unity in the face of the threat posed by the war in Europe.⁵⁶ Argentine neutrality, in particular during this time, was a great source of consternation to US officials, as they believed it to be not only a breach of inter-American unity, but also a reflection of the fascist sympathies of the Castillo regime.⁵⁷ Based on these concerns, the US deployed targeted sanctions and waged a propaganda campaign against the Castillo government during 1942 in the hope of replacing it with the pro-Allied Radical Party opposition.⁵⁸

However, US attempts in this endeavour were continually frustrated by the attitude of the British toward Argentina. Officially the Churchill government supported the US desire for Argentina to break relations with the Axis.⁵⁹ However, in the reality the British failed to take a similarly condemnatory attitude toward Argentine neutrality.⁶⁰ On the one hand this was due to the fact that British officials in Argentina genuinely failed to share the US view that Argentine neutrality was based on pro-Nazi sympathies.⁶¹ But the British position also reflected the unwillingness of the British business community in Argentina to sacrifice its interests in a programme of sanctions.⁶² On the contrary, US officials believed British

⁵⁴ *Ibid.*, p.158.

⁵⁵ MacDonald, "The Politics of Intervention", p.366; Francis, "The United States at Rio", pp.77-95.

⁵⁶ Woods, "Hull and Argentina", p.356. For Chile's retention of relations with the Axis, see Francis, "The United States at Rio", pp.91-92.

⁵⁷ MacDonald, "The Politics of Intervention", pp.367-368.

⁵⁸ Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.47-56; MacDonald, "The Politics of Intervention", pp.370-371.

⁵⁹ Hull, *The Memoirs of Cordell Hull*, vol.2, p.1409; Kelly, *The Ruling Few*, pp.289-290.

⁶⁰ Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.56; Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", p.5.

⁶¹ Kelly, *The Ruling Few*, p.287; MacDonald, "The Politics of Intervention", pp.367-368.

⁶² Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.57.

commercial interests were actively undermining their sanctions toward Argentina by offering to supply goods.⁶³ US frustrations at the lack of British support for their policy in Argentina were accentuated when the Castillo government boasted of the disunity between the wartime allies to try to justify its stance to the Argentine public.⁶⁴

It was these frustrations that led Welles on 26 December 1942 to inform Halifax of his belief that “many of the most important figures in the commercial and financial life of the British [community] in Argentina were consistently and publicly stating that Argentina should not break relations with the Axis powers”. To the contrary, Welles continued, “British interests” had made clear to the Argentines that they “favored the position of so-called neutrality which the Argentine Government had up to now maintained”. In order to dispel this belief, Welles requested that the British government make an unequivocal statement asserting that their policy toward Argentina was exactly the same as the US.⁶⁵ British sensitivity to US criticism compelled them to do as requested and a public statement condemning Argentine neutrality followed.⁶⁶

Shortly after Britain’s public statement, US officials sought to induce Britain to use its impending meat contract with Argentina as leverage to force the Castillo government to clamp down on Axis espionage and subversive activities. Specifically, the argument, which was duly conveyed by the British ambassador in Buenos Aires, was that German radio codes were being transmitted from Argentine territory to German submarines in order to aid attacks on British ships in the South Atlantic. Unless these were halted, the Argentines were informed, Britain would be unable to spare the shipping space to export Argentine meat and the impending contract would therefore be lost. This threat proved successful and the radio transmissions immediately ceased.⁶⁷

⁶³ Ibid., pp.58-59. The British share of Argentina’s market did in fact increase throughout 1942. See “U.K. Increases Share of Argentine Trade”, 29 May 1943, *South American Journal*, p.283.

⁶⁴ Armour to Welles, 21 May 1942, Folder 1, Box 76, Welles Papers, FDRL; Hull, *The Memoirs of Cordell Hull*, vol.2, p.1409; Peffer, “Cordell Hull’s Argentine Policy and Britain’s Meat Supply”, p.5.

⁶⁵ Memorandum of conversation, 26 Dec. 1942, Box 3, Memorandums of Conversations of Under Secretary of State Sumner Welles, OARA, RG59; Hull, *The Memoirs of Cordell Hull*, vol.2, p.1409; Peffer, “Cordell Hull’s Argentine Policy and Britain’s Meat Supply”, p.5.

⁶⁶ Hull, *The Memoirs of Cordell Hull*, vol.2, p.1409.

⁶⁷ Ibid., vol.2, pp.1409-1410; Peffer, “Cordell Hull’s Argentine Policy and Britain’s Meat Supply”, pp.5-6.

This limited success in modifying Argentina's behaviour, along with Chile's breaking of relations with the Axis in January 1943, were perceptible shifts toward the unity of the American states desired by the US. But the Castillo government remained in power in Argentina and continued to resolutely adhere to its policy of neutrality. Likewise, while Britain had showed itself willing to use its commercial power to alter Argentine policy to an extent, Anglo-Argentine commercial ties remained strong into 1943 and continued to provide a vital prop for the Castillo government's hold on power.⁶⁸

Both the success and the limitations of the US experience of deploying British influence to alter Argentina's attitude toward the Axis confirmed the more general belief that Britain's commercial dominance in the country could be put to great political influence. While this influence may at times be put to ends favourable to US goals in Latin America, it could equally be utilised to threaten inter-American unity. If this threat to inter-American unity was to be removed for the post-war years, British commercial domination of Argentina – and the subsequent political influence it entailed – could not be permitted to remain. In this sense, the US experience of Anglo-Argentine relations confirmed the precepts informing Welles' concept of an economic Monroe Doctrine.

Until his departure in September 1943, Welles was clearly an influential figure within the Roosevelt administration.⁶⁹ Beyond his official position as Under Secretary of State, he was widely regarded to be much closer to Roosevelt, and able to influence the President's thinking, than his boss in the State Department.⁷⁰ Moreover, he was the principal figure guiding US policy in Latin America in the State Department. Because of his particular concern with the inter-American system, which he regarded as essential to the defence of US security, his attitude toward that part of the world stood at odds with the internationalists' hopes of promoting multilateralism.

This division within the State Department meant it was unable to take decisive action to protect British interests in South America, and thereby promote multilateralism in the region. This opened the way for other US agencies and individuals to influence US policy in the region. Unsurprisingly, Britain's interests and the internationalists' multilateral project were not at the forefront of these groups'

⁶⁸ Hull, *The Memoirs of Cordell Hull*, vol.2, p.1410; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.59-60.

⁶⁹ Connell-Smith, *The Inter-American System*, p.128.

⁷⁰ Welles, *Sumner Welles*, pp.209-218; Friedman, *Nazis and Good Neighbors*, p.78.

concerns. This development was wholly predictable. Indeed, Bonsal, who alone among the Latin Americanists had proved particularly perceptive in highlighting the contradictions of the State Department's policy, cautioned Welles that "unless the Department gives direction to the thinking of other governmental agencies, we may find built up a body of opinion which we may have trouble in combating later on".⁷¹ While Welles was largely impervious to Bonsal's warning, British policy-makers viewed the presence of US agencies and individuals in Latin America, acting autonomously of the State Department, with increasing consternation. These concerns first centred on the activities of US businessmen in South America, many with ties to official Washington.

Semi-Official Businessmen

British officials in South America had been aware of the threat posed by US businessmen serving the government in the region in a semi-official capacity for some time. In October 1942 Kelly informed the Foreign Office that while the US ambassador, Norman Armour, was generally friendly toward Britain, "the attitude of a strong minority" of Americans in Argentina was that Britain's day was over in the region and that US interests should be recognised as taking precedence.⁷² A similar situation was reported in Brazil where a plethora of US agencies were stationed by the end of 1942.⁷³ Notwithstanding recent improvement in relations between the US and British missions in Brazil, Nosworthy warned in November that there remained many Americans present in the country, in a semi-official capacity, who were intent upon tying up the country with contracts for the post-war era. This threat, warned Nosworthy, remained "the most serious thing we have to face" in Brazil.⁷⁴

One report from Brazil that caused particular concern related to the restrictions on Britain's exports to South America that were enforced by the Export White Paper. According to reports reaching London, US businessmen were spreading rumours among local business circles in Brazil alleging that Britain would remain dependent on Lend-Lease – and therefore subject to the same restrictions on its exports that came

⁷¹ Bonsal to Duggan, Welles, 14 Nov. 1942, 810.50/581/2PS/CH, RG59, NARA.

⁷² Buenos Aires to Foreign Office, 29 Oct. 1942, FO371/30516/A9999, TNA. For Armour's Anglophile views, see speech by Armour to British Society in Argentina, 25 Apr. 1941, Folder 37, Box 2, "America Will Deliver the Goods!", *Buenos Aires Herald*, p.1, 6, 26 Apr. 1941, Folder 4, Box 1, Norman Armour Papers, Mudd Library.

⁷³ McCann, *The Brazilian-American Alliance*, p.401.

⁷⁴ Nosworthy to Scott, 15 Nov. 1942, FO371/30369/A11219, TNA.

with the aid – for some time *after* the end of the war.⁷⁵ The clear implication of this rumour was that if Brazilians wanted to receive imported goods as soon as possible after the war – which was widely understood to be one of their primary concerns – they would be wise to place orders with US companies, which would be unhampered by such restrictions following the end of hostilities.⁷⁶

The potency of the rumour that British exports would remain hampered by Lend-Lease restrictions lay in the fact that British officials were by no means in a position to categorically deny this to their potential South American customers.⁷⁷ The status of Lend-Lease following the end of hostilities was only just being broached in early 1943 and no firm conclusions as to what would in fact happen to the aid programme had been reached.⁷⁸ Britain's subsequent primary concern over Lend-Lease would be the threat – and eventually the reality – of it being discontinued abruptly, thereby depriving Britain of its major source of liquidity.⁷⁹ These earlier British concerns in South America over the implications of Lend-Lease being *continued* therefore offer an alternative perspective on British priorities concerning the aid.⁸⁰

While British businessmen were convinced that there was a deliberate campaign being waged by their US counterparts in South America to encourage the belief that Britain would remain hamstrung after the war by Lend-Lease restrictions, British officials remained uncertain as to the extent to which this whispering campaign had official backing from Washington.⁸¹ Charles believed that one source of the rumour concerning Britain's ability to export after the war was Americans attached to technical and purchasing missions sent from Washington. But while these figures were present in Brazil in at least a semi-official capacity, their links to official Washington policy were tenuous.⁸² Without a clear link between these rumours and

⁷⁵ Foy to Hunt, 29 Jan. 1943, FO371/33648/3144, TNA; Willis to Mather-Jackson, 3 Feb. 1943, Rio to Foreign Office, 11 Feb. 1943, FO371/33648/A1549, TNA.

⁷⁶ *Ibid.*

⁷⁷ Willis to Mather-Jackson, 3 Feb. 1943, FO371/33648/A1549, TNA; Gallop to Willis, 18 Feb. 1943, FO371/33648/A1549, TNA.

⁷⁸ Mather-Jackson minute, 12 Feb. 1943, FO371/33648/A1549, TNA.

⁷⁹ Harry S. Truman terminated Lend-Lease aid to Britain on 20 August 1945. See Burk, "American Foreign Economic Policy and Lend-Lease", p.62. For British concerns over the cessation of Lend-Lease, see *Ibid.*, p.60; Woods, *A Changing of the Guard*, p.150.

⁸⁰ In April 1943 Mather-Jackson referred to the Export White Paper as "a post-war menace". See Mather-Jackson minute, 21 Apr. 1943, FO371/33907/A3590, TNA.

⁸¹ Rio to Foreign Office, 11 Feb. 1943, FO371/33648/A1549, TNA; Foreign Office to all Latin American posts (copied to Washington), 19 Mar. 1943, FO371/33648/A1549, TNA.

⁸² Rio to Foreign Office, 11 Feb. 1943, FO371/33648/A1549, TNA.

policymakers in Washington it was difficult for the Foreign Office to take any action.⁸³ Nevertheless, they did consider it wise to enquire of their missions throughout South America as to whether the same rumours were being spread elsewhere.⁸⁴

The replies that the Foreign Office received indicated that the same rumour campaign was not active beyond Brazil, but several of the respondents did point to a separate complaint.⁸⁵ This involved the collection of data on imports to South American countries, and, in particular, the involvement of semi-official US businessmen in the retrieval of this information. This situation arose from new arrangements set up by BEW in early 1943 to try to engender a more efficient system of issuing export licenses for goods supplied by US industry to Latin America. The decentralization plan, as it was known, entailed delegating a greater degree of responsibility for determining the import requirements of the Latin American countries to US officials based in those countries, in association with the local governments. The aim behind this plan was that the ‘field men’ on the ground in Latin America would conduct comprehensive studies of the local market in order to produce a more accurate picture of requirements.⁸⁶

While the rationale behind this scheme was to make more efficient use of the limited supply of goods sent to South America, the knowledge that US officials were conducting intensive studies of the trade conditions of the region caused concern among British officials, as it was feared that this information would be used for post-war purposes. The British ambassador in Montevideo, expressed his view to the Foreign Office in March 1943 that the US trade surveys were most likely being undertaken “with the object of providing United States export trade with the best possible foundation for an overwhelming post-war drive”.⁸⁷ This fear was heightened by the fact that many of those conducting the surveys of Latin American trade were

⁸³ Bewley to Gallop, 23 Feb. 1943, FO371/33648/A1549, TNA.

⁸⁴ Mather-Jackson minute 3 Mar. 1943, FO371/33907/A1995, TNA.

⁸⁵ Santiago to Foreign Office, 20 Mar. 1943, FO371/33907/A2743, TNA; Montevideo to Foreign Office, 20 Mar. 1943, FO371/33907/2744, TNA; Buenos Aires to Foreign Office, 2 Apr. 1943, FO371/33907/A3215, TNA. See also Bryford to McGowan, undated, FO371/33907/A2494, TNA.

⁸⁶ “Exporters Hopeful on New Latin Plan”, *New York Times*, 6 Dec. 1942, pp.1, 6; “BEW Reassures Foreign Traders”, *New York Times*, 9 Dec. 1942, p.42; “A Trade Tour to South America”, Apr. 1943, *American Exporter*, p.19; Franklin Johnston, “The West Coast of South America”, July 1943, *American Exporter*, p.25. For more on the decentralization plan, see *FRUS*, 1943, vol.5, pp.106-132.

⁸⁷ Santiago to Foreign Office, 20 Mar. 1943, FO371/33907/A2743, TNA. See also Buenos Aires to Foreign Office, 2 Apr. 1943, FO371/33907/A3215, TNA.

US businessmen employed for the wartime period in a semi-official capacity. The employment of US businessmen was understandable, given the shortages of personnel in wartime and the fact that industry figures would be the best qualified to undertake such a task. But from Britain's perspective it was also "naïve", as Kelly put it in a telegram to London, "to suppose that the result of these enquiries will be permanently confined to the immediate purpose of control".⁸⁸ Rather, as those collecting the data on South American markets would most likely return to private business after the war, the fear was that the knowledge gained would be used to aid post-war trade ambitions.

When promoting the new decentralization plan to US industry, BEW officials certainly did emphasise post-war concerns. As Hector Lazo, Assistant Director of BEW explained in an address to a meeting of the Export Managers Club in December 1942, US officials would "fight with our last breath" to ensure that the new scheme preserved trade channels between the US and South America for the post-war era.⁸⁹ Moreover, when requesting data on the South American countries, it was requested that particular attention be given to the sources of current imports, "such as the United Kingdom".⁹⁰ But while the employment of US businessmen in BEW's new decentralization scheme was clearly of concern to British officials, they were at least only employed in a relatively low-ranking administrative role. The same cannot be said of Nelson Rockefeller in his agency in Latin America.

Nelson Rockefeller and CIAA

As a life-long Republican and a firm believer in the primacy of private enterprise and limited government, Rockefeller was an unlikely member of the Roosevelt administration.⁹¹ However, his experience of Latin America gained through business investments in Venezuela, along with his youthful enthusiasm, impressed Roosevelt and prompted the President in August 1940 to appoint Rockefeller head of the newly created Office of the Coordinator of Commercial and Cultural Affairs between the American Republics.⁹² The new agency's functions were initially limited to

⁸⁸ Buenos Aires to Foreign Office, 2 Apr. 1943, FO371/33907/A3215, TNA; Buenos Aires to Foreign Office, 6 Apr. 1943, Gallop minute, 8 Apr. 1943, FO371/33907/A3291, TNA.

⁸⁹ "BEW Reassures Foreign Traders", *New York Times*, 9 Dec. 1942, p.42.

⁹⁰ State Department to all American Diplomatic Missions in the Other American Republics, 3 Dec. 1942, 610.00/18A, RG59, NARA.

⁹¹ James Desmond, *Nelson Rockefeller: A Political Biography* (New York: Macmillan, 1964), pp.79-80, 102.

⁹² "Order Establishing the Office, August 16, 1940", *DAFR*, vol.3, July 1940-June 1941, pp.109-110; Connell-Smith, *The Inter-American System*, p.119; Desmond, *Nelson Rockefeller*, pp.74-80;

strengthening cultural ties and engendering goodwill between the American republics, as well as unofficial action aimed at eradicating Nazi influences from the region.⁹³

However, following a change of name to the Office for the Coordinator of Inter-American Affairs in July 1941, the agency took on far greater responsibilities.⁹⁴ These included promoting US-Latin American trade and the development of Latin American economies with US capital.⁹⁵ There were certainly wartime justifications for these functions. Increased US trade with Latin America could compensate for the loss of the region's traditional European trading partners and thereby forestall any social unrest that could threaten inter-American security. Similarly, the development of Latin American industry could create goodwill for the US, as well as more tangible facilities that would serve strategic purposes.⁹⁶

But the growing prominence of CIAA in the economic affairs of Latin America had potential implications regarding the post-war era and was therefore a source of consternation to British observers. In December 1942 Halifax informed the Foreign Office of his concerns over Rockefeller's organisation, noting that while it had been created as a temporary wartime agency, its increasing functions gave the impression "that it is being built up with an idea of permanency". Moreover, the economic policies of CIAA, Halifax went on, "are bound to have very wide repercussions on the future economy of Latin America as well as, perhaps, the relations of these countries with the rest of the world".⁹⁷ Reflecting on Halifax's

Green, *The Containment of Latin America*, pp.48-49; Kramer, "Nelson Rockefeller and British Security Coordination", pp.76-77. For more on Rockefeller's background in Latin American affairs, see Desmond, *Nelson Rockefeller*, pp.52-64; Friedman, *Nazis and Good Neighbors*, p.17. For Rockefeller's relationship with Roosevelt, see Desmond, *Nelson Rockefeller*, pp.73, 89.

