THE ELUSIVE CONFERENCE: UNITED STATES ECONOMIC RELATIONS WITH LATIN AMERICA, 1945–1952*

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During the first intense years of the cold war, United States officials boldly designed comprehensive economic and military aid programs for Asia, Europe, and the Middle East, but declined to introduce new policies for Latin America. In particular, they avoided meeting in a high-level conference with Latin nations to discuss economic aid, loans, and commodity agreements. Repeated postponements of the Inter-American Economic and Technical Conference revealed that the United States no longer considered relations with Latin America vitally significant, as it had during World War II. Moreover, the lack of economic cooperation highlighted the differences between United States diplomats and businessmen and their Latin counterparts over the need for liberal trade and investment practices in Latin America.

Hemispheric planning for peace began within two months after Pearl Harbor. At the Third Meeting of Foreign Ministers held in Rio de Janiero in January 1942, Under Secretary of State Sumner Welles committed the United States to supporting the economic development of Latin America. In their resolutions the foreign ministers called for equitable allocations of basic and strategic materials during the war, recommended a feasibility study for an inter-American bank, and declared "that to raise the standard of living of the people" the American nations must industrialize. In addition, the hemispheric partners would hold an economic conference, for "a new order of peace must be supported by economic principles which will insure equitable and lasting international trade with equal opportunities for all nations."[1] Such goals would be pursued after the enemy was defeated. At Rio, Welles achieved his basic purpose of aligning Latin America

*I would like to thank Professor Thomas G. Paterson for his scholarly criticism, and the Harry S Truman Library Institute for its financial assistance.

[1]Final Act of Third Meeting of Foreign Ministers in *Department of State Bulletin* 6 (February 1942): 117–42 (hereafter cited as DSB).

behind the war effort. The American republics agreed to an economic mobilization and all, except Argentina and Chile, broke relations with the Axis powers.

Though Welles incurred the wrath of his superior, Secretary of State Cordell Hull, for not successfully pressuring Argentina and Chile, the under secretary constructed at Rio the framework for a sturdy wartime alliance. During the war, sixteen Latin nations gave the United States permission to use air and naval bases on their territory. Two countries, Brazil and Mexico, actively participated in the war; Brazil sent an expeditionary force to Italy and Mexico an air squadron to the Pacific. Moreover, Latin America served as an arsenal for the United States and the United Nations. The United States relied on its neighbors for such strategically vital materials as beryllium, copper, manganese, mica, quartz crystals, tantalum, tin, tungsten, and zinc. Venezuela supplied Great Britain with as much as 80 percent of its oil imports. Even recalcitrant Argentina sold its beef and wheat to the Allies. After the war military officials agreed: "Nobody knows how much we relied on the South American and Central American countries for commodities and things that we simply had to have. . . ."[2]

While inter-American military cooperation proceeded smoothly, planning for the postwar peace floundered. Secretary Hull refused to convene any inter-American conference until Argentina was cleansed of its alleged pro-Fascist sympathies. Indeed, United States diplomats were ordered not to exchange ideas on postwar problems with Latin officials. Only after persistent lobbying by influential figures such as Laurence Duggan, the special political adviser, and Nelson Rockefeller, the coordinator of Inter-American Affairs, did Hull allow the scheduling for September 1944 of the economic conference promised at Rio. But the problem of discussing economic issues without Argentina persisted, and the Department of State decided it had too many other conferences scheduled. Therefore, in late 1944 the economic conference was postponed twice.[3]

The first inter-American conference since Rio convened at Chapultepec, near Mexico City, in February 1945. By designating Chapultepec as a special session to discuss "problems of war and peace" rather than a

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[2]Edward O. Guerrant, *Roosevelt's Good Neighbor Policy* (Albuquerque, 1950), p. 196; Seymour Harris, ed., *Economic Problems of Latin America* (New York, 1944), p. 36; Comment of Counselor John V. Perowne on Donald Gainer, ambassador to Venezuela, to Foreign Office, 11 August 1942, F.O. 371/A7468/503/47, Public Record Office, London; Meeting of senior members of Joint Military Advisory Board on American republics, 3 February 1947, Box 1, RG 225, Modern Military Records Branch, National Archives, Washington, D.C.

[3]Olcott H. Deming, Office of American Republic Affairs, to Duggan, 10 May 1944, 810.50/182, General Records of the Department of State, RG 59, National Archives, Washington, D.C. (hereafter cited as DSR); Memorandum by Norman Armour, acting director of Office of American Republic Affairs, 9 December 1944, 810.50/12-944, DSR.

regular inter-American conference, the State Department circumvented the Argentine problem, for only hemispheric members and associates of the United Nations would be expected to attend. In addition, the department hoped the conference would mollify the Latins, who had complained they had been excluded from postwar planning meetings like Dumbarton Oaks. At Chapultepec, department officials planned to exchange ideas on Argentina, discuss the draft of the United Nations charter, and gain support for liberal trade and investment principles. Latin America wanted, however, an agenda that focused on specific economic problems. The issues that would dominate inter-American relations in the first postwar years emerged at the Chapultepec Conference.