⁹³ "Executive Order No.8840 Establishing the Office of the Coordinator of Inter-American Affairs in the Executive Office of the President and Defining its Functions and Duties, July 30, 1941", *DAFR*, vol.4, July 1941-June 1942, pp.329-332; Halifax to Eden, 29 Dec. 1942, FO371/30508/A12038, TNA; Gerald K. Haines, "Under the Eagle's Wing: The Franklin Roosevelt Administration Forges an American Hemisphere", *Diplomatic History*, vol.4, no.1 (1977), pp.379-380; Kramer, "Nelson Rockefeller and British Security Coordination", pp.76-77; Connell-Smith, *The Inter-American System*, p.119.

⁹⁴ Rockefeller to Roosevelt, 27 Aug. 1941, OF412, Official File, Box 1, Roosevelt Papers, FDRL.

⁹⁵ Halifax to Eden, 29 Dec. 1942, FO371/30508/A12038, TNA. Indicative of the increasing status of the agency is the increase in its budget. Initially allocated funding of \$3.5 million, by 1942 CIAA was in receipt of \$38 million. See Haines, "Under the Eagle's Wing", p.380. See also Desmond, *Nelson Rockefeller*, pp.92-93; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.171.

⁹⁶ Desmond, *Nelson Rockefeller*, p.92; Connell-Smith, *The Inter-American System*, p.119; Green, *The Containment of Latin America*, pp.48-49.

⁹⁷ Halifax to Eden, 29 Dec. 1942, FO371/30508/A12038, TNA. Similar concerns were heard from British officials throughout South America. See, for example, Blair to Sands, 18 Nov. 1942, FO371/30516/A10802, TNA; Bonham-Carter to Perowne, 25 Jan. 1942, FO371/33901/A281, TNA.

elucidation of CIAA's functions, Butler noted that while its purpose may have originally been limited to raising the living standards of Latin America, it could in future be utilised as "an all-powerful machine for [the] economic domination of the sub-continent".⁹⁸

On one level the British concern over the growing influence of CIAA was reflected in the fears of Latin Americanists in the State Department that Rockefeller's agency was challenging their control of US policy in the region. In particular, Duggan was resentful of CIAA's autonomy in carrying out its programmes in the region. Moreover, he feared that this would set a precedent for other wartime agencies to operate independently of the State Department in Latin America.⁹⁹ Braden shared Duggan's trepidation over the role of CIAA and fought hard from his post in Colombia to retain the State Department's control over US policy in Latin America.¹⁰⁰

But to a large extent, the rivalry between the State Department's Latin Americanists and CIAA was more about inter-departmental jealousies than any substantive divergence over policy. For the British, however, the impingement of CIAA into the realm of Latin American policy posed a threat to the degree of cooperation in the region that the Foreign Office had established with internationalists in the State Department. Whereas British officials had taken solace in the attempt by the internationalists to promote multilateralism in Latin America, CIAA's growing influence in the region threatened this accord. The Foreign Office had no reason to believe that Rockefeller or CIAA shared the State Department's professed commitment to promoting multilateralism in Latin America. On the contrary, the corporate make-up of Rockefeller's agency suggested it would more likely be driven by the imperialistic impulses of big business and therefore prove hostile toward British interests in the region.¹⁰¹

British fears over the role of CIAA were seemingly realised when officials in London became aware in late 1942 that Rockefeller had secured a pledge from the US Treasury ensuring that advertising costs incurred by US business in Latin America

⁹⁸ Butler minute, undated, FO371/30508/A12038, TNA.

⁹⁹ Duggan to Braden, 25 Feb. 1942, Box 8, Spruille Braden Papers, Butler Library.

¹⁰⁰ "The Reminiscences of Spruille Braden" (1956), p.2900, Oral History Collection, Butler Library; Braden, *Diplomats and Demagogues*, pp.262-264. For the State Department's rivalry with CIAA, see Kramer, "Nelson Rockefeller and British Security Coordination", p.84; Desmond, *Nelson Rockefeller*, pp.86-91.

¹⁰¹ Butler minute, undated, FO371/30508/A12038, TNA. Rockefeller handpicked the principal staff of CIAA from the corporate world. See Desmond, *Nelson Rockefeller*, pp.84-85.

during the war would be deductible for federal income tax purposes.¹⁰² This governmental support for US advertising in Latin America struck a particular chord among British officials, as they had been actively restraining British firms from carrying out such promotional activities, both in order to preserve scarce resources and to avoid inviting criticisms from the US.¹⁰³ The failure on the part of the US government to mirror such restraint was later justified to British officials in Washington on the grounds that it was only by way of US advertising revenue that friendly newspapers in Latin America could stay in business throughout the war and continue to propagate pro-Allied stories.¹⁰⁴ This reasoning was not without merit, and it was certainly one of the motivations that had driven Rockefeller in advocating the increase in US advertising in Latin America.¹⁰⁵

But in making the case to US business to maintain their advertising in the region throughout the war, Rockefeller was clear that this action would serve post-war purposes as well. Writing to 500 export firms in the summer of 1942, Rockefeller stated that “there is great need right now for foresighted planning and courageous effort by U.S. industry to hold for the future its well earned position in the economic life of our neighboring markets”.¹⁰⁶ Writing in a US trade journal in August 1942, Rovensky was even more explicit about the post-war aspect of wartime advertising in Latin America. Rockefeller’s advertising plan, stated Rovensky, is “a dual purpose project – it is both part of the nation’s war effort and a plan for enabling United States exporters to maintain their trade positions in Latin America, now and after the war”. The plan, Rovensky continued, “has been conceived and is being implemented by realistic Government officials and businessmen, who are thinking realistically in terms of to-day and after the war”.¹⁰⁷

¹⁰² Davidson to Dalton, 11 Nov. 1942, Sullivan to Rockefeller, 17 July 1942, FO371/30516/A11310, TNA; Extract from letter of July 1942 from the Treasury department to Rockefeller, FO371/33901/A3135, TNA; “Internal Revenue Code”, 1942, “Trade Promotion” Folder, Box 31, Subject File, Records of the Office of the Administrator, FEA, RG169, NARA; “US Industry Maps Latin Ad Campaign”, *New York Times*, 18 Sept. 1942, p.F7.

¹⁰³ Davidson to Dalton, 11 Nov. 1942, FO371/30516/A11310, TNA.

¹⁰⁴ Halifax to Ministry of Information, 3 Mar. 1943, FO371/33907/A2308, TNA; Campbell to Kelly, 22 Apr. 1943, FO371/33908/A3958, TNA.

¹⁰⁵ Desmond, *Nelson Rockefeller*, p.97.

¹⁰⁶ “The Coordinator Writes to 500 Exporters”, *Export Trade and Shipper*, 17 Aug. 1942, p.6. See also Rockefeller’s remarks to the Economic Club of New York in April 1943. “Opportunity Seen in South America”, *New York Times*, 2 Apr. 1943, p.10.

¹⁰⁷ Joseph C. Rovensky, “How the Rockefeller Plan is Being Implemented”, 17 Aug. 1942, *Export Trade and Shipper*, pp.5-8. For more on US advertising during the war, see “Advertising in the War”, *Time*, 22 Mar. 1943, available at: <http://www.time.com/time/magazine/article/0,9171,796133,00.html> (accessed 17 May 2009).

The plan was received enthusiastically by US industry who vowed to increase advertising in Latin America in order to maintain the prestige of US products. Harold N. Elterich, the CIAA official in charge of the advertising programme, believed this positive response reflected a new awareness on the part of US business of the importance export markets would play in the post-war era.¹⁰⁸ However, while Rockefeller and CIAA were clearly keen to promote US trade in Latin America, its attitude toward European interests in the region was more one of disinterest than of overt hostility. Of much greater concern to British officials were comments made by Eric Johnston.

Eric Johnston and 'Vertical Trade'

As both head of the US Chamber of Commerce and Chairman of the US Committee of the Inter-American Development Commission (IADC), Johnston had clear links both to US business and official Washington.¹⁰⁹ Although a Republican and president of a body that had traditionally been hostile toward the New Deal, Johnston forged a close relationship with Roosevelt and gained a prominent role in the direction of Latin American affairs during the war.¹¹⁰

In March 1943 Johnston toured South America to meet with officials and businessmen and discuss US-Latin American trade in the post-war era.¹¹¹ On completion of his trip Johnston gave several press conferences where he outlined his thinking on Latin American trade in the post-war era. In his remarks Johnston endorsed the multilateral trade programme, insofar as he advocated a decrease in barriers to trade between the US and Latin America. But he also predicted that post-war trade would tend to flow along "vertical lines", with the US conducting the bulk of its commerce with Latin America and European trade being focused on Africa.

¹⁰⁸ "US Industry Maps Latin Ad Campaign", *New York Times*, 18 Sept. 1942, p.F7. See also William B. Anderson, "The Rising Tide of US Advertising in Latin America", 31 Jan. 1944, *Export Trade and Shipper*, p.10.

¹⁰⁹ IADC was established by the Inter-American Financial and Economic Advisory Committee following the meeting of the Ministers of Foreign Affairs of the American Republics in Panama in September 1939. For more on its functions, see Edward J. Noble, "Plans for Western Hemisphere Trade", 12 Aug. 1940, *Export Trade and Shipper*, pp.3-4; John C. McClintock, "The Wartime Aims of the Inter-American Development Commission", *Export Trade and Shipper*, 20 Apr. 1942, pp.7-9.

¹¹⁰ For more on Johnston, see "Surprise for Mr. Roosevelt", *Time*, 19 June 1942, available at: <http://www.time.com/time/magazine/article/0,9171,795956,00.html> (accessed 2 Feb. 2009).

¹¹¹ "Johnston in Panama, Optimistic on Tour", *New York Times*, 26 Mar. 1943, p.8; "New Ambassador", *Time*, 15 Mar. 1943, available at: <http://www.time.com/time/magazine/article/0,9171,884816,00.html> (accessed 2 Feb. 2009).

Whereas international commerce had “heretofore ... been mainly an east to west affair”, in the post-war world Johnston believed that “there must be an increase in north to south development, ... particularly in the Western Hemisphere”.¹¹² Just as the last century in Latin America was a “British Century”, stated Johnston, the next would be an American Century.¹¹³

A few days later, Johnston met with Roosevelt to discuss IADC’s plans for the development of post-war trade in Latin America. In his subsequent report to the press on the meeting Johnston once again reiterated his belief in the need to remove barriers to trade in Latin America. However, as previously, Johnston’s comments also indicated that this increase in trade would only apply within the Western Hemisphere. The development of Latin America, stated Johnston, would be carried out by US and Latin American interests “on a fifty-fifty basis”.¹¹⁴

As with his earlier remarks, this picture of post-war trade in Latin America seemed to hold little place for Britain. It was unsurprising, therefore, that his views caused alarm among British officials. As Mather-Jackson noted in April 1943, while Johnston’s theory that post-war trade should follow vertical lines reflected a general fear of competition from Europe, it posed a direct threat to British interests in South America.¹¹⁵ Charles gave his reaction to Johnston’s remarks in a telegram from Rio that was circulated among the War Cabinet in London. While US officials in Latin America may have been given instructions from the State Department to work in harmony with their British counterparts, it was comments like Johnston’s, Charles believed, that revealed the true ambitions of the US in Latin America.¹¹⁶ Similarly, Gallop noted with disapproval the failure of internationalists in the State Department to disavow Johnston’s comments regarding the future pattern of international trade, despite the apparent contradiction between his views and their own policy of

¹¹² “Johnston in Panama, Optimistic on Tour”, *New York Times*, 26 Mar. 1943, p.8; Rio to Foreign Office, 23 Mar. 1943, FO371/33666/A3348, TNA.

¹¹³ “President of US Chamber of Commerce on ‘American Century’”, 26 June 1943, *South American Journal*, p.338; “The Future of Investment in Latin America”, 11 Mar. 1944, *South American Journal*, p.150.

¹¹⁴ “See the President on Americas Plan”, *New York Times*, 22 Mar. 1943, p.14; “Business Opportunities in South America”, *Buenos Aires Herald*, 22 Mar. 1943, Hadow to Perowne, 22 Mar. 1943, FO371/33907/A3491, TNA.

¹¹⁵ Mather-Jackson minute, 12 Apr. 1943, FO371/33812/A3341, TNA.

¹¹⁶ Rio to Foreign Office, 23 Mar. 1943, FO371/33666/A3348, TNA.

multilateralism.¹¹⁷ If Johnston did indeed speak for US business interests in South America, this group represented a further threat to multilateralism in the region.

The Voice of Business

Prior to the war, South America was not a major focal point for US business interests.¹¹⁸ Between 1935 and 1939 only 9 percent of total US exports went to South America. In the same period the US received 13 percent of its imports from the region. However, the outbreak of hostilities in Europe changed this. On the one hand, the loss of European markets and resources for US business interests meant that they were forced to look elsewhere to make up the shortfall.¹¹⁹ On the other hand, the war-induced severance of trade between South America and Europe seemingly presented an opportunity for US interests to replace their European competitors. As one US commentator put it in 1940, “ships and airplanes bound for Latin America these days are crowded with salesmen rushing to secure the business which the belligerents have been compelled to abandon”.¹²⁰ These efforts brought great dividends and by the end of the first year of the war US exports to South America had increased by 58 percent.¹²¹ Moreover, US business interests hoped to ensure that these wartime trends became permanent. As W. Latimer Gray, Vice President of the First National Bank of Boston predicted in 1942, “we can and will maintain first position in Latin American commerce”.¹²²

Clearly such an ambition contradicted the efforts of internationalists in the Roosevelt administration to promote multilateralism in South America. There was a tradition of hostility on the part of US business interests toward multilateralism. The

¹¹⁷ Gallop minute, 27 Apr. 1943, FO371/33908/A3834, TNA. For further concern among British officials following Johnston’s remarks, see Buenos Aires to Foreign Office, 2 Apr. 1943, FO371/33907/A3215, TNA; Snow to Eden, 24 Mar. 1943, Perowne minute, 15 Apr. 1943, FO371/33812/A3341, TNA.

¹¹⁸ Desmond, *Nelson Rockefeller*, p.75; Duggan, *The Americas*, p.82.

¹¹⁹ Eugene P. Thomas, “The Coming Assault on the Economic Relations of the Americas”, 21 Oct. 1940, *Export Trade and Shipper*, p.3; Memo of conversation between Brogan and Duggan, 22 Mar. 1943, Box 3, Memorandums Relating to General Latin America Affairs, OARA, RG59, NARA.

¹²⁰ Inman, “Planning Pan-American Trade”, p.146. See also “Who Will Get Germany’s Lost Trade With Argentina?”, 12 Feb. 1940, *Export Trade and Shipper*, pp.6-7; “War Boosts US Export Flow to South America”, 25 Nov. 1940, *Chicago Tribune*, p.1. See also Green, *The Containment of Latin America*, p.95.

¹²¹ “War Boosts US Export Flow to South America”, 25 Nov. 1940, *Chicago Tribune*, p.1.

¹²² W. Latimer Gray, “Some Long Range Aspects of Inter-American Commercial Relations”, 22 June 1942, *Export Trade and Shipper*, pp.7-8. See also “War Boosts US Export Flow to South America”, 25 Nov. 1940, *Chicago Tribune*, p.1; John Abbink, “A Program for Protecting the US from Economic Strangulation”, 27 May 1940, *Export Trade and Shipper*, pp.3-6, 16.

notion of freer trade had often been viewed with suspicion by various sectors of the business community who believed the lowering of US domestic tariffs would threaten their interests.¹²³ By the time of the Second World War, however, much of this opposition had been broken down on the basis of the argument that multilateralism would offer US business greater opportunities to access foreign markets.¹²⁴ In the specific context of Anglo-American relations, this argument carried much weight when applied to the commercial gains to be made by breaking into Britain's closed trading regimes. For example, in the Middle East multilateralism represented a means for US oil companies to gain access to British concessions, previously closed to them.¹²⁵ But when it came to South America, the same arguments could not be made. The lack of a closed British trading regime in South America meant that there was simply not the same impetus for US business to mobilise behind multilateralism in the way that they did in other parts of the world.

One concept around which US business interests did rally with regard to South America was the anticipated industrialisation of the region during the war years. More specifically, it was hoped that industrialisation of South America would provide US exporters new markets for the post-war era. Shortly before embarking on a tour of South America in the spring of 1943, Franklin Johnston, editor of *American Exporter*, stated that the "wartime industrialization of Latin America is going ahead by leaps and bounds and will radically change the export business of the United States".¹²⁶ But while one potential consequence of the industrialisation of South America could have been expanding markets providing increased commercial opportunities for all foreign nations, many US businessmen hoped the industrialisation of South America would aid them in excluding traditional British interests in the region. In Argentina particularly, US businessmen hoped the conversion of the country's agricultural

¹²³ Hogan, *The Marshall Plan*, pp.10-12; Woods, *A Changing of the Guard*, p.17. In the specific context of South America, see Eugene P. Thomas, "The Coming Assault on the Economic Relations of the Americas", 21 Oct. 1940, *Export Trade and Shipper*, p.5; Duggan, *The Americas*, pp.75-58.

¹²⁴ Ferguson, "From Normalcy to New Deal", pp.46, 94; Hogan, *The Marshall Plan*, pp.13-14; Woods, *A Changing of the Guard*, p.24.

¹²⁵ Kolko, *The Politics of War*, pp.294-313. A similar situation arose in India. See *Ibid.*, pp.286-287.

¹²⁶ "A Trade Tour to South America", Apr. 1943, *American Exporter*, p.19. See also Inman, "Planning Pan-American Trade", pp.142-143; Gardner, *Economic Aspects of New Deal Diplomacy*, pp.195-198.

economy to a modern industrial society would have the effect of undercutting Britain's dominance of the market for meat.¹²⁷

The Return of British Suspicions

As British officials observed the various tendencies in Latin America, which represented a threat to British interests in South America, any previous optimism that an accord with the US government to collaborate in the region had been reached soon vanished. Unsurprisingly, this disillusionment first took hold in the South American department of the Foreign Office – the Whitehall department which had always been the most hesitant in greeting US attempts at cooperation in Latin America with optimism.¹²⁸ While the US and Britain had sent instructions to their missions in Latin America to encourage cooperation between the two countries in the region, noted Perowne in December 1942, “these instructions have by no means invariably been obeyed in practice by U.S. staff” on the ground. US strategic priorities in Latin America, Perowne believed, meant that many US officials continued to regard Latin America as part of a “private hemisphere”. Such a conception of the region, he went on, entailed “the exclusion of European powers from the Latin American stage”.¹²⁹

The South America department of the Foreign Office was backed up in this bleak appraisal of the US attitude toward Latin America by its representatives throughout the region. These figures, who experienced US policy in South America at the closest proximity, had always remained sceptical of US cooperation in the region. By the beginning of 1943 this scepticism had only increased. In March Kelly sought to impress the danger posed to British interests in South America from US competition by detailing the monopolisation of the important public utilities of the region by US concerns and the blocking of British exports to the region by vested US interests. “It is pure wishful thinking”, Kelly stated in something of a reprimand to Whitehall, “to suppose that commercial rivalry between our two countries in South America is an Axis-inspired rumour, to be scotched by a little goodwill on both

¹²⁷ MacDonald, “The Politics of Intervention”, p.366; “United States Relations with Argentina, Brazil and Mexico”, Study Group Reports, 5 Dec. 1944, Folder 7, Box 135, CFR Papers, Mudd Library; Green, *The Containment of Latin America*, p.241.

¹²⁸ Various commentators, both at the time and since, perceived an anti-American attitude generally in the South American department of the Foreign Office. See Ben Pimlott ed., *The Second World War Diary of Hugh Dalton* (London: Jonathan Cape, 1985), pp.464-465; MacDonald “The Politics of Intervention”, p.369.

¹²⁹ Perowne memo, 29 Dec. 1942, FO371/30516/A12124, TNA.

sides”.¹³⁰ A similar picture was painted by the ambassador in Guatemala, who believed the US attempt to take advantage of the war in order “to infiltrate ... every walk of life” was mirrored throughout Latin America.¹³¹

That the South American department of the Foreign Office and ambassadors such as Kelly should suspect the US of retaining ambitions to exclude British interests from South America is unremarkable given the timid reception of these groups to the earlier US attempts at cooperation. But by the spring of 1943 such suspicions had returned throughout Whitehall. Edward W. Playfair, a British Treasury official, sought to outline the various strands that existed in the US attitude toward British interests in South America in a minute that was circulated widely. While there were certainly those in the Roosevelt administration for whom collaboration with Britain in South America was a genuine ambition, there were also far less benign elements. On the one hand, US business interests and the temporary agencies staffed by them, Playfair believed, held a “plain desire to drive British business out of South America”. These were joined, Playfair continued, by the Latin Americanists in the State Department who wished – as a by-product of their “desire to see the U.S. politically supreme in South America” – to exclude substantial European concerns.¹³² Perhaps most indicative of the extent of British disillusionment with US attitudes toward Latin America by this point in time were the views expressed by Halifax. Writing to the Foreign Office in April, Halifax pointed to the indications, which he now received on a daily basis, “of efforts on the part of United States agencies, both official and private, to lay the foundations [for an] undue degree of economic predominance in Latin America”.¹³³

Conclusion

By the spring of 1943, then, British fears of being excluded from South America had returned as strongly as ever. The problem was not that they had any reason to doubt that the internationalists within the State Department – who had sought to reassure British officials concerning their interests in the region – had altered their views. Rather, what was plain by this point in time was that there remained influential forces

¹³⁰ Kelly to Eden, 19 Feb. 1943, FO371/33907/A2855, TNA. See also Kelly, *The Ruling Few*, pp.289, 293.

¹³¹ Leche to Eden (copied to all Latin American missions and Washington), 18 Feb. 1943, FO371/33903/A2393, TNA.

¹³² Playfair minute, 16 Apr. 1943, FO371/33907/A3590, TNA.

¹³³ Washington to Foreign Office, 29 Apr. 1943, FO371/33908/A3996, TNA.

in South America who did not share the concern of the internationalists that multilateralism be applied to this region, as to the rest of the world. “The trouble”, as Playfair put it, “is that there is no one American policy, but several”.¹³⁴

The challenges to multilateralism manifested in US policy in Latin America stemmed from a variety of sources, each with varying motivations. For the Latin Americanists in the State Department, political considerations converged with economic policy.¹³⁵ Particularly in the case of the leader of this faction, Sumner Welles, political concerns over the continued integrity of the inter-American system dictated economic policy toward European interests in Latin America. Political concerns also motivated agencies like CIAA and IADC. But these organisations also represented much baser commercial ambitions.

Whatever the motivations, what is of importance in the context of Anglo-American post-war economic planning, is that the economic policies advocated by these various groups represented a threat to multilateralism in Latin America. While Latin Americanists in the State Department occasionally acknowledged this threat, their immediate concerns in Latin America always overrode longer-term plans and broader geographical implications. British recognition of these challenges to multilateralism therefore restored fears of being excluded from South America. This in turn brought a reconsideration of British policies toward the region and an attempt to recast Anglo-American relations in South America.

¹³⁴ Playfair minute, 16 Apr. 1943, FO371/33907/A3590, TNA.

¹³⁵ The point that economic and strategic objectives were not mutually exclusive has been well made by Friedman. See Friedman, “There Goes the Neighborhood”, pp.577-578, 585; Friedman, *Nazis and Good Neighbors*, pp.85-86, 169-170; See also Inman, “Planning Pan-American Trade”, p.138; Wayne Taylor, “Where Do We Go From Rio?”, 20 Apr. 1942, *Export Trade and Shipper*, p.3; Taylor, “The Axis Replacement Program”, p.147; Marett, *Latin America*, p.12.

Chapter 5

The Quest for a Self-Denying Ordinance (Spring 1943 – Winter 1944-1945)

With British fears of the country's interests being excluded from South America firmly re-established by the spring of 1943, government departments in London embarked on a lengthy reformulation of British policy toward Latin America in the broader context of Anglo-American relations. Eventually, the policy pursued by the Churchill government was to call on the US to agree to a self-denying ordinance in Latin America, which would ensure that neither country secured commercial advantage at the expense of the other while wartime conditions prevented free and fair competition.

Furthermore, in making its case to the Roosevelt administration, the British government framed its call for a self-denying ordinance in the context of the multilateral trade programme, which had been continually advocated by the Roosevelt administration as the basis for the post-war economic order. Specifically, the Foreign Office made the argument that continued British access to the markets of South America – which a self-denying ordinance would be essential in preserving – must be a constituent part of an economic world order based on free and equal access to markets and resources. Without access to such markets, Britain would lack the necessary balance of payments to be able to participate in a multilateral system. In this sense, the British call for a self-denying ordinance in Latin America demonstrates that with regard to this region it was Britain that took the lead in promoting the successful establishment of a multilateral economic system for the post-war era.

The US response to the British request for a self-denying ordinance, while pledging agreement to the principle in theory, was in fact conditioned by a number of factors, which cumulatively exerted countervailing forces against US adherence to the principle. Among these were the nature of the US governmental bureaucracy, which tended to work against the implementation of broad principles; a lack of leadership in the direction of Latin American policy in the State Department; and more substantive developments in Anglo-American relations in South America – particularly regarding Argentina – which made support for collaboration with the British in the region less likely.

The consequence was that important US policies in Latin America, initiated prior to the agreement with Britain, continued with limited reference to the application of a self-denying ordinance. Chief among these was the Axis replacement programme and the associated strategic aims of the US in Latin America, which militated against the retention of significant European economic concerns in the region. More importantly, when rivalry surfaced between US and British interests, which explicitly raised the principle of a self-denying ordinance, US officials failed to enforce the principle. This chapter therefore demonstrates that when it came to Anglo-American relations in South America, the quest for a self-denying ordinance – which had been requested by the British in order to ensure the successful implementation of multilateralism in the region – ultimately proved to be a fruitless one.

Electrification of the Central Brazilian Railway

The question of the US adopting a self-denying ordinance in Latin America first came to light with regard to a case that would subsequently define Anglo-American relations in the region: the electrification of the central Brazilian railway. Despite the acknowledgement among officials on both sides of the Atlantic at the time that negotiations concerning this enterprise acted as a test case for Anglo-American relations in South America and beyond, reference to it has been entirely absent from the literature on Anglo-American relations until recently.¹

The central Brazilian railway was a government owned utility within the Ministry for Transportation and Public Works. Stretching over 1,500 kilometres from the interior states of Minas Gerais and São Paulo to Rio de Janeiro on the coast, the railway was the country's principal mode of transport for both people and goods.² In particular, it transported iron ore and manganese from a mine at Minas Gerais to Rio, where it could be shipped for export. The Director of the railway, Major Napoleão de Alencastro Guimarães, went so far in his estimation of its magnitude to claim that “by virtue of the extent and position of its system the Central is unquestionably the most important railway not only in Brazil but also in South America”.³ While not a wholly

¹ For a full account of Anglo-American rivalry concerning the scheme, see Thomas C. Mills, “Anglo-American Economic Diplomacy During the Second World War and the Electrification of the Central Brazilian Railway”, *Diplomacy and Statecraft*, vol.20, no.1 (2009), pp.69-85.

² Guimarães to Gastão Vidigál, 18 Mar. 1944, RG59 832.77/1069, NARA. See also “Central Railway of Brazil Now Autonomous”, 23 Aug. 1941, *South American Journal*, p.122.

³ Guimarães to Gastão Vidigál, 18 Mar. 1944, RG59 832.77/1069, NARA.

impartial observer, Guimarães' statement did reflect the significance of the railway for Brazil's infrastructure.

The conversion of the central railway from steam to electric operation was part of the broader industrialisation of the country administered by Getúlio Vargas, the President of Brazil since 1930.⁴ Foreign interest in the contract to carry out the work went back even further to 1908, when the US firm General Electric sent a team of experts to Brazil to draw up plans for the project. World War I interrupted the implementation of these proposals, but in 1922 the US firm gained a contract to carry out the project. However, the funds supplied by a US bank to finance the scheme were mysteriously diverted to other purposes and the contract was shelved. When in 1932 the Brazilian authorities again called for tenders for the project, General Electric was outbid by their British competitors, the Manchester-based manufacturing firm, Metropolitan-Vickers.⁵

During the negotiations over the contract that followed, Metropolitan-Vickers and the Brazilian authorities decided to divide the project into an initial section of 35 kilometres, stretching from Rio to Nova Iguassu, and a further section of 73 kilometres, extending the line to Barra do Piraí. From 1935 to 1937 the British company successfully completed the electrification of the first section and looked toward the completion of the line. However, disagreements over prices and the exact nature of the materials to be provided delayed conclusion of the project. In 1940 the Brazilian authorities therefore issued a new tender for contracts to complete the second section of the railway.⁶ Securing this contract took on significance beyond the sum total of its parts, as it was widely predicted that whichever company established the technical standards and specifications for this section of the line would likely be guaranteed work on the remainder of the railway system, and possibly the bulk of Brazil's railway infrastructure for the foreseeable future.⁷

It was with these factors in mind that the Foreign Office backed Metropolitan-Vickers' tender for the contract and urged the Treasury and Board of Trade to

⁴ McCann, *The Brazilian-American Alliance*, p.47.

⁵ "Electrification of Central Railways of Brazil" memo by Pierson, 21 Mar. 1944, 832.77/1084, RG59, NARA.

⁶ Hunt to Fraser, 13 June 1942, FO371/30356/A5848, TNA; "Electrification of Central Railways of Brazil" memo by Pierson, 21 Mar. 1944, 832.77/1084, RG59, NARA.

⁷ Turner to Nixon, 19 June 1941, FO371/25781/A4895, TNA; Perowne to Campbell, 1 Oct. 1941, FO371/25781/A7567, TNA; Scott to Leisching, 29 Jan. 1944, FO371/37857/AS424, TNA; Rio to Foreign Office, 4 Feb. 1944, Mather-Jackson minute, 7 Feb. 1944, FO371/37857/AS923, TNA.

guarantee the necessary financial support and supplies for the project.⁸ The British ministries were originally forthcoming in this support. However, world war again disrupted the electrification scheme and in April 1941 the British government withdrew its backing for the enterprise due to a war-induced lack of raw materials and manpower.⁹ The failure of a successful tender for the new contract meant Metropolitan-Vickers' option to complete the electrification of the line contained in the original contract remained valid. However, having lost the support of the British government to complete the work, the company was well aware of the vulnerability of their contract; more specifically, they were immediately alive to the danger posed by US competition.¹⁰

These fears were seemingly realised when on 4 September 1942 the New York-based Electrical Export Corporation – an export consortium composed of General Electric and Westinghouse International – submitted a proposal to undertake the work previously contracted to Metropolitan-Vickers.¹¹ By the end of November a judging commission had given favourable consideration to the proposal and negotiations between the Brazilian authorities and the US company were well under way.¹² The chief fear of Foy, Metropolitan-Vickers' representative in Rio, was that the US firm would gain the contract on the pretence that it could carry out the work during the war, only to postpone it for post-war completion. What the company therefore requested of the Foreign Office was that they ask the State Department to restrain US industrial interests from intriguing after the contract.¹³

The realisation that Metropolitan-Vickers might permanently lose this important enterprise to their US competitors prompted the Foreign Office to approach the State department with regard to this case.¹⁴ But in choosing to adopt this course of action, Mather-Jackson had much greater aspirations in mind than the Brazilian railway alone. As he explained in a letter to Ronald Fraser, his counterpart in the

⁸ "Brazil Central Railway Electrification Scheme" memo, Apr. 1941, FO371/25781/A2435, TNA.

⁹ Nosworthy to Magowan, 3 Jan. 1941, FO371/25781/A127, TNA; Foreign Office to Rio, 19 Apr. 1941, FO371/25781/A2739, TNA.

¹⁰ Turner to Mather-Jackson, 27 June 1941, FO371/25781/A4320, TNA.

¹¹ Rio to Foreign Office, 23 Sept. 1942, FO371/30356/A8876, TNA; Foy to Nosworthy, 22 Sept. 1942, FO371/30356/A10222, TNA.

¹² Rio to Foreign Office, 23 Sept. 1942, FO371/30356/A8876, TNA; Caffery to State Department, 30 Nov. 1942, 832.77/868, RG59, NARA.

¹³ Hunt to Fraser, 13 June 1942, FO371/30356/A5848, TNA; Foreign Office to Rio, 31 Aug. 1942, FO371/30356/A5848, TNA.

¹⁴ Fraser to Mather-Jackson, 18 June 1942, Mather Jackson minute, 25 June 1942, FO371/30356/A5848, TNA.

Board of Trade, the broader goal he hoped to achieve with this case was “an understanding with the United States authorities that ... United States industries should not receive any encouragement from their Government to take away business which we are prevented from undertaking because of the war”.¹⁵ In this sense, Mather-Jackson hoped to use the case of the electrification of the central Brazilian railway to extract a self-denying ordinance from the State Department that would protect British commercial interests generally for the post-war era.¹⁶

Halifax subsequently took the matter up with the US authorities in November 1942, enquiring both whether BEW would be able to release the necessary supplies for the work and whether the Export-Import Bank was planning to finance the project.¹⁷ On the first point BEW noted the strategic value of the iron ore and manganese transported on the railway, but did not consider electrification of the line a war necessity and therefore thought it unlikely that any application for the project would gain approval at the present time.¹⁸ Moreover, the State Department agreed to make this supply situation clear, both to the Electrical Export Corporation and the Brazilian authorities.¹⁹ On the second point it was denied that any loan from the Export-Import Bank had been guaranteed for the project, but it was confirmed that Pierson had given verbal undertakings that the bank would be willing to support the scheme in the future.²⁰

While this may have been a more sympathetic reply than British officials had expected, the US response to the protest focused narrowly on the specifics of the case in hand. The State Department was well aware of the broader question raised by the British request: would it prevent a US company from taking a contract that would have been held by their British competitor, had it not been for the war.²¹ The failure on their part to address this broader question reflected an unwillingness to take a firm position on the matter at this time. In a telegram concerning the contract for the Brazilian railway sent to Caffery in November it was made clear that whereas:

¹⁵ Mather-Jackson to Fraser, 6 July 1942, FO371/30356/A5848, TNA.

¹⁶ Foreign Office to Rio, 1 Jan. 1944, FO371/33648/A11270, TNA.

¹⁷ Washington to Foreign Office, 10 Nov. 1942, FO371/30356/A10461, TNA; Washington to Foreign Office, 12 Nov. 1942, FO371/30356/A10548, TNA.

¹⁸ Micou to Lazo, 16 Oct. 1942, Palmer to Benton, 16 Nov. 1942, 832.77/866-1/2, RG59, NARA; Washington to Foreign Office, 12 Nov. 1942, FO371/30356/A10548, TNA; Washington to Foreign Office, 18 Jan. 1943, FO371/33648/A718, TNA.

¹⁹ State Department to Rio, 11 Feb. 1943, 832.77/1020, RG59, NARA.

²⁰ Washington to Foreign Office, 18 Jan. 1943, FO371/33648/A718, TNA.

²¹ State Department to Rio, 20 Nov. 1942, 832.77/867B, RG59, NARA; State Department memo, 4 Jan. 1943, 832.77/868-1/2, RG59, NARA.

the British ... take the position that we should not press for such contracts when they are holding back their own firms from working for such postwar business, ... the [State] Department is at present taking no position with respect to this contention.²²

Considering the British protest in December, Emilio G. Collado, Special Assistant to the Under Secretary of State, admitted that it seemed impossible that the Electrical Export Corporation would be able to complete the work during the war, but insisted that it was legitimate for them to “line up projects for immediate execution after the war”. He further maintained the right of “the Export-Import Bank to enter into arrangements looking forward to such a period”.²³ Such an attitude within the State Department made it impossible to give any firm commitment that the US company would not benefit from the dislocations affecting British commerce.

While the broader significance of the British approach concerning the central Brazilian railway had certainly been appreciated by US officials and those in the Foreign Office most familiar with the case, it was not until later that the British government as a whole came to see the case as being intrinsically linked to the principle of a self-denying ordinance. However, by the spring of 1943 there was a general recognition in Whitehall that a new policy toward Latin America was required.

The Need for Publicity

In formulating a new policy toward South America the British government was guided by two fundamental considerations. On the one hand, all government departments were firmly convinced of the need to defend existing British interests in the region during the war in order that they would serve national interests in the post-war era. On the other hand, the Foreign Office, in particular, was continually aware of the need to avoid a rupture in relations with the US that could result from rivalry between the two countries in South America.²⁴ This, the Foreign Office believed, was

²² State Department to Rio, 20 Nov. 1942, 832.77/867B, RG59, NARA.

²³ Collado memo, 19 Dec. 1942, FW832.77/868-1/2, RG59, NARA.