Preparations for the meeting began in January 1945 when State Department officials traveled to Mexico City to discuss the agenda with the host. Foreign Minister Ezequiel Padilla immediately presented Mexico's view that future continental unity would depend upon economic development. Platitudinous resolutions about the Good Neighbor policy and hemispheric solidarity would not suffice; the United States must approach Latin America's problems in "a TVA fashion." As Merwin Bohan, a department officer assigned to Mexico, noted, Latin Americans believed that the United States had an obligation to help, for "we asked for and obtained the help of Latin America in the prosecution of the war." Ambassador to Mexico George Messersmith added that Latin America would support the expansion of trade and investment "but if nothing further is offered by way of a program, it will cause the keenest disillusionment since the road we propose to reach these objectives is of primary interest to Latin America."[4]

Beyond seeking grants and low-interest loans, Latin Americans hoped for their northern neighbor's understanding of their economic plight. Since their economies depended upon exporting a few raw materials and tropical foods, Latin countries called for commodity agreements that would stabilize the prices of their exports and protect them from violent fluctuations in world trade, as had occurred in the 1930s. But, as Padilla pointed out in his address at the conference, it was "vital for the Americans to do more than produce raw materials and live in a state of semi-colonialism." Tariffs would nurture the infant industries built during the war, when the industrialized nations' manufactures were unavailable in Latin American markets. And exchange and import controls would insure that credits

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[4]U.S. Department of State, *Foreign Relations of the United States, 1945* (Washington, D.C., 1969), 9:64-111 (hereafter cited as *FRUS* followed by the appropriate year); John C. Wiley, ambassador to Colombia, to State Department, 4 January 1945, 710 Conf W and PW/1-445, DSR; Memorandum by John C. McClintock of conversation with Juan Chavez, minister and commercial counselor of Peruvian Embassy, 17 January 1945, 710 Conf W and PW/1-1745, DSR; Walter Thurston, ambassador to Bolivia, to State Department, 25 January 1945, 710 Conf W and PW/1-2545, DSR.

amassed selling materials to the Allies would be spent prudently and not be wasted on luxuries.[5]

Officials in Washington agreed that Latin economies were sensitive to world market conditions. But they were disturbed by the proposals they heard from Mexico and other Latin countries. In reviewing the somber events since 1918, State Department officers concluded that restrictive trade and investment policies had helped generate the economic chaos that led to totalitarianism and war. As Under Secretary of State Dean Acheson told the Venezuelan government, the United States and others had practiced a "short-sighted" foreign economic policy "in increasing tariffs and restricting trade by import and other controls after the first World War and in the early thirties." Unfettered foreign trade, however, would expand international commerce and mitigate international tensions, or, as Secretary Hull had frequently put it, "promote peace and prosperity."[6]

At Chapultepec the American republics vented their differences over economic development. Cuba proposed, for example, that all investment be subjected to state supervision. Brazil recommended that richer American nations recognize their "duty" to promote the development of poorer nations. Chile called for a hemispheric industrialization plan. The United States, on the other hand, introduced a resolution encouraging all "to work for the elimination of economic nationalism in all its forms."[7] While in these and other tabled proposals the United States and Latin America clashed over economic development, the conference ended harmoniously. In a conciliatory address Assistant Secretary of State for Economic Affairs William L. Clayton assured Latin delegates that the United States was committed to their nations' development. He pledged that wartime procurement contracts would not be abruptly terminated, that the countries would receive fair allocations of capital goods once the war ended, and that the Export-Import Bank would consider loans for sound development projects. Clayton even added that, while the United States wanted "to remove all discriminations in trade, to reduce tariffs and other barriers to trade," his country understood that "international commodity agreements may be necessary in exceptional cases of important primary commodities." The United States delegation echoed Clayton's address by helping establish a body, the Inter-American Economic and Social Council, to study hemispheric economic development. Also, United States delegates voted for the scheduling of the economic conference for 15 June 1945.[8] With these

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[5]*FRUS, 1945,* 9:111–14, 122–23.

[6]Ibid., 49, 83–84; Acheson to Frank P. Corrigan, ambassador to Venezuela, 7 October 1944, 831.24/8-2344, DSR; Cordell B. Hull, *The Memoirs of Cordell B. Hull,* 2 vols. (New York, 1948), 1:350–57.

[7]David Green, *The Containment of Latin America* (Chicago, 1971), pp. 201–5; John C. Campbell, *The United States in World Affairs, 1945–1947* (New York, 1948), pp.246–51.

[8]*DSB* 12 (March 1945): 334–38.

promises, Latin America approved the general resolutions on free trade and investment favored by the Department of State.

The American republics did not, however, hold an economic conference in June or even meet again in a major conference until August 1947. As before, the State Department initially postponed the conference from June to November 1945, claiming it had too many other conferences to attend. But by November the department was reluctant to attend any inter-American conference until the Argentine problem was resolved