²⁴ Perowne to Campbell, 31 Oct. 1942, FO371/30516/A8581, TNA; “The US and Great Britain in Latin America” memo by Perowne, 26 Feb. 1943, FO371/33903/A2230, TNA; Perowne to Harvey, 19 Mar. 1943, FO371/33903/A2230, TNA; Humphreys paper, undated [Mar. 1943], FO371/33903/A2213, TNA; Leche to Eden, 8 Feb. 1943, FO371/33903/A2393, TNA.

vital both to continuing collaboration in the war effort and for longer-term cooperation between the two nations in the post-war years.²⁵

Initially, the tension between these two objectives caused a division between the Ministry of Information and the Foreign Office. The Ministry of Information, increasingly concerned over the growing publicity by US business in South America by the end of 1942, wished to embark on a propaganda campaign in the region to mirror US activities. These concerns were expressed clearly in a paper sent by the ministry to Alexander Cadogan, Permanent Under Secretary of State for Foreign Affairs. This articulated the Ministry of Information's belief that the lack of a strong British publicity campaign – contrasted with an increasingly clear desire by US interests to dominate the region in the future – was leading to an impression among South Americans that Britain intended to give up its interests in the region.²⁶ In order to counter this impression, the ministry wished to send instructions to its press attachés, attached to British missions throughout the region, to embark on a publicity drive aimed at creating the impression that Britain was determined to retain its interests in the region in the post-war era.²⁷

The urgency of such a campaign, the Ministry of Information believed, was increased when Rovensky approached Halifax in March 1943 to discuss US advertising in Latin America in the hope of allaying British concerns over such activities. This approach, Halifax informed the ministry, should be taken as an opportunity to increase British advertising in the region in collaboration with the US.²⁸

The Foreign Office, however, opposed the prospect of a publicity drive by British press attachés in South America without a prior approach to the State Department on relations between the two countries in the region, for fear that unilateral action could cause a serious breach in relations between the wartime allies.²⁹ However, at the time of the Ministry of Information's call for a publicity drive, the Foreign Office was unwilling to approach the State Department on this

²⁵ "The US and Great Britain in Latin America" memo by Perowne, 26 Feb. 1943, FO371/33903/A2230, TNA; Perowne minute, 4 Mar. 1943, FO371/33903/A2230, TNA.

²⁶ Radcliffe to Cadogan, 9 Mar. 1943, FO371/33907/A2494, TNA. See also "Future British Trade Relations with Latin America", 13 Feb. 1943, FO371/33907/A1710, TNA.

²⁷ Bonham-Carter to Perowne, 9 Jan. 1943, FO371/33901/A523, TNA.

²⁸ Halifax to Ministry of Information, 3 Mar. 1943, FO371/33907/A2308, TNA.

²⁹ Perowne to Bonham-Carter, 21 Jan. 1943, FO371/33901/A523, TNA; Perowne minute, 2 Apr. 1943, FO371/33907/A2494, TNA.

subject, as it was still uncertain as to the precise policy it wished to advocate in Latin America.³⁰ This uncertainty was fuelled by a frustration among the lower rungs of the Foreign Office bureaucracy about the lack of knowledge of the status, and more importantly, the content, of high level negotiations between the US and Britain concerning post-war economic policy.³¹ Without a clearly defined policy, the Foreign Office informed the Ministry of Information, instructions to British press attachés would have to wait.³² The Ministry of Information therefore reluctantly informed Halifax that while they were interested in the approach from Rovensky, they were unable to engage in talks concerning joint publicity until agreement on policy among departments in London had been reached.³³

Despite this set back, the Ministry of Information continued to push the Foreign Office to settle on a policy toward Latin America, which would allow a British publicity campaign in the region to get under way.³⁴ And while the Foreign Office had certainly been keen to establish the principle that the policy must precede the publicity, it did appreciate the urgency of countering the ever-increasing promotion of US business in Latin America.³⁵ As Halifax explained, the danger of “continued passivity and silence” on the part of the British in the region could be to “so greatly handicap British enterprise in Latin-America that it may never be able to retrieve its position”.³⁶ Despite the lack of clear guidance from the highest levels of government regarding post-war economic planning, then, the Foreign Office, along with other interested government departments, sought throughout the spring of 1943 to redefine British policy in Latin America.

³⁰ Perowne to Bonham-Carter, 21 Jan. 1943, FO371/33901/A523, TNA; Perowne to Bonham-Carter, 23 Jan. 1943, FO371/33901/A523, TNA; Mather-Jackson minute, 16 Feb. 1943, Gallop minute, 16 Feb., 1943, Ashton minute, 16 Feb. 1943, Butler minute, 17 Feb. 1943, FO371/33907/A1710, TNA; Gallop minute, 17 Mar. 1943, FO371/33907/A2494, TNA; Perowne minute, 2 Apr. 1943, FO371/33907/A2494, TNA.

³¹ Mather-Jackson to Willis, 5 Apr. 1943, FO371/33907/A2494, TNA.

³² For reference to the general problem of publicity being held up for want of an agreed policy, see Grubb, *Crypts of Power*, p.132.

³³ Ministry of Information to Washington, 12 Mar. 1943, Ministry of Information to Washington, 13 Mar. 1943, FO371/33907/A2494, TNA.

³⁴ Bonham-Carter to Perowne, 31 Mar. 1943, FO371/33901/A3135, TNA; Radcliffe to Cadogan, 16 Apr. 1943, FO371/33909/A3664, TNA.

³⁵ Mather-Jackson to Willis, 5 Apr. 1943, FO371/33907/A2494, TNA; Mather-Jackson minute, 21 Apr. 1943, FO371/33907/A3590, TNA; Sargent to Radcliffe, 22 Apr. 1943, FO371/33909/A3664, TNA.

³⁶ Washington to Foreign Office, 29 Apr. 1943, FO371/33908/A3996, TNA. See also Mather-Jackson to Willis, 5 Apr. 1943, FO371/33907/A2494, TNA.

Formulating a Policy

An initial idea developed among British officials was that Britain could forge a role for itself in Latin America as an ‘honest broker’. Developed in correspondence between Campbell in Washington and Perowne in London, this concept held that Britain could simultaneously convince the Latin American governments of their worth as a counterweight against unfettered US dominance in the region, while at the same time convincing the US that British influence could be put to beneficial ends by promoting cooperation between the American states.³⁷ But the idea of Britain acting as an honest broker between the US and the Latin American states was soon dismissed, both on the grounds that it would portray Britain in an “undignified” light, and, more importantly, for being insufficient to the task of preserving British interests in South America.³⁸ As Perowne put it when reversing his previous support for such a policy, Britain could not be an “honest broker” in Latin America and at the same time remain “a ‘principal’ – and a ‘principal’”, he went on, “is exactly what we are and must remain failing a decision to abdicate our whole position in Latin America”.³⁹

Building on this theme, another suggestion was that the British government should simply inform the State Department what they considered to be their legitimate interests in Latin America and that they intended to take action to defend those interests.⁴⁰ This approach was advocated by the Board of Trade, which suggested informing the State Department that the British government were “alive to what is going on” regarding the promotion of US interests in Latin America, and that in response, the British intended “to keep the flag flying ... as we cannot afford after the war to be driven out of our traditional markets”.⁴¹

Influential British ambassadors throughout South America encouraged this belligerent attitude. In March Kelly informed London of his belief that “the time has come to stand up to [US] competition which tends more and more to become sheer intimidation”. In order to stem this flow, Kelly believed the British government should simply place before the US “a picture of what we consider to be our legitimate

³⁷ Campbell to Perowne, 4 Sept. 1942, FO371/30516/A8580, TNA; Perowne to Campbell, 31 Oct. 1942, “The US and Great Britain in Latin America” memo by Perowne, 29 Dec. 1942, FO371/30516/A12124, TNA. See also Morton to Churchill, 6 Aug. 1943, CHAR20/95A, Chartwell Papers, Winston Spencer Churchill Papers, Churchill Archives Centre, Cambridge [hereafter CAC].

³⁸ Humphreys paper, undated [Mar. 1943], FO371/33903/A2213, TNA.

³⁹ Perowne minute, 2 Apr. 1943, FO371/33903/A2213, TNA.

⁴⁰ “Commercial Policy in Regard to Latin America”, undated, FO371/33908/A4370, TNA.

⁴¹ Nowell to Mather-Jackson, 23 Apr. 1943, FO371/33908/A3834, TNA.

share in the future trade of this continent” and then take vigorous action to defend those interests.⁴² Taken to the extreme, this approach could subsequently have entailed pursuing bilateral trade with South American states, regardless of the wishes of the US.⁴³ But while this approach may have made sense from a purely commercial perspective, it failed to account for the political considerations surrounding Anglo-American cooperation in Latin America and beyond.

Alongside these various conceptions of promoting British interests in Latin America that tended to take a combative attitude toward the US, there was also a strain of thought positing that collaboration with the US in the region would prove the most effective means of preserving British interests. Specifically, collaboration in the promotion of multilateralism in Latin America was conceived of as the surest way to protect British interests in the region, without endangering cooperation with the US.

The belief that the best hope of preserving British interests in South America lay in the multilateral project that guaranteed free and equal access to markets and resources had been present in official British thinking for some time. In September 1942 Campbell had sought to temper fears of British interests being excluded from South America by pointing out that “in the long run” British concerns should be protected by the multilateral project, which, he pointed out, “is universal and not sectional”. “In the economic sphere”, Campbell continued, British interests in South America would be “covered by Article 7 of the [Lend-Lease] Consideration Agreement”.⁴⁴ Similarly, Perowne noted in the same month that cooperation in relations between the US and Britain in Latin America – in place of rivalry – would most likely “have a chance of survival in the incubator of the Atlantic Declaration and the [Lend-Lease] Consideration Agreement”.⁴⁵ But at this stage the belief that multilateralism would protect British interests in South America existed primarily as a vague hope, rather than an outcome to be actively pursued. During the formulation of British policy toward Latin America in first half of 1943, however, this notion took on more concrete form.

The suggestion that Britain should explicitly advocate multilateralism in Latin America first came from the Ministry of Information, when pushing for a publicity

⁴² Kelly to Eden, 25 Mar. 1943, FO371/33907/A2855, TNA. See also Buenos Aires to Foreign Office, 19 May 1943, FO371/33908/A4701, TNA. For a similar view from Central America, see Leche to Eden, 8 Mar. 1943, FO371/33907/A2942, TNA.

⁴³ Humphreys paper, undated [Mar. 1943], FO371/33903/A2213, TNA.

⁴⁴ Campbell to Perowne, 4 Sept. 1942, FO371/30516/A8580, TNA.

⁴⁵ Perowne to Campbell, 31 Oct. 1942, FO371/30516/A8581, TNA.

drive in the region. As explained in a Ministry of Information paper on future British trade relations with Latin America, the substance of British propaganda in the region should emphasise that “the United Nations are fighting for the liberty of all peoples”. Moreover, “that liberty”, the paper went on, “includes national freedom in commerce – the right of every country to sell its goods to any other country that can pay for them, and to buy in whatever market it chooses”. In this conception of post-war trade, the implication was clearly that the South American countries would be free to trade with Britain, and other non-American powers, as well as the US.⁴⁶

Another advocate of multilateralism in Latin America in this period was Humphreys, the principal academic expert informing Foreign Office thinking on Latin America. In a paper written in March 1943 he outlined the need for continued British access to the markets of South America and noted that in order to maintain these markets Britain had a “certain protection in the [multilateral] trading policy, in Article 7 of the Mutual Aid Agreement and in the Atlantic Charter”. Cumulatively, Humphreys went on, these agreements were representative of the fact that “the United Nations are in fact committed to a postwar policy which guarantees to all equal access to trade and to raw material resources of the world”. In terms of concrete policy, Britain could, therefore, “without being ‘starry eyed’, ... insist that as far as Latin America is concerned this is our policy no less than the United States and that we intend to pursue it”.⁴⁷

Separately to the idea that Britain should promote multilateralism in Latin America was the growing sense that if the State Department were approached in a spirit of collaborating for the common good in the region, it may be possible to request that they restrain US officials and business interests from promoting US trade, while Britain was prevented from doing so by wartime restrictions. Playfair believed that having explained to the State Department that “their people are going hell-for-leather for post-war trade”, while the British were remaining “discreet”, an ultimatum should then be given. Either the State Department take “some steps to offset the all out tactics of their most enthusiastic people” in South America, or British interests

⁴⁶ “Future British Trade Relations with Latin America”, 13 Feb. 1943, FO371/33907/A1710, TNA. The author of the paper is not indicated, but was most likely Kenneth Grubb.

⁴⁷ Humphreys paper, undated [Mar. 1943], FO371/33903/A2213, TNA.

would abandon their previous restraint and join their US counterparts in “going all out” for post-war trade in the region.⁴⁸

By the end of April these separate strands of British policy came together in an inter-departmental meeting with representatives from the Foreign Office, the Board of Trade, and the Treasury. The policy paper produced by this meeting recorded the consensus that had now been reached between government departments that British publicity in South America would have to be increased in order “to defend our long-term interests in Latin America”. Moreover, in order to avoid this action causing friction with the US government, an approach to the State Department would be needed to produce “some measure of at least passive good will, if not active cooperation, on the part of the U.S. authorities”. More specifically, it was hoped that the State Department would issue “guidance to American agencies and individuals operating in Latin America” that would “restrain them” from exploiting wartime conditions for the advantage of US trade. Finally, it would be impressed upon the State Department that this request was being made by Britain “as signatories of the Atlantic Charter, with its promise of fuller opportunities for international trade”.⁴⁹

But while the constituent parts of an approach to the State Department outlining British policy had been formulated in London, it was Halifax in Washington who finally linked them together into a coherent whole. In a May telegram to London, which was copied to missions throughout Latin America, he outlined the precise terms in which an approach to the State Department should be made. Having outlined the British belief that US business interests and government agencies and officials were taking advantage of the situation created by the war to replace British interests on a permanent basis, Halifax advised impressing upon the State Department that this not only represented a threat to continued Anglo-American collaboration, but also to the “full and free development of a multilateral system of trade ... which is the foundation of expanding production, exchange and consumption throughout the world”. As “the maintenance of commercial exchanges with Latin America” was vital to Britain’s participation in a multilateral economic system, Halifax suggested that he

⁴⁸ Playfair minute for Bewley, Rowe-Dutton, Waley, 16 Apr. 1943, FO371/33907/A3590, TNA.

⁴⁹ “Commercial Policy in Regard to Latin America”, undated [May 1943], FO371/33908/A4370, TNA.

should therefore ask the State Department “to ensure ... that no advantage is taken by nationals of either country at the expense of the other”.⁵⁰

In formulating such an approach to the State Department, Halifax thereby combined the call for restraint on the part of the US with an advocacy of multilateralism in Latin America by Britain. More specifically, he suggested making the case to the Roosevelt administration that a self-denying ordinance on the part of the US government was not only desirable, but essential to the successful implementation of a multilateral economic system, which they themselves were promoting for the post-war era.

The Call for a ‘Self-Denying Ordinance’

The decision to approach the State Department with a call for a self-denying ordinance, which would ensure the successful implementation of a multilateral trade system for the post-war era, gained ministerial approval in a meeting of the War Cabinet Lord President’s Committee, held on 21 May.⁵¹ In this meeting the President of the Board of Trade, Hugh Dalton, and Foreign Secretary Eden presented a joint memorandum to the committee stating their belief in the “urgent need of an approach to the United States Government ... if this country is to stand any chance of regaining its Latin American markets after the war”. They therefore proposed sending a memorandum to Halifax on commercial policy in Latin America, based on the policy paper agreed in the inter-departmental meeting of the previous month.⁵² The fact that the approach to the State Department concerning Latin America was considered at the highest level of government, and, moreover, that the substance of the policy to be presented to the US had been the subject of so much debate between Whitehall departments over the previous months, demonstrates the error of previous studies in claiming that the region was of little or no importance to Britain, and therefore inconsequential to Anglo-American relations during the war.⁵³

⁵⁰ Washington to Foreign Office, 7 May 1943, FO371/33908/A4273, TNA; Washington to Foreign Office, 29 Apr. 1943, FO371/33908/A3996, TNA.

⁵¹ The Lord President’s Committee was an influential wartime cabinet committee chaired at this time by Sir John Anderson.

⁵² “War Cabinet Lord President’s Committee. Conclusions of a Meeting of the Committee held on Friday 21st May, 1943 at 10.30a.m.”, “Commercial Policy in Latin America”, Eden to Halifax, 25 May, 1943, FO371/33908/A4800, TNA; Entry for 21 May 1943, Folder 28, Part 1, Hugh Dalton Diaries, LSE.

⁵³ Green, *The Containment of Latin America*, p.138; Kimball, “‘The Juggler’”, pp.27-39; Kimball, *The Juggler*, pp.120-122. In particular, the foregoing offers a comprehensive rebuttal of Campbell’s

Having settled on the substance of a policy that could be articulated to the State Department, the only remaining question for the British government was which US official this approach should be made to. Initially the Board of Trade believed that the approach should be made at a fairly low level.⁵⁴ But this idea was rejected on the grounds that it would fail to convey the seriousness of the issues involved. Moreover, it was believed that if a call for self-restraint by the State Department were to materialise effectively, it would have to come in the form of a high-level directive or statement.⁵⁵ The level of the approach having been settled, the remaining choice was whether this should be made to Welles or Hull – the two most senior officials in the State Department.⁵⁶

In the end this was left to Halifax to decide and practicalities alone were most likely a factor. But Halifax's eventual decision to approach Hull on the issue was also reflective of the belief throughout the British government that it was in the figure of Hull that Anglo-American collaboration in the promotion of multilateralism in Latin America stood the greatest chance of success. Hull was not particularly pro-British in general, but he had long been the US official most closely associated with multilateralism.⁵⁷ As British officials had by this point come to the conclusion that multilateralism represented the best hope of maintaining British interests in South America, it was therefore Hull who was perceived as Britain's most effective ally in the region. As Halifax explained, in the context of promoting multilateralism in Latin America, the British had in Hull, a friend "at the highest level".⁵⁸

In the Aide-Memoire finally handed to Hull by Halifax on 10 July 1943, the British government declared its intention that henceforth it proposed to "make it clear to the countries of Latin America and to the British communities in them that they retain their commercial interest in these countries". Moreover, in seeking US collaboration in this goal, the Aide-Memoire directly linked a request for self-restraint on the part of the US government to the Roosevelt administration's own multilateral

claim that the British government had "little disposition to try [and moderate US] policy in the Western Hemisphere". See Campbell, "Anglo-American Relations", p15.

⁵⁴ "Commercial Policy in Regard to Latin America", undated [May 1943], Mather-Jackson minute, 1 May 1943, FO371/33908/A4370, TNA.

⁵⁵ "Commercial Policy in Regard to Latin America", undated [May 1943], FO371/33908/A4370, TNA; Playfair minute for Bewley, Rowe-Dutton, Waley, 16 Apr. 1943, FO371/33907/A3590, TNA.

⁵⁶ Washington to Foreign Office, 30 Apr. FO371/33908/A3996, TNA.

⁵⁷ For Hull's views on Britain, see Burk, "American Foreign Economic Policy and Lend-Lease", p.46.

For Hull's long-standing commitment to multilateralism, as well as his memoirs, see Schatz, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace", pp.85-103.

⁵⁸ Washington to Foreign Office, 30 Apr. FO371/33908/A3996, TNA.

project. Expressing an awareness “that the United States Government regard the extension of postwar trade as the common objective”, it went on to express the hope that the US government shared with its wartime ally, “the view that Great Britain should participate in this expansion in markets generally, including those in Latin America”. Pointing to the curtailment of British exports to Latin America entailed by war sacrifices, alongside US efforts to promote their own export trade in the region, the Aide-Memoire described “an impression, however false, that there may be some desire on the American side to supplant British traders in [their] established and traditional markets, not only for the war period, but permanently thereafter”.⁵⁹ In order to counteract this notion Halifax asked Hull during the meeting if the US government would agree to “the principle that no advantage in world markets shall accrue to either country at the expense of the other by reason of sacrifices made in the interest of the effective prosecution of the war”. By linking the protection of British markets to the country’s ability to effectively participate in the multilateral trade regime that the State Department’s internationalists were so attached to, the Foreign Office made a request that Hull could scarcely reject. He subsequently denied there was any intention on the part of the US to purge British interests from Latin America and pledged US agreement to the principle of a self-denying ordinance.⁶⁰

British policy-makers were well aware that by framing their request for a self-denying ordinance in Latin America in the context of the multilateral trade programme, Hull – as the chief proponent of multilateralism – would scarcely be in a position to reject it. As Butler put it, the British approach to Hull should “include reference to the Open Door” precisely because this “is a consecrated American policy to which he is much attached”.⁶¹ But this should not lead us to believe that British policy-makers were merely paying lip service to multilateralism in a cynical attempt to win Hull’s approval for their request.

Rather, it reflected a genuinely held belief – founded on the basis of a thorough review of British policy in Latin America – that the implementation of a global trading system based on multilateralism would best serve Britain’s long-term interests in the region, while at the same time preserving a cooperative relationship

⁵⁹ “Aide-Memoire from British embassy in Washington”, 9 July 1943, Folder 216, Box 59, Hull Papers, CUL; Washington to Foreign Office, 12 July 1943, FO371/33909/A6635, TNA.

⁶⁰ Memo of conversation, 10 July 1943, Folder 216, Box 59, Hull Papers, CUL; Washington to Foreign Office, 10 July 1943, FO371/33909/A6498, TNA.

⁶¹ Butler minute, 28 Apr. 1943, FO371/33908/A3834, TNA.

with the US. This support by British officials for multilateralism in Latin America offers an important counterweight to the dominant portrayal of British officials during World War II as instinctively rejecting multilateralism.⁶² Instead, just as US officials rallied to the cause of multilateralism when it seemed the surest means of securing US interests, British officials advocated the economic system when it seemed to serve their interests.

The British government followed up the pronouncement of its reformulated policy in Latin America with comments in the House of Commons by Dalton. In July, in response to concerns about Britain's export trade to South America, Dalton sought to reassure the House "that we do not intend to disinterest ourselves in Latin America". Moreover, he went on, Britain would participate in the markets of Latin America in the post-war era as part of its commitment to "an expansive world economy". "We are pledged" to such an economic system by British signature to the Atlantic Charter and the Mutual Aid Agreement, Dalton continued, "and we mean it".⁶³ In September, in response to a query as to whether British exports to South America would remain hampered by the restrictions of the Export White Paper in the post-war era, Dalton repeated the pledge agreed with the US that "neither the United Kingdom nor the United States should gain any advantage in world markets at the expense of the other by reasons of sacrifices made in the interest of the effective prosecution of the war".⁶⁴

But while the British government could now point to the agreement with the US to implement a self-denying ordinance in order to facilitate multilateralism in Latin America, it remained far from clear whether there was the sufficient political will within the US polity for this to happen. As Mather-Jackson mused, all would hinge on the true desire of the US government "to cooperate in international post-war trade". If the desire is limited to Hull and a few other individuals, he went on, the

⁶² In particular, in this regard, see Kolko, *The Politics of War*, ch.12; Gardner, *Economic Aspects of New Deal Diplomacy*, p.275-288; LaFeber, *America, Russia and the Cold War*, p.11; Hathaway, *Ambiguous Partnership*, pp. 16-35; Hitchens, *Blood, Class and Nostalgia*, ch.8.

⁶³ House of Commons Debates, 27 July 1943, *Parliamentary Debates*, Vol.391 (London: HMSO, 1943), pp.1490-1495; Entry for 27 July 1943, Folder 29, Section 1, Dalton Diaries, LSE.

⁶⁴ House of Commons Debates, 21 Sept. 1943, *Parliamentary Debates*, Vol.391 (London: HMSO, 1943), pp.52W; "Government and Post-War Trade With South America", 25 Sept. 1943, *South American Journal*, p.152. The Commercial Secretary of the British embassy in Buenos Aires repeated the substance of Dalton's comments to the Annual General Meeting of the Argentine Chamber of Commerce in October 1943. See Kelly to Perowne, 3 Nov. 1943, FO371/33909/A10552, TNA.

British call for a self-denying ordinance “would be asking the impossible”.⁶⁵ Immediate indications following the agreement between the US and Britain did not bode well.

Testing the New Accord

The agreement between the US and Britain to implement a self-denying ordinance in Latin America provided the British government with a new framework within which subsequent efforts to protect Metropolitan-Vickers’ interests in Brazil could take place. This remained a key objective for the Foreign Office, for although they had been successful in winning official support for a self-denying ordinance from the US, the outcome of the case that had first raised the principle would now act as a barometer of the extent to which it would be adhered to in practice. Mather-Jackson made this clear, explaining that the principle had “become inseparable in the minds of the US authorities from the case in point”.⁶⁶ The necessity to test the new Anglo-American agreement in relation to the central Brazilian railway arose just days after its consummation.

On 13 July the Brazilian Minister for Foreign Affairs, Oswaldo Aranha, informed Charles that negotiations with the British company concerning the electrification of the second section of the railway would have to be broken due to the need to proceed with the work “without further delay”. Charles expressed dismay on receiving this news but nonetheless accepted the Brazilian’s decision, asking only that further work on the railway be reserved for the British company as compensation for losing out on the present phase.⁶⁷ But while this may have been a suitable response when viewing the case solely through the prism of British interests in Brazil, it failed to take in to the account the significance the Brazilian enterprise had taken on in Anglo-American economic diplomacy. From the perspective of the Foreign Office, to accept the loss of this contract to a US firm would constitute a failure to uphold the new agreement with the US. As Mather-Jackson reasoned, while in the context “of the local Brazilian scene” the decision to accept the loss of the contract may make sense, “so far as the wider industrial scene is concerned”, to take this course of action “may

⁶⁵ Mather-Jackson minute, 21 Apr. 1943, FO371/33907/A3590, TNA.

⁶⁶ Mather-Jackson minute, 19 Mar. 1944, FO371/37857/AS1553, TNA.

⁶⁷ Rio to Foreign Office, 18 July 1943, FO371/33648/A6708, TNA.

be to prejudice our position elsewhere". London therefore deemed Charles' acceptance of defeat premature and again opted to raise the case in Washington.⁶⁸

The subsequent British protest to the State Department centred on the fact that the Brazilians had justified breaking negotiations with Metropolitan-Vickers on the grounds that they needed to progress with the work on the railway "without further delay". The clear implication of this was that the British company's chief competitor in the country, the Electrical Export Corporation, was in a position to embark on the scheme immediately. This belief appeared contradictory to the previous appraisal of the supply situation given to the Brazilian authorities by the State Department earlier that year. The Foreign Office therefore requested that the State Department dispel any "misapprehension in the Brazilian minds" and again make clear to the Brazilian government, "beyond any shadow of doubt", that the same supply conditions that afflict Britain also applied to the US. The Foreign Office further expressed its fear to the State Department that the flow of events in Brazil was leading toward the contract being awarded to the US firm on the pretext of it being completed during the war, but in actuality, for post-war execution. The promises of funding from the Export-Import Bank, moreover, made this outcome all the more likely. The Foreign Office therefore attempted to enlist the State Department's support in preventing the Export-Import Bank from funding the enterprise, seeing this as a violation of the self-denying ordinance.⁶⁹

The State Department certainly understood the linkage between the individual case and Britain's ability to participate in a multilateral trade system in the post-war era. For the British, as Collado put it, the Brazilian case was "was all bound up with the Atlantic Charter and other long range questions".⁷⁰ It was perhaps with such considerations in mind that Hawkins suggested that the State Department comply with the British request and make clear to the Brazilians that neither country would be likely to complete the work on the railway sooner than the other.⁷¹

However, the course of action advocated by Hawkins was only followed to a degree, with Caffery merely being authorised to clarify the supply situation as it

⁶⁸ Mather-Jackson minute, 19 Mar. 1944, FO371/37857/AS1553, TNA.

⁶⁹ Memo, 3 Aug. 1943, FO371/33649/A7411, TNA.

⁷⁰ Collado to Hawkins and Stinebower, 14 Aug. 1943, 832.77/1020, RG59, NARA.

⁷¹ Hawkins to Collado, 17 Aug. 1943, 832.77/1020, RG59, NARA. Leroy D. Stinebower, Chief of the Division of Economic Studies, concurred with Hawkins' view. See Stinebower to Collado, 18 Aug. 1943, 832.77/1020, RG59, NARA.

applied to Britain and the US if the Brazilians raised the matter.⁷² Barring this, any misapprehensions concerning US industries' ability to complete work on the central railway sooner than their British competitors, would be allowed to remain. The State Department's attitude toward the activities of the Export-Import Bank was similarly noncommittal, stating only that no formal offer of financial assistance had been made by the bank.⁷³ This glib response ignored the commitments made by Pierson to support the project the previous year. Early indications of the US attitude toward imposing a self-denying ordinance in Latin America, then, were not encouraging. The reasons for this, while not immediately obvious to British officials, can be discerned by examining the various factors shaping US policy in Latin America – and more specifically relations with Britain in the region – over the months that followed the approach to the State Department.

Bureaucratic Politics and a Lack of Leadership

Simultaneously to requesting that the US impose a self-denying ordinance with regard to Latin America, the British government also asked that the same principle replace the Export White Paper of 1941. An exchange of notes between the two countries affirming that neither would use the war to gain commercial advantage for the future, it was argued, would better reflect the joint struggle that both nations were now engaged in.⁷⁴ This request originally received sympathetic consideration within the State Department.⁷⁵ And while opposition from OLLA and the Treasury eventually overrode the adoption of this principle, the call for a self-denying ordinance was at least contemplated with regard to the Export White Paper.⁷⁶ The link between the concept and US policy in Latin America, on the other hand, was not even considered.⁷⁷ The difference between the State Department's attitude toward a self-denying ordinance with respect to the Export White Paper and general policy in Latin America reflected the fact that an exchange of notes regarding the former only

⁷² State Department to Rio, 31 Dec. 1943, 832.77/1050, RG59, NARA.

⁷³ Washington to Foreign Office, 14 Dec. 1943, FO371/33648/A11270, TNA.

⁷⁴ Aide-Memoire from British embassy in Washington, 9 July 1943, Folder 216, Box 59, Hull Papers, CUL; Draft despatch to Halifax, 13 May 1943, FO371/33908/A4478, TNA.

⁷⁵ Acheson to Hull, 30 June 1943, 841.24/2037, RG59, NARA; Hawkins to Achilles, 7 Sept. 1943, 841.24/2098, RG59, NARA; Draft of reply by Secretary of State, undated [September 1943], 841.24/2098B, RG59, NARA.

⁷⁶ Stevens to Achilles, 27 July 1943, 841.24/19621-2, RG59, NARA.

⁷⁷ Ironically, one of the few fleeting references to the call for a self-denying ordinance in relation to Latin America was with regard to British compliance with the principle. See Buenos Aires to State Department, 31 Mar. 1944, 735.41/29, RG59, NARA.

required US adherence to the principle in an abstract sense; no immediate action would be required. In order to apply the principle with respect to Anglo-American relations in Latin America, on the other hand, concrete steps to shape policy would be required.

One reason that the US government proved unwilling, or at least unable, to take these steps was simply the nature of the governmental bureaucracy in the Roosevelt administration, which tended toward a lack of coordination and consistency. On first arriving in Washington in 1941, Halifax was struck by the “terribly disjointed” nature of the government machinery in Washington, whereby inter-departmental rivalry was rife and there was a lack of bureaucratic machinery for resolving differences. The frustrating result, from the perspective of British relations with the US, Halifax concluded, is “that a great deal of what we try to do ... seems like hitting wads of cotton wool”.⁷⁸ The same circumstances were discovered by Gallop on a trip to Washington in February 1944. “The State Department work out their own policy in a vacuum”, Gallop observed, and then simply try to sell it to other interested departments.⁷⁹

One example of the failure of the US government to coordinate policy between different departments was displayed by the attitude of different departments to the support for US exporters provided by CIAA and the Treasury. Criticism of the seemingly preferential status being afforded to US exporters in Latin America was raised in Britain during a session of Parliament in July 1943. During MP’s questions for Sir Kingsley Wood, the Chancellor of the Exchequer, Ian Hannah pointed to the tax break for US firms in Latin America and the competitive edge this would give US commerce over their British rivals.⁸⁰ On hearing of these concerns in Britain there were those in the Roosevelt administration who questioned the wisdom of granting Rockefeller’s aid to US exporters. Officials in the Foreign Economic Administration (FEA) hoped to install someone to monitor the activities of CIAA, who, as Lazo put

⁷⁸ Halifax to Eden, 4 Feb. 1941, A4.410.4.15, Earl Halifax Papers, CAC; Halifax to Churchill, 13 Mar. 1941, A4.410.4, Halifax Papers, CAC. See also Earl Halifax, *Fullness of Days* (London: Collins, 1957), pp.243-246; J. Gary Clifford, “They Don’t Come Out Where You Expect: Institutions of American Diplomacy and Policy Process” in Gordon Martel ed., *American Foreign Relations Reconsidered, 1890-1993* (London: Routledge, 1994), pp.21-25, p.21.

⁷⁹ “Notes on a Visit to Washington and Ottawa” by Gallop, 14 Mar. 1944, FO371/35185/AS1621, TNA.

⁸⁰ House of Commons Debates, 13 July 1943, *Parliamentary Debates*, Vol.391 (London: HMSO, 1943), pp.26-27.

it, “is seeing the export picture as a whole”.⁸¹ In this sense Lazo sought to ensure that CIAA’s policies in Latin America did not conflict with the broader economic goals of a multilateral trade programme. But due to the lack of coordination between US government departments, such oversight could not happen and CIAA was free to continue to administer its support for US advertisers largely unimpeded.⁸²

More worrying from the specific perspective of the implementation of the self-denying ordinance in US Latin American policy was a lack of consistency evident in the US policy-making process. Rather than individual policy decisions being guided by established principles, there was a tendency in the Roosevelt administration to approach each new situation in an *ad hoc* manner, often viewing it without the context of broader objectives.⁸³ Again, this tendency was particularly striking to Gallop who found the US method of governance completely at odds with the British government’s penchant for established guiding principles. It was “small wonder, then”, he remarked in his report on his visit, “that the State Department find it difficult, irksome, and in the long run impossible to commit themselves to any consistent policy”.⁸⁴

Beyond these general idiosyncrasies of the US government bureaucracy, a further impediment to the Roosevelt administration effectively implementing a self-denying ordinance in its Latin American policy during this period was a lack of leadership in this area in the State Department. In September 1943 Sumner Welles, the leader of Latin American policy within the State Department for the last decade, was forced to resign from office due to impending revelations of a personal scandal.⁸⁵ As has been made clear, Welles’ attitude toward European interests in Latin America was far from benevolent. Indeed, his departure from office appeared a welcome development to British officials, hoping that someone more sympathetic to British interests would replace him.⁸⁶

⁸¹ Lazo to Coe, 23 Aug. 1943, “Trade Promotion” Folder, Box 31, Subject File, Records of the Office of the Administrator, FEA, RG169, NARA.

⁸² William B. Anderson, “The Rising Tide of US Advertising in Latin America”, 31 Jan. 1944, *Export Trade and Shipper*, pp.10-11.

⁸³ Kimball, “US Economic Strategy in World War II”, p.140.

⁸⁴ “Notes on a Visit to Washington and Ottawa” by Gallop, 14 Mar. 1944, FO371/35185/AS1621, TNA. For a similar complaint from within the Roosevelt administration, see Feis, *The Sinews of Peace*, p.254.

⁸⁵ For details of the scandal, see Irwin F. Gellman, *Secret Affairs: FDR, Cordell Hull, and Sumner Welles* (Baltimore, John Hopkins University Press. 1995).

⁸⁶ Campbell to Eden, 3 Nov. 1943, FO371/33902/A10016, TNA; “Notes on a Visit to Washington and Ottawa” by Gallop, 14 Mar. 1944, FO371/35185/AS1621, TNA.

However, this did not turn out to be the case. Instead, in the period following Welles' departure from office, there remained a void in the State Department when it came to taking the lead in the direction of Latin American policy.⁸⁷ Welles' replacement as Under Secretary of State, Edward Stettinius, showed little interest in Latin American affairs. And while Hull was seemingly the most likely figure to enforce a self-denying ordinance in Latin America, both his increasingly debilitating illness, and his preoccupation with other matters meant he lacked the sufficient focus on Latin America that would have been required to successfully implement such a policy.⁸⁸ One area in which Hull had focused on Latin America since the advent of the war was with regard to the renewal of the reciprocal trade agreements. Initiated in 1934, the trade agreements with various Latin American countries were renewed by Congress in May 1943.⁸⁹ But while hailed by their supporters as an expression of multilateralism, the reciprocal trade agreements were in fact a series of bilateral treaties with individual Latin American states, and certainly did not provide the kind of free and equal access to the trade of South America sought by Britain.⁹⁰

Beyond these figures, the sole official in the Roosevelt administration who could be said to have been leading US policy following the demise of Welles was Duggan. In many respects Duggan was the political heir to Welles, in terms of his commitment to the inter-American system.⁹¹ However, he did not display the same antipathy toward Britain that Welles had, and, on the contrary, expressed agreement in a meeting with Gallop with the policy set out by Britain in the Aide-Memoire of July 1943.⁹² But Duggan lacked the seniority to really provide effective leadership. This lack of leadership of Latin American policy in the State Department therefore remained until the appointment of Rockefeller in the newly created post of Assistant Secretary of State for American Republic Affairs in December 1944.⁹³ But by the time Rockefeller provided new leadership in US Latin American policy, relations with Britain in the region had come to be consumed by the ongoing problem of Argentina.

⁸⁷ Duggan, *The Americas*, p.102; Connell-Smith, *The Inter-American System*, p.128.

⁸⁸ MacGregor Burns, *Roosevelt*, p.107; Duggan, *The Americas*, p.103.

⁸⁹ Stewart, *Trade and Hemisphere*, pp.24-26.

⁹⁰ Hull, *The Memoirs of Cordell Hull*, vol.2, pp.356-364; Gardner, *Sterling-Dollar Diplomacy*, pp.21-22; Woods, *A Changing of the Guard*, pp.219-225.

⁹¹ "Notes on a Visit to Washington and Ottawa" by Gallop, 14 Mar. 1944, FO371/35185/AS1621, TNA; Friedman, *Nazis and Good Neighbors*, p.79.

⁹² "Notes on a Visit to Washington and Ottawa" by Gallop, 14 Mar. 1944, FO371/35185/AS1621, TNA.

⁹³ Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.169-170; MacDonald, "The Politics of Intervention", p.384.

Frustration with Britain in Argentina

From the summer of 1943 onwards, issues surrounding the attitude of Argentina toward the war, and more specifically, Britain's stance toward altering Argentine policy, came to dominate Anglo-American relations in Latin America. More importantly, from our perspective, this issue increasingly consumed the attentions of Hull, who was supposedly – as the chief advocate of multilateralism – Britain's closest ally in Latin America.⁹⁴

Hull had long been concerned with Argentina's failure to break relations with the Axis and regarded the country as the haven of Nazism in the Western Hemisphere.⁹⁵ This concern was heightened following a coup in Argentina in June 1943, which brought to power the military regime led by General Pedro P. Ramírez.⁹⁶ Concern turned to sheer alarm following a coup in Bolivia in November. Hull and others in the Roosevelt administration were convinced this was inspired by the Argentine regime, and therefore represented the spread of fascist influence throughout Latin America.⁹⁷ At this point Hull began to advocate a series of economic sanctions to be aimed at the Ramírez government, which, it was hoped, would force a break with the Axis and a clamp down on Nazi espionage and propaganda in Argentina.⁹⁸

However, Hull was convinced that these sanctions would only be effective if applied in concert with Britain. In particular, Hull wished Britain to again use its position as Argentina's principal customer for meat as leverage to force the Ramírez government to alter its policies.⁹⁹ Having previously suspended negotiations over a contract to buy Argentine meat at the request of Hull in January 1943, the British had resumed these discussions in the summer of that year and concluded a new contract in August.¹⁰⁰ In December Hull pressed Halifax to join the US in a general embargo against Argentina, which, he believed, would act as a "battering ram" to bring the Ramírez regime into line with US demands within a month. More specifically, Hull

⁹⁴ Kelly, *The Ruling Few*, p.297.

⁹⁵ Woods, "Hull and Argentina", p.356; Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, p.226.

⁹⁶ Kelly, *The Ruling Few*, pp.294-297; Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", pp.6-8.

⁹⁷ MacDonal, "The Politics of Intervention", p.380; Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", pp.10-11; Berle, and Jacobs eds, *Navigating the Rapids*, pp.449-450.

⁹⁸ Memorandum for the President by Berle, 8 Jan. 1944, State Department to Buenos Aires, 8 Jan. 1944, "Argentina" Folder, President's Secretary's File, Roosevelt Papers, RSC.

⁹⁹ Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", p.11.

¹⁰⁰ *Ibid.*, pp.9-10.

suggested that the British inform Argentina that they would be able to make do without Argentine meat for the next year without serious suffering by drawing on existing supplies.¹⁰¹ But Britain rejected Hull's appraisal of the supply situation and refused to endanger its meat supply from Argentina.¹⁰² In January 1944, therefore, Halifax informed Hull, with the backing of a message from Churchill to Roosevelt, that Britain was unwilling to join the US in its sanctions programme against Argentina.¹⁰³

The potential crisis in Anglo-American relations over the Argentine issue was averted when on 24 January the Ramírez regime eventually broke relations with the Axis.¹⁰⁴ However, of most significance from our perspective is the impact of the negotiations concerning the issue on Hull's attitude toward the British in Latin America. Throughout the deliberations with Britain, Hull had made plain his belief that the reluctance on Britain's part to risk its meat supply in Argentina had less to do with wartime supply concerns and more to do with Britain's post-war ambitions in the country. In a conversation with Halifax, Hull pointed to the widespread impression in Argentina that the British were privately pleased at the trouble the US was having in that country, as this would eliminate competition for post-war trade.¹⁰⁵

Moreover, the temporary impasse in Anglo-American differences over Argentina, brought about by the regime's breaking of relations with the Axis, soon ended when the Ramírez government was overthrown in a further coup in February 1944. The new regime, led by General Edelmiro Julián Farrell, and in particular, the influential Colonel Juan Perón, was viewed as even worse than their predecessors by Hull and the US refused diplomatic recognition.¹⁰⁶ Again, the British were unwilling

¹⁰¹ Memorandum of conversation, 22 Dec. 1943, memorandum of conversation, 27 Dec. 1943, Folder 216, Box 59, Hull Papers, CUL; Hull, *The Memoirs of Cordell Hull*, vol.2, pp.1410-1411; Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", p.11; Green, *The Containment of Latin America*, pp.154-155.

¹⁰² Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*, p.226.

¹⁰³ Memorandum of conversation, 19 Jan. 1944, memorandum of conversation, 23 Jan. 1944, Folder 216, Box 59, Hull Papers, CUL; Kimball ed., *Churchill and Roosevelt*, vol.2, pp.678-679; Hull, *The Memoirs of Cordell Hull*, vol.2, pp.1412-1413; Woods, "Hull and Argentina", p.362; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.148. A study by the Combined Food Board supported the British position. See Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", pp.11-12.

¹⁰⁴ Hull, *The Memoirs of Cordell Hull*, vol.2, p.1413; MacDonald, "The Politics of Intervention", p.380.

¹⁰⁵ Memorandum of conversation, 5 Jan. 1944, Folder 216, Box 59, Hull Papers, CUL; Hull, *The Memoirs of Cordell Hull*, vol.2, pp.1411-1412; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.148.

¹⁰⁶ Connell Smith, *The Inter-American System*, p.126-127.

to mirror US actions for fear of jeopardising their meat supplies.¹⁰⁷ While the British eventually gave way on this point, and recalled their ambassador from Argentina in July 1944, Anglo-Argentine negotiations over a further renewal of a meat contract continued, and therefore prevented effective sanctions against the regime.¹⁰⁸

The debates that followed over Britain's meat contract with Argentina increasingly hinged on the post-war aspect of the question, a fact that has often been overlooked in discussion of this topic.¹⁰⁹ Increasingly, having conceded that Argentine meat supplies were indeed necessary to the Allied war effort, Hull pushed the British to limit any contract with the Argentines to one month, rather than the four-year agreement being pursued by the British when the current contract was due to expire in September 1944.¹¹⁰ The clear difference between a short-term and long-term contract was that whereas the former would serve the limited purpose of supplying Allied forces with needed supplies during the war, a long-term contract would secure Britain the market for Argentine meat well into the anticipated post-war era.

The belief that it was this goal prompting Britain's stance toward Argentina was stated forcefully in a note to the British government in August 1944. This pointed to Britain's tendency in matters concerning Argentina "to be governed primarily by the possibility of postwar trade benefits".¹¹¹ Hull made a similar point in a heated exchange with Kelly and Campbell in July 1944 when he claimed that the British had "overlooked the principles at stake" involved with the dispute with Argentina and sought to impress that the challenges posed related to the current prosecution of the war, rather than the situation that would arise thereafter.¹¹² In the months that

¹⁰⁷ Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", pp.12-13.

¹⁰⁸ Hull, *The Memoirs of Cordell Hull*, vol.2, p.1416; Kelly, *The Ruling Few*, 300; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, p.158.

¹⁰⁹ See, for example, MacDonald, "The Politics of Intervention", pp.381-382; Woods, "Hull and Argentina", pp.362-262; Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.148-149; Kimball "The Juggler", p.26. For an exception, see Peffer "Cordell Hull's Argentine Policy and Britain's Meat Supply", pp.19-21.

¹¹⁰ "British Activities in the Other American Republics", 30 Jan. 1945, Box 13, Memorandums of the Division of American Republic Analysis and Liaison, OARA, RG59, NARA; Foreign Office to Tolstoy, 11 Oct. 1944, Cabinet Office Special Secret Information Centre Files, CAB121/347, TNA; Hull, *The Memoirs of Cordell Hull*, vol.2, p.1414; Peffer, "Cordell Hull's Argentine Policy and Britain's Meat Supply", p.13.

¹¹¹ "British Activities in the Other American Republics", 30 Jan. 1945, Box 13, Memorandums of the Division of American Republic Analysis and Liaison, OARA, RG59.

¹¹² Memorandum of conversation, 17 July 1944, memorandum of conversation', 23 Jan. 1944, Folder 216, Box 59, Hull Papers, CUL; Hull, *The Memoirs of Cordell Hull*, vol.2, p.1416; Kelly, *The Ruling Few*, pp.302-304.

followed Hull continued to be frustrated at Britain's failure to follow US action against Argentina and remained convinced that this was a product of post-war ambitions, rather than legitimate wartime concerns.

By the end of 1944, when Hull retired from office, the resentment against the British attitude in Argentina went much further than Hull alone. The pro-British Armour expressed his discontent with the British attitude when surveying various press reports of anticipated future trade expansion between Argentina and Britain in the post-war era. Writing to the State Department from Buenos Aires in March 1944, Armour stated:

It is difficult to avoid the conclusion that British trade and financial circles are still intent upon assuring the Argentine Government that, regardless of any official position the British Government may take, the British businessman understands Argentina's position and has nothing of which to complain with regard to her foreign policy.¹¹³

A similar picture was painted in a report prepared for Hopkins – another supposed friend of Britain in Latin America – prior to his trip to Brazil in February 1945. This described the markedly “anti-American stand” of British private interests in Argentina and the failure of the British government to follow the US in its desire for sanctions.¹¹⁴

Such discontent was summarised in a State Department memorandum of January 1945 surveying British activities in Latin America over the past two years. This concluded that with regard to Argentina, “neither private British interests nor the British government have satisfactorily supported the pro-United Nations stand of the United States”. British private interests, in particular, the memorandum noted, have consistently supported the Argentine regime and taken an anti-American attitude. They have done this, it was concluded, “with the apparent double purpose of discrediting the United States and of enhancing the British position with reference to post-war Argentina”.¹¹⁵

Such widespread resentment against the British produced by joint policy toward Argentina meant that Britain's perceived friends in the Roosevelt administration were unlikely, and even disinclined, to collaborate in attaining

¹¹³ See Buenos Aires to State Department, 31 Mar. 1944, 735.41/29, RG59, NARA.

¹¹⁴ “British Activities in the Other American Republics”, undated [Feb. 1945], Political Memoranda for the Yalta Conference, Feb. 1945, Box 169-171, Hopkins Papers, FDRL.

¹¹⁵ “British Activities in the Other American Republics”, 30 Jan. 1945, Box 13, Memorandums of the Division of American Republic Analysis and Liaison, OARA, RG59, NARA. See also Waterman to Duggan, 13 Oct. 1943, 711.41/605, RG59, NARA.

multilateralism in Latin America. Combined with the consequences of the bureaucratic functioning of the US government, and the lack of effective leadership on Latin American policy in the State Department, it was unsurprising, then, that many of the Latin American policies carried out by the Roosevelt administration in the period following the summer of 1943 failed to demonstrate a firm commitment to a self-denying ordinance. One such policy was the Axis replacement programme.

The Axis Replacement Programme

The Axis replacement programme was an extension of US economic warfare policy, centred on the aim of expropriating the most important Axis concerns in Latin America.¹¹⁶ It had long been a British concern that once divested of Nazi control, expropriated concerns in South America would be replaced by US interests. Initially, however, it appeared that the principle of a self-denying ordinance would indeed be adopted by US officials to pre-empt the charge that economic warfare was being put to the service of US commercial advantage. As early as December 1942 Acheson sent instructions to US representatives throughout Latin America stating that the State Department “does not favour participation of United States interests in any firm” subject to expropriation. Instead, replacement of Axis concerns by local industry was to be encouraged. While exception was made for cases where technical or managerial assistance was required, which was not available locally, even here Acheson made clear his opposition “to United States interests acquiring a majority ownership share as the basis for furnishing the necessary assistance”.¹¹⁷

Such self-restraint was greeted enthusiastically by British officials who were well aware that in any competition to replace ex-Axis firms during the war, British concerns would stand little chance against their US counterparts.¹¹⁸ The Foreign Office therefore expressed its approval of the State Department’s approach to the replacement of Axis concerns and asked that British missions throughout Latin

¹¹⁶ Friedman, *Nazis and Good Neighbors*, pp.188-189.

¹¹⁷ Acheson to All Diplomatic Officers in the Other American Republics, 17 Dec. 1942, FO371/33900/A4342, TNA. See also Stopford to Troutbeck, 26 May 1943, “Replacement” memo by Stopford, 26 May 1943, FO371/33900/A5663, TNA; “Replacement of Enemy Firms in Latin America”, 8 June 1943, FO371/33900/A5666, TNA. This telegram echoed an earlier instruction to US missions in Latin America, which stated that blacklisting should “not be administered to serve selfish or acquisitive ends”. See Medlicott, *The Economic Blockade*, vol.2, p.138.

¹¹⁸ Willis to Bliss, 5 Jan. 1943, Mather-Jackson to Bliss, 11 Jan. 1943, FO371/33900/A225, TNA; Reading to Lyal, 31 May 1943, FO371/33901/A5098, TNA; Stopford to Troutbeck, 26 May 1943, FO371/33900/A5663, TNA.

America be kept informed of such replacement activities that did take place.¹¹⁹ In December 1943 the State Department sent further instructions to its missions in Latin America advising such consultation with British representatives and restating the principle that “it is undesirable to allow economic warfare to become economic penetration and to substitute domination by the U.S. for domination by the Axis”.¹²⁰

But while Washington continued to advocate self-restraint in the operation of the Axis replacement programme in Latin America, there were persistent forces throughout 1943 agitating against such a stance. US missions throughout Latin America periodically protested against the limitations placed on US business in the replacement of Axis concerns. The US embassy in Brazil, in particular, argued for greater participation of US firms in the replacement of Axis interests in that country.¹²¹ And while State Department officials were keen for US industry not to be seen as overtly benefiting from the programme, in reality it was well aware that it was only US interests that had the capital and resources to take over concerns previously controlled by Axis interests.

In recognition of this fact, Acheson modified his original instructions sent to US missions in 1942 with less stringent advice in June of the following year. While still advocating avoidance of US ownership of ex-Axis firms in Latin America, he qualified this position by stating that “this policy cannot be applied rigidly and ... participation by United States private capital may in many instances be necessary and desirable”. More generally, Acheson went on, “the [State] Department’s policy will necessarily be flexible and will be applied on a case by case basis”.¹²² In December Acheson went further than this, stating bluntly that the “implementation of economic warfare measures at the present time requires, to a large extent, the use of United States companies”.¹²³

This modification of the principles guiding the Axis replacement programme was reflected in the application of the scheme on the ground throughout South America. Many of those administering the programme viewed it precisely as a vehicle

¹¹⁹ Gallop to Troutbeck, 30 June 1943, FO371/33900/A5666, TNA; Bliss to Thorold, 15 July 1943, FO371/3900/A6596, TNA; Thorold to Collado, 28 Oct. 1943, FO371/33900/10455, TNA.

¹²⁰ “Replacement Programme in Latin America. Consultation Between US and British Missions”, 28 Dec. 1943, FO371/33900/10455, TNA.

¹²¹ Extract from US embassy, Rio de Janeiro, despatch No.10170, February 20 [1943], Stopford to Troutbeck, 24 Mar. 1943, FO371/33900/A4342, TNA, Troutbeck to Nowell, 6 May 1943, FO371/33900/A4342, TNA.

¹²² Quoted in Friedman, *Nazis and Good Neighbors*, p.189.

¹²³ *Ibid.*

with which to advance US commercial penetration of the region. As one such official put it in December 1943, the Axis replacement programme was “designed to replace German economic interests ... with qualified American industries”.¹²⁴ Similarly, John C. Wiley, US ambassador to Colombia, made the case bluntly, stating that “we should replace Axis penetration with American penetration”.¹²⁵

The gains resulting from the Axis replacement programme for US commerce hoped for by Wiley and others did indeed come to fruition. In the chemicals industry – previously a major stronghold of German commercial influence in South America – subsidiaries of the German firm, IG Farben, were expropriated by the US Alien Property Custodian. Subsequently US firms captured the Latin American market previously supplied by these concerns.¹²⁶ “The aim”, noted a US trade journal in August 1943, “is to continue after the war a larger sale in the other Americas of pharmaceutical products manufactured in this Hemisphere”.¹²⁷ According to a report by CIAA in the same month, considerable progress toward this goal had already been achieved.¹²⁸

In the telecommunications industry, following a concerted effort to rid the Western Hemisphere of control by non-American concerns, ITT began negotiations to gain control of many of the ex-Axis companies. In Argentina ITT aimed to take over full management and control of the *Compañía Telegrafico-Telefónica del Plata*.¹²⁹ Similarly, ITT began negotiations with the Brazilian government in 1944 to gain a virtual monopoly of the country’s telecommunications system.¹³⁰ Such expansion in this sector led the *Buenos Aires Herald* to talk in July 1944 of US attempts to forge “a

¹²⁴ Ibid.

¹²⁵ Ibid., pp.189-190.

¹²⁶ C. C. Concanon, “The Trade Outlook for Medicinals and Pharmaceuticals”, 1 Jan. 1940, *Export Trade and Shipper*, p.8; Taylor, “The Axis Replacement Program”, p.159. See also Friedman, *Nazis and Good Neighbors*, p190.

¹²⁷ “Axis-Made Drug Items Being Supplanted in Latin America”, *Export Trade and Shipper*, 2 Aug. 1943, p.5.

¹²⁸ Ibid., p.4.

¹²⁹ “Report of the Communications Division of the US Commercial Company to the Honourable Henry A. Wallace, Chairman of the Board of Economic Warfare (Covering the Period April 10 1943 to July 1 1943)”, 810.74/1010, RG59, NARA.

¹³⁰ “Proposed Contract of Concession Between the Brazilian Government and ... Company”, 12 June 1944, Lins to Managing Director of Cable and Wireless, 28 July 1944, Rio to Foreign Office, FO371/42450/ W12505, TNA. For the deployment of ITT as a tool of the US government, see Collado to Livesey, 21 Dec. 1943, “Advisor on International Economic Affairs” Folder, Box 188, Breckenridge Long Papers, Library of Congress, Washington DC; Ledbetter, “ITT”, pp. 531, 535.

private telegraph circuit which would encompass the whole southern part of the continent”.¹³¹

Following the successful programme to rid South America of Italian and German airlines, US companies also looked set to dominate the civil aviation industry in the region in the post-war era.¹³² Writing in 1943, William A. Burden, Special Aviation Assistant to the Secretary of Commerce, predicted that European competitors were unlikely to challenge US monopoly of the international aviation routes in Latin America. A system of controlled competition between two or three US operators, believed Burden, was the best outcome to be hoped for.¹³³ Highlighting the impact of wartime conditions, John C. Cooper, Vice President of Pan-American Airways, noted in an address to the Foreign Policy Association in 1944 that “if war had not come when it did, there would have been British airlines to South America”.¹³⁴

The existing literature on the various aspects of the Axis replacement programme has tended to focus on the tensions between government officials, conscious of Latin American sensitivities and therefore keen to develop local industries, and the corporate figures employed to carry out the programme, who were intent on promoting their own narrow interests.¹³⁵ But the failure of State Department officials to enforce a self-denying ordinance on those implementing the Axis replacement programme is also clearly of relevance in the context of Anglo-American relations in Latin America.

While on one level, the gains made by US companies in Latin America as a result of economic warfare policies were inevitable expressions of the dominant status of US business in the region, they also represented the fulfilment of the exclusivist conception of US security in the region, which opposed European interests in Latin America. Although Welles had been the chief advocate of an economic Monroe Doctrine, the essentials of this conception of US security – albeit in a less extreme form – remained after his departure. Specifically, while the US would not oppose

¹³¹ “Continental Telegraph Union Planned”, *Buenos Aires Herald*, 18 July 1944, p.6. See also Shuckburgh to Eden, 28 July 1944, FO371/42450/W12214, TNA.

¹³² McCann, “Aviation Diplomacy”, p.42.

¹³³ Burden, *The Struggle for Airways in Latin America*, pp.152-155. See also Kelly to Eden, 25 Mar. 1943, FO371/33907/A2855, TNA.

¹³⁴ “Airlines to South America”, 22 Jan. 1944, *South American Journal*, p.42.

¹³⁵ See Taylor, “The Axis Replacement Program”, pp.145-164; Ledbetter, “ITT”, pp.524-537; Friedman, *Nazis and Good Neighbors*, pp.187-191.

economic penetration of Latin America by European powers *per se*, economic interests that took on a political dimension would continue to be viewed as a threat to US security in the post-war era, and would not therefore be tolerated.

This view was made clear to Gallop when he visited Washington in February 1944. In a meeting with Berle it was explained that the US interest in Latin America was “primarily strategic”. As a result of this concern, Berle stated, “the United States could not allow an outside Power to establish a bridgehead there. Britain”, Berle stressed, “was neither explicitly excluded nor included in this formula”.¹³⁶ Similarly, in an evaluation of the attitude of the State Department following the departure of Welles, Campbell stated that while “trade exchange” between “non-American countries” and Latin America would not be opposed by the US, these would only be permissible, “provided always that such exchange does not offer a danger to the security of the American hemisphere by assuming a political complexion”.¹³⁷

The fulfilment of an economic Monroe Doctrine by the promotion of US concerns in industries of a strategic importance demonstrates one way in which the agreement with Britain to implement a self-denying ordinance in Latin America was breached. But this failure on the part of the US to adhere to the agreement with Britain was largely due to the omission of any reference to Anglo-American relations when formulating Latin American policy. As such, US actions tend to confirm the view of MEW official, John Troutbeck, who complained at the time that the State Department seemed to consist “only of a right hand and a left hand without any physical connection between them”.¹³⁸ But the State Department, along with other officials, was unable to avoid contemplating the issue of Anglo-American relations when formulating policy toward the case that had first raised the principle of a self-denying ordinance in Latin America.

The Failure of Restraint

The initial failure on the part of the State Department assertively to enforce the principle of a self-denying ordinance in relation to the case of the central Brazilian railway allowed negotiations ‘on the ground’ in Brazil between the Electrical Export

¹³⁶ “Notes on a Visit to Washington and Ottawa” by Gallop, 14 Mar. 1944, FO371/35185/AS1621, TNA.

¹³⁷ Campbell to Eden, 3 Nov. 1943, FO371/33902/A10016, TNA. See also Gainer to Eden, 30 Nov. 1943, FO371/33902/A10863, TNA.

¹³⁸ Troutbeck to Nowell, 6 May 1943, FO371/33900/A4342, TNA.

Corporation and the Brazilian authorities to continue unabated. Consequently, the offer by the US company to carry out the electrification scheme had been accepted by the end of 1943.¹³⁹ Beyond drawing up a contract, the principal hurdle that remained for the interested parties was to gain the backing of the US government to ensure the necessary supplies could be released for the project with a suitable priority rating, and to guarantee financial assistance for the enterprise was forthcoming. Action was thus taken toward the attainment of these goals and on 5 January 1944 Earl C. Givens, the Electrical Export Corporation's Brazilian representative, approached the Economic Counselor at the US embassy in Rio, Walter J. Donnelly, to request his collaboration in approaching the wartime agencies in Washington responsible for administering supplies.¹⁴⁰ The next month Guimarães attempted to make use of Pierson's "great interest" in the electrification project to ensure that he would furnish the Electrical Export Corporation with the necessary financial assistance for the project, should they approach the Export-Import Bank.¹⁴¹ The US embassy in Rio made a similar request of Pierson, outlining its support for the project.¹⁴²

The President of the Export-Import Bank needed little convincing to support the electrification scheme. In a memo on the subject Pierson concluded that there was "nothing in the history of this project which justifies the United States Government to ask an American firm to relinquish a desirable contract in order to permit a foreign concern to submit a competitive bid now or after the war". "The Electrical Export Corporation", he therefore concluded, "should have the vigorous support of all appropriate agencies of this Government".¹⁴³ Based on a narrow legalistic reading of the case's history, Pierson's conclusion may well have been fair. Based on a short-term understanding of US commercial interests in Brazil, his judgment was surely correct. But Pierson's reading of this case also highlights the Export-Import Bank's complete lack of concern with the broader aims of the State Department concerning Britain and the economic shape of the post-war world. Far from wishing to restrain US interests in Brazil, Pierson had reportedly told an official of the British embassy in

¹³⁹ Guimarães to Representative of the Electrical Export Corporation, 30 Dec. 1943, 832.77/1056, RG59, NARA. For details of the work to be undertaken, see Givens to Donnelly, 5 Jan. 1944, 832.77/1056, RG59, NARA.

¹⁴⁰ Givens to Donnelly, 5 Jan. 1944, 832.77/1056, RG59, NARA.

¹⁴¹ Guimarães to Pierson, 3 Feb. 1944, 832.77/1062, RG59, NARA.

¹⁴² Rio to State Department, 22 Mar. 1944, 832.77/1069, RG59, NARA.

¹⁴³ "Electrification of Central Railways of Brazil" memo by Pierson, 21 Mar. 1944, 832.77/1084, RG59, NARA.

Rio that Britain should give up on its commercial interests in the country and leave the field free for US expansion.¹⁴⁴

Others in Washington were far less belligerent in their attitude toward Britain, and subsequently more equivocal in considering the appropriate action of the US government in this case. D. Maynard Phelps, Associate Chief of the Division of Financial and Monetary Affairs in the State Department, agreed with Pierson that the history of the case provided no particular reason why the Electrical Export Corporation should not gain the contract. Nevertheless, he cautioned that “it may not be advisable for the Export-Import Bank to finance the orders”, or for the State Department “to support this project in the war agencies”. Phelps advised this restraint in light of the assurance given to Britain by Hull. “It is a reasonable assumption”, he surmised, “that Metropolitan-Vickers [were] excluded from tendering bids on the materials and equipment needed for electrification ... because of ‘the exigencies of the war’”.¹⁴⁵ For the US government actively to support the Electrical Export Corporation in gaining this contract, then, would appear to be a violation of the agreement with Britain.

In May the necessity for the US government to provide financial support for the project was removed when General Electric offered to provide the funding.¹⁴⁶ This removed the need for the Export-Import Bank to back the project, and thereby nullified one of the problems raised by Phelps. But while government agencies were still in control of supplies during the war, the project could not go ahead without their support. State Department officials were well aware that FEA and the War Production Board (WPB) would call on their advice once the Electrical Export Corporation requested supplies and an export license to carry out the work in Brazil. By the spring of 1944 supply conditions in the US had eased somewhat and FEA and WPB confidentially informed the State Department that at least some of the materials needed for the electrification project could probably be scheduled for production in the next few months, and most likely be completed by the first half of 1945. In Britain, conversely, even if supply conditions allowed production of the materials needed, US officials were well aware that the continuing White Paper restrictions on

¹⁴⁴ Humphreys, *Latin America in the Second World War*, pp.77, 243n. On another occasion Pierson gave Metropolitan-Vickers’ Brazilian representative the impression that his company were viewed as intruders in Brazil. See Foy to Turner, 8 May 1941, FO371/25781/A6427, TNA.

¹⁴⁵ Office memo for Collado and Pasvolsky, 6 Apr. 1944, 832.77/1084, RG59, NARA.

¹⁴⁶ Office memo by Phelps for Hawkins, 11 May 1944, 832.77/1090, RG59, NARA.

British exports would prevent Metropolitan-Vickers from completing the work so soon.¹⁴⁷ This situation put the State Department in a position whereby only active opposition would prevent the Electrical Export Corporation from gaining the contract. Such opposition, solely in order to adhere to the agreement with Britain, proved too much to ask.

The State Department subsequently sought a means by which it could quietly aid the Electrical Export Corporation without openly appearing to contradict the pledge made to the British. The solution arrived at was to try to solicit a statement from a high-ranking official in the Brazilian government testifying to the importance of the work. In this way the State Department aimed to shift the burden of pressing ahead with the scheme onto the Brazilians and thereby deflect some of the anticipated criticism from the British. As Collado put it when instructing Donnelly to extract such a statement from the Brazilians, this “would be most helpful in conversations with representatives of the British embassy”.¹⁴⁸ In June 1944 the State Department’s wish was granted when the Brazilian Minister of Transportation and Public Works, João de Mendonça Lima, expressed his support for the project.¹⁴⁹

However, the drive to secure the contract for the Electrical Export Corporation was thrown off kilter by an unforeseen internal rivalry from within the Brazilian government between Guimarães and the Brazilian Finance Minister, Artur de Souza Costa. Throughout the summer of 1944 it had slowly become clear to the State Department that the contract between the Electrical Export Corporation and the Brazilian authorities had not been fully cleared in Rio due to the refusal of Souza Costa to support it.¹⁵⁰ But by this time the State Department was fully committed to seeing the contract go to the US company and was not going to let its efforts be stalled by the internal conflicts of Brazilian politics. It therefore sought to force the issue by making it known to the Brazilian authorities that while the materials for the project could not be guaranteed at the present time, the chances of approval would be much slimmer after the war when demands for post-war reconstruction would be great. The

¹⁴⁷ Office memo by Phelps for Collado and Pasvolsky, 6 Apr. 1944, 832.77/1084, RG59, NARA.

¹⁴⁸ Collado to Donnelly, 25 May 1944, 832.77/1090, NARA. See also memo by Duggan for Collado and Berle, 18 Apr. 1944, 832.77/1085, RG59, NARA.

¹⁴⁹ Rio to State Department, 22 Jun 1944, 832.77/6-2244, RG59, NARA.

¹⁵⁰ Phelps memo, 6 Apr. 1944, 832.77/1084, NARA; Collado to Donnelly, 22 May 1944, 832.77/1090, RG59, NARA; Phelps memo, 21 June 1944, 832.77/6-1344, RG59, NARA; Phelps memo, 15 July 1944, 832.77/6-2244, RG59, NARA; Rio to State Department, 21 Aug. 1944, 832.77/8-2144, RG59, NARA.

clear implication was that it was in Brazil's own interest to support the contract without further delay.¹⁵¹

News that the contract had not in fact been fully cleared by the Brazilians was obviously welcomed by the British authorities. On hearing of this development, Sir Donald Gainer, the new British ambassador in Rio, reported that the door was once again open for Metropolitan-Vickers, but everything now depended on the priority of supplies.¹⁵² This was welcome news in London, but what Gainer's assessment of the situation ignored were the continuing White Paper restrictions on British exports now being administered by FEA.¹⁵³ The Board of Trade was pessimistic about the prospects of FEA granting a waiver for the necessary exports for the enterprise, for as they pointed out, the authorities in Washington were unlikely to loosen "their strangle-hold on the competition for an order which an American company" believed already to be their own.¹⁵⁴ This prediction proved accurate and the "stranglehold" that the US authorities had on the British competition for the scheme while the war continued was surely a further factor fuelling the urgency with which the State Department now pursued the contract.

Having failed to force the Brazilian government's hand by forecasting the difficulties they might encounter in securing supplies in the post-war period, the issue was again pressed when a representative of the Brazilian embassy in Washington was summoned to the State Department on 11 October 1944. At this meeting, held to seek clarification of the status of the contract in Brazil, Phelps made it perfectly clear that the State Department was "quite willing to aid the Brazilian Government in securing the equipment" for the electrification work, and in all likelihood the application would be successful. But this could not happen, stressed Phelps, while the State Department remained "somewhat confused in regard to the attitude of the Brazilian Government" toward the contract.¹⁵⁵ This message was relayed in Rio and a few days later the Brazilian Minister of Finance discounted his previous misgivings and expressed his full support for the contract with the Electrical Export Corporation.¹⁵⁶ With all

¹⁵¹ Phelps memo, 15 July 1944, State Department to Rio, 22 July 1944, 832.77/6-2244, RG59, NARA. This prediction did in fact turn out to be correct, as resources were diverted away from Latin America to Europe, most notably in the form of Marshall Aid. See Green, "The Cold War Comes to Latin America", pp.157, 172.

¹⁵² Rio to Foreign Office, 15 Aug. 1944, FO371/37857/AS4373, TNA.

¹⁵³ Mather-Jackson minute, 17 Aug. 1944, FO371/37857/AS4373, TNA.

¹⁵⁴ Willis to Mather-Jackson, 19 Sept. 1944, FO371/37857/AS4987, TNA.

¹⁵⁵ Memo of conversation, 11 Oct. 1944, 832.77/10-1144, RG59, NARA.

¹⁵⁶ Greenwood to Donnelly, 16 Nov. 1944, 832.77/11-1644, RG59, NARA.

agencies now supporting the scheme, both in Brazil and the US, the contract was finally signed on 29 December 1944.¹⁵⁷

Conclusion

As the war approached its end, then, it was clear that in Latin America the US government had failed to adhere to the self-denying ordinance agreed with Britain in July 1943. At the most fundamental level, this failure on the part of the US reflected an unwillingness even to accept that there was any need for such a policy in the region. Perhaps the most telling indication of the Roosevelt administration's attitude regarding Britain's fears in South America can be gauged from a meeting a few weeks before the British approach to Hull between Richard Law, British Under Secretary of State for Foreign Affairs, and Adolf Berle. During the meeting, Law asked whether the State Department contemplated any discussions with Britain concerning Latin America. In response Berle laughed, and joked that any discussions would prove particularly easy, as there were no outstanding issues between the two countries in that region. When Law pointed to the possible exclusion of British commercial interests from South America, Berle simply stated that there was "no problem there at all", as US policy "had never been exclusive, and was not now".¹⁵⁸ But as this chapter has demonstrated, the failure of US officials to implement a self-denying ordinance in the various aspects of its Latin American policy meant that exclusionary forces present in the region did indeed continue to shape events.

Most significant of the ramifications of the US failure to adhere to the principle agreed with Britain – from the perspective of Anglo-American economic planning for the post-war world – is what this tells us about the attitude of the Roosevelt administration toward multilateralism. More broadly, this failure of the US to successfully promote multilateralism in its relations with Britain in Latin America is informative to our understanding of Anglo-American economic planning during the Second World War.

¹⁵⁷ Rio to State Department, 29 Dec. 1944, 832.77/12-2944, RG59, NARA.

¹⁵⁸ Memorandum of conversation, 8 June 1943, Berle Diaries, RSC.

Chapter 6

Conclusion

The focus on Latin America, by both the US and Britain, gradually declined as the war came to an end. European affairs increasingly came to dominate the attentions of US officials, to the detriment of sustained and concerted policy formation toward Latin America.¹ When foreign competition in Latin America was considered by US officials, it was increasingly the Soviet Union that was viewed as the principal competitor in the region, rather than Britain.² So what conclusions can be drawn from the relations between the US and Britain in South America that took place during the Second World War?

The basic conclusion of this paper is that Anglo-American relations in South America during the Second World War failed to conform to the pattern of economic planning whereby the US advocated multilateralism against British opposition. It was, in fact, Britain that eventually became the chief proponent of multilateralism in South America. Explaining the British promotion of multilateralism in this region is relatively straightforward. Following a lengthy evaluation of Britain's short and long-term interests in South America, government departments formed a consensus around the belief that it was the promotion of such a system that would best serve those interests. The sheer amount of time and energy that went into the process of formulating this consensus demonstrates the importance that British officials attributed to South America when planning for the post-war era. Similarly, the nature of Britain's relations with the US in this region has the effect of locating in South America, a further significant arena of rivalry between Britain and the US during the Second World War. But while the Churchill government was able to form a consensus around promoting multilateralism in South America, the same cannot be said of the Roosevelt administration.

The British government came to promote multilateralism in South America based on a thorough evaluation of Britain's own interests. But this was always done in

¹ Duggan, *The Americas*, p.102; Green, *The Containment of Latin America*, pp.286-287; Green, "The Cold War Comes to Latin America", pp.157, 172; Louis A. J. Perez, "International Dimensions of Inter-American Relations, 1944-1960", *Inter-American Economic Affairs*, vol.27, no.1 (1973), pp.47-48; Furniss, "American Wartime Objectives in Latin America", p.387.

² For US concerns over Soviet competition in Latin America, see Green, *The Containment of Latin America*, pp.141-142; Green, "The Cold War Comes to Latin America", pp.165-178; Connell-Smith, *The Inter-American System*, pp.137-138.

the knowledge that it was with the Roosevelt administration that the concept of multilateralism was most closely tied. It was the US that had initiated the promotion of such a system in negotiations with Britain over the general structure of the post-war world. Similarly, US officials promoted multilateralism in other parts of the world, such as the Middle East. The fact that the Roosevelt administration – in contrast to the British government – was unable to form such a consensus around promoting multilateralism in South America is therefore of much greater interest in terms of advancing our understanding of Anglo-American post-war economic planning.

So if not multilateralism, how can we characterise the post-war economic planning of the Roosevelt administration when it came to relations with Britain in South America? Previous debates over US economic planning during World War II have tended to centre around the extent to which this process was guided by US self-interest and the extent to which US ideals were the pre-eminent factor.³ In attempting to characterise the Roosevelt administration's attitude toward Britain in South America, then, consideration will be given to these two themes. In this way the conclusions drawn concerning the attitude of the Roosevelt administration in this particular region may shed some further light on existing debates on the broader process of economic planning during the Second World War.

To a large extent, the failure of the Roosevelt administration to promote multilateralism in a consistent and unambiguous fashion in its relations with Britain in South America was caused by the presence of factions within the government, and the US establishment more generally, which worked against the successful implementation of such a system. Not least among these groups was the US business community. Previous debates over the role of business interests in the formulation of US foreign policy have tended to hinge on the relative influence that this group exerted on the policy-making process.⁴ Due to the merging of the private and public sectors during the war years – with much of US industry being geared toward war production, and the inter-changeability of personnel between business and

³ Kimball, *The Juggler*, p.43.

⁴ Thomas E. Weisskopf, "Capitalism, Socialism, and the Sources of Imperialism" in G. John Ikenberry ed., *American Foreign Policy: Theoretical Essays* (London: Scott, Foresham & Co., 1989), pp.162-185; Robert W. Tucker, "The Radical Critique Assessed" in Ikenberry ed., *American Foreign Policy*, pp.185-220; Emily S. Rosenberg, "Economic Interests and United States Foreign Policy" in Martel ed., *American Foreign Relations Reconsidered*, pp.37-51.

government – US business interests had an unusually direct influence upon government policy during the war.⁵

This was particularly true in the temporary government agencies in which many prominent US businessmen found a home during the war. These agencies, although officially charged with implementing government policy, often acted with a large degree of autonomy. The natural consequence of this was for them to regularly execute policy in ways that contradicted, or worked at cross-purposes to, official US objectives. When applied to Anglo-American diplomacy in South America, the effect was for many of these agencies to pursue objectives, which had the effect – if not the intention – of excluding British interests, even when this was contrary to official US policy.

The notion that the Roosevelt administration governed in such a way as to actively encourage inter-agency rivalries, rather than enforcing a strict party line on all elements of the government bureaucracy, has been well documented.⁶ But the fact of inter-agency rivalry was particularly important when it came to formulating – and more importantly executing – policy in Latin America than elsewhere. For one thing, there was simply a far greater amount of temporary government agencies functioning in Latin America. CIAA, USCC, and the Export-Import Bank, in particular, were highly influential in this region, but either non-existent or largely irrelevant in other parts of the world.⁷ Many of the temporary agencies operating in Latin America were also headed by highly powered and often stringently independent individuals. This fact was brought home by the outspoken remarks concerning British interests in South America voiced by these individuals. Both the sheer number of temporary agencies, as well as the autonomy with which they acted, then, meant that their attitude toward multilateralism in South America shaped that of the Roosevelt administration's more generally to a great extent.

In so far as business interests – both outside and inside the government – were a key element in shaping the Roosevelt administration's attitude toward Latin America, this paper supports those studies which have emphasised US self-interest, as

⁵ Martin H. Folly, *The United States and World War II: The Awakening Giant* (Edinburgh: Edinburgh University Press, 2002), p.40; Vatter, *The US Economy in World War II*, p.36.

⁶ Clifford, "They Don't Come Out Where You Expect", pp.21-25; Maier, "The Politics of Productivity", pp.611-613; Hopkins, *Oliver Franks and the Truman Administration*, p.6; Woods, *A Changing of the Guard*, pp.70-72.

⁷ Medlicott, *The Economic Blockade*, vol.2, p.125.

opposed to ideals, in the formulation of policy.⁸ In Latin America the idealism enshrined in the internationalists' belief that multilateralism would engender political stability and peace was counteracted by baser concerns. This is not to suggest that Hull and others were in any way disingenuous in their belief in the redemptive capabilities of multilateralism, but simply to state that in Latin America they lacked the constituency to successfully combine US interests and ideals.⁹

But US ideals were by no means absent from other more successful forces shaping the Roosevelt administration's policy in Latin America. This was certainly true of the Latin Americanists in the State Department. As has been demonstrated, in the policies pursued by this group, commercial interests coalesced with strategic concerns; replacing European control of strategically important industries in Latin America with US control served the war effort and the commercial interests of US business. Strategic concerns and business interests also augmented the idealism of the Latin Americanists.

The Latin Americanists believed in multilateralism. The removal of barriers to trade, and the consequent strengthening of inter-American commercial ties, had been a central component of the inter-American system that they had sought to achieve in the decade preceding the war.¹⁰ Moreover, the perceived success achieved toward this goal was widely seen throughout the Roosevelt administration as a model for the rest of the world to follow. So why, then, given the Latin Americanists' benevolent attitude toward multilateralism – alongside their conviction that a regional model entailing this economic system should be replicated on a global basis – did they fail to ensure that multilateralism be the guiding principal in diplomacy with Britain concerning South America? The answer lies in their idealistic attachment to the inter-American system.

As has been shown, the Latin Americanists' focus on the affairs of the Western Hemisphere tended to be joined by an anti-European prejudice. This combination of beliefs – a passionate commitment to an inter-American system and a deep suspicion of European motives – led to a fundamental contradiction in this groups' attitude. Latin Americanists were so deeply attached to the ideal of an inter-

⁸ See Williams, "The Large Corporation and American Foreign Policy", pp.71-104; Kolko, *The Roots of American Foreign Policy*.

⁹ This reflects Woods' judgement on the internationalists' sincerity. See Woods, *A Changing of the Guard*, p.15.

¹⁰ Duggan, *The Americas*, pp.75-78; Green, *The Containment of Latin America*, pp.40-42; Steward, *Trade and Hemisphere*, pp.26-30.

American system that they instinctively opposed the infiltration of this system by European powers whose motives they perennially suspected. This very attempt to preserve the integrity – one might even go so far as to say purity – of the inter-American system meant that it was, in effect, an exclusivist system. In their desire to preserve the multilateralist nature of the inter-American system, therefore, the Latin Americanists had, paradoxically, betrayed the central tenets of that very system.

The fact that it was such a multitude of different forces with different objectives that shaped the Roosevelt administration's attitude toward Britain in South America means that it is impossible to speak of a single, defined policy that was pursued toward the region. In this sense, multilateralism is an inadequate concept for understanding US economic planning when it comes to relations with Britain in South America. But while the Roosevelt administration as a whole was not committed to multilateralism during the course of Anglo-American relations in South America, can the same be said of the internationalists within the State Department who have traditionally been so closely tied to the concept?

From the very outset of Anglo-American wartime diplomacy concerning South America, the internationalists in the Roosevelt administration demonstrated an awareness of the dangers posed to multilateralism by the various economic measures adopted during wartime. In a meeting with British officials in November 1940 Hull made this point concisely. Pointing to “all the different methods of trade that may be practiced during chaotic war conditions”, Hull stressed that it was “important to recognize [that these] must not be permitted to become permanent after the war, thereby undermining and destroying the integrity of a broad and sound commercial policy.”¹¹

Broadly speaking, the kind of economic measures Hull had in mind were not retained in South America following the end of the war. The Export White Paper, blacklisting, and a multitude of other wartime restrictions upon commerce were removed in the years immediately following the end of hostilities.¹² Moreover, a pledge to implement multilateralism throughout Latin America was included in the Act of Chapultepec, a declaration produced by the inter-American conference in

¹¹ Memo of meeting between Hull, Butler, Chalkley, Cooper, Stirling, 2 Nov. 1940, Folder 213, Box 58, Hull Papers, CUL. See also Messersmith to Welles, 2 July 1940, Folder 135, Box 47, Hull Papers, CUL.

¹² The Export White Paper was withdrawn when Lend-Lease was ended in August 1945. The US Proclaimed List of Blocked Nationals was withdrawn in July 1946. See also Green, *The Containment of Latin America*, pp.177-178.

Mexico City in the spring of 1945.¹³ As with previous such declarations at inter-American conferences, the emphasis of this endorsement of multilateralism in Latin America was on promoting inter-American trade, rather than opening up the continent to commercial penetration from Europe. But nevertheless, it is certainly true to say that US economic policy toward Latin America in the post-war years did not progress along some of the more extreme exclusionary lines, which had at times been feared by British officials during the war.¹⁴

But regardless of what took place once the war was over, there was, as this paper has shown, an inextricable link between economic measures applied during the war and the situation that would arise thereafter. Put another way, actions taken during the war, while designed to meet a contingent need, would in fact have longer-term effects. Moreover, officials on both sides of the Atlantic acknowledged this fact. In the same conversation in which Hull demonstrated an awareness of the need to ensure the temporary nature of economic measures implemented in wartime, he similarly acknowledged that “while it is extremely important to preserve the integrity of a liberal commercial policy, it is necessary during the war to recognize the complete dislocation of international finance, commerce and trade.”¹⁵ In this sense, Hull acknowledged that freedom of trade could not simply continue under the duress of war. However, he seemingly failed to take this analysis a logical step further by realising that in order for multilateralism to be successfully implemented in the post-war era positive steps would need to be taken during the war to counteract the economic consequences of the conflict.¹⁶

It was such a realisation that lay at the heart of the British quest for a self-denying ordinance. British officials believed multilateralism would only be viable in South America if supported by binding agreements to guarantee both countries future access to the region. This belief was cogently expressed in the Aide-Memoire handed to Hull by Halifax in July 1943. This made clear the British government’s belief that in order for multilateralism to be successfully implemented in South America a self-

¹³ Connell-Smith, *The Inter-American System*, p.135. The Act of Chapultepec was named after the castle in Mexico City where it was signed.

¹⁴ Green, *The Containment of Latin America*, pp.177-178.

¹⁵ Memo of meeting between Hull, Butler, Chalkley, Cooper, Stirling, 2 Nov. 1940, Folder 213, Box 58, Hull Papers, CUL.

¹⁶ This failure on Hull’s part tends to confirm the portrayal of him as his as something of an intellectual lightweight. See Woods, *A Changing of the Guard*, p.13.

denying ordinance would need to be applied, preventing either country from taking advantage of the war to displace the other's interests.

The ultimate failure of the internationalists in the Roosevelt administration to carry out this request is indicative of a subtle but fundamental difference of understanding on either side of the Atlantic concerning how multilateralism should be implemented. For the Roosevelt administration's internationalists, multilateralism was primarily a negative concept, defined solely by the lack of 'artificial' barriers to trade. Understood in this way, the notion of entering into an agreement to restrain commerce was not only alien, but wholly antithetical to the spirit of multilateralism.¹⁷

Could the Roosevelt administration's attitude toward implementing multilateralism in South America have been any different? More specifically, could internationalists in the State Department have imposed the kind of self-denying ordinance in the region suggested by the British, and thereby improved the chances of successfully implementing such a system in this region? To attempt to answer such a question is to begin to enter the domain of counterfactual history. But nevertheless, a few tentative conclusions on this point may be possible by considering the nature of the forces that militated against such action being taken.

In so far as these forces were generally of a structural, or at least deeply ingrained nature – rather than being expressions of particular individuals' whims or the product of contingent factors – the answer to this question seems most likely to be negative. The failure of US business interests to embrace multilateralism in South America was based on a rational evaluation of their own self-interests. Given that this motivation is to be wholly expected from profit-driven organisations, it seems unlikely that business interests would have taken a different attitude toward multilateralism in South America of their own accord. Could they, therefore, have been coerced by the government into taking a different course of action? The Roosevelt administration's ability to exercise such restraint over business interests was more limited than was the case in Britain.¹⁸ This relative freedom of private enterprise during wartime, while not impervious to change in exceptional circumstances, did reflect a long-standing cultural tradition in the country, based on an aversion to intrusive government regulation of business and the sanctity of private

¹⁷ This US aversion to the notion of political regulation to engender commercial competition is reflected in Anglo-American diplomacy concerning the future of the civil aviation industry. See Dobson, "FDR and the Struggle for a Post-War Civil Aviation Regime", pp.193-214.

¹⁸ Folly, *The United States and World War II*, pp.39-40.

property.¹⁹ The notion that the Roosevelt administration could have restrained the business community in South America in order to better promote multilateralism therefore seems an unlikely one.

If unable to counter the actions of forces outside the government, could the internationalists in the State Department have done more to restrain those forces within the government from acting in such ways as to threaten the implementation of multilateralism in South America? Again, the deeply rooted nature of those forces seems to suggest that this could not have been the case. The conception of an inter-American system – which tended toward the exclusion of non-American powers – was a central component of the Latin Americanists' philosophy that both preceded the concrete steps made during the 1930s toward the construction of such a system and outlived the demise of its chief proponent in Sumner Welles.²⁰

Finally, the internationalists' own understanding of multilateralism as a negative concept, based on the lack of regulation or agreements, represented a continuation of traditional US approaches to trade that went back at least as far as Secretary of State John Hay's 'open door notes' of 1899.²¹ The failure of the Roosevelt administration to implement multilateralism in its negotiations with Britain in South America, then, was less a failure of will than a product of intractable historical pressures. Similarly, the promotion of multilateralism in South America by the Churchill government did not reflect the proclivities of the individuals involved in formulating this policy, but rather the particular circumstances in this region. But regardless of the factors that caused the Roosevelt administration's failure to effectively promote multilateralism in its wartime relations with Britain in South America, the fact of this failure had serious implications for the post-war era.

Protection of British export markets was deemed by the British government throughout the war to be an essential prerequisite of the country effectively participating in the kind of multilateral system that the US advocated for the post-war world. For if these markets were not retained for the post-war era, British officials argued, such a system would not provide Britain the means to ensure a favourable

¹⁹ Ibid., p.31

²⁰ For more on the notion of an inter-American system prior to the 1930s, see Connell-Smith, *The Inter-American System*, pp.1-99. For the endurance of the Latin Americanists' ideas following Welles' departure, see Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor'*, pp.169-170.

²¹ Williams, *The Tragedy of American Diplomacy*, pp.52-57.

balance of payments, which would be essential for the basic economic health of the country.

As the war came to an end, it was less Britain's access to foreign markets that constituted the country's principal problem, than the lack of reserves to fund production – caused in no small part by President Harry S. Truman's abrupt termination of Lend-Lease in August 1945.²² But following the post-war loan from the US when Britain was able to begin exporting again, its markets in South America had in large part been lost to US competition. Between 1938 and 1945 Britain's exports to South America more than halved.²³ By 1947 the US dominated the import markets of all the South American countries. In Brazil US exports constituted 61 percent of the country's total imports, compared to just 7 percent supplied by Britain. In Argentina, the one-time stronghold of British interests in South America, the US now supplied just under half of the country's imports, whereas Britain supplied only 8 percent. US dominance throughout the rest of the region was similar to these countries or even greater.²⁴

It is impossible to tell how much this process was the result of specific policies discussed in this paper and to what extent it was an inevitable result of the differing effects of the war on the two countries.²⁵ British exports as a whole declined steeply during the war, more than halving between 1938 and 1945.²⁶ The US economy, on the other hand, accounted for 50 percent of the world's industrial output by 1945.²⁷ Albeit as part of a much broader process, then, this loss of export markets in South America – as predicted by British officials during the war – seriously hindered the country's ability to participate in a global multilateral system in the post-war era.²⁸ The failure of the Roosevelt administration effectively to collaborate with Britain in the

²² George C. Herring Jr., "The United States and British Bankruptcy, 1944-1945: Responsibilities Deferred", *Political Science Quarterly*, vol. 86, no.2 (1971), pp.260-280; Correlli Barnett, *The Lost Victory: British Dreams, British Realities, 1945-1950* (London: Macmillan, 1995), pp.30-45.

²³ The 1938 figure was £34.2 million, down to £15.9 million in 1945. See *Statistical Digest of the War*, p.166.

²⁴ Wendell C. Gordon, *The Economy of Latin America* (New York: Colombia University Press, 1950), p.389.

²⁵ David Reynolds, "Power and Superpower: The Impact of Two World Wars on America's International Role" in Kimball ed., *America Unbound*, pp.13-36; Donald Cameron Watt, "US Globalism: The End of the Concert of Europe" in Kimball ed., *America Unbound*, pp.37-54.

²⁶ *Statistical Digest of the War*, p.162.

²⁷ Temperley, *Britain and America Since Independence*, p.163

²⁸ For the more general process whereby the US supplanted Britain as the leading commercial power in the world during the course of the twentieth century, see Kennedy, *The Rise and Fall of Great Powers*, pp.459-473.

protection of its export markets in South America is therefore indicative of a broader failure to promote a global system of multilateralism.

Perhaps of greater long-term significance is the precedent that the Roosevelt administration's failure to promote multilateralism in South America set for the post-war era. Economic multilateralism, as defined by its proponents in the Roosevelt administration, was, by its very nature, a *global* system. As such, any regional exceptions from this system could not be accommodated. To the contrary, the theory of multilateralism stated that it was precisely the creation of closed economic spheres that eventually led to international conflict. As one US supporter of multilateralism predicted in 1943, "where policies give exclusive privileges to [Western] hemisphere nations, retaliatory measures by other economic blocs such as the British Empire ... may well develop".²⁹ This was certainly the response hoped for by some in British business circles. Metropolitan-Vickers' Brazilian representative – infuriated by what he perceived as the exclusion of British interests in South America by the US – expressed his hope that Britain would one day "be in a position to embarrass American business within the Empire".³⁰

It was, of course, not Britain but the Soviet Union that turned out to be the principal rival that the US faced in the post-war era. To explore the effects of the US attitude toward Latin America on Soviet-American relations would take this study beyond its natural limits.³¹ It is, however, perhaps worth pointing to the remarks of the US Deputy Director of Naval Intelligence, who reported in January 1946 that "Soviet current policy is to establish a Soviet Monroe Doctrine for the area under her shadow".³² Certainly Churchill was not averse to citing the perceived claim by the US for predominance in Latin America in order to justify British freedom of action in its 'sphere'. In March 1944, when requesting that Britain be granted pre-eminence in directing policy toward Spain, he reminded Roosevelt that "we have gone along with you in Argentina" and therefore felt "entitled to ask you to take our views seriously ... where our strategic and economic interests are more directly affected than are those of

²⁹ A. C. Bunce, "The Hemisphere and the Postwar World" (Washington DC: The National Policy Committee, 1943), Folder 8, Box 102, Viner Papers, Mudd Library.

³⁰ Foy to Pole, 10 Sept. 1941, FO371/25781/A9761, TNA.

³¹ For more on this topic, see LaFeber, *America, Russia and the Cold War*, pp.22-23; Bernstein, "American Foreign Policy and the Origins of the Cold War", pp.40-41; Green, *The Containment of Latin America*, pp.217-230; Kolko, *The Politics of War*, pp.458-465, 469-475.

³² Quoted in Bernstein, "American Foreign Policy and the Origins of the Cold War", p.40.

the United States”.³³ The clear insinuation behind Churchill’s reference to Latin America was that the US attitude toward that part of the world differed from its stated principles. While so much of the British wartime leader’s judgement on the Second World War was lacking, in this verdict he was surely correct.

³³ Kimball ed., *Churchill and Roosevelt*, vol.3, pp.66-68. See also Ronald Radosh and Leonard P. Liggi, “Henry A. Wallace and the Open Door” in Paterson ed., *Cold War Critics*, p.80.

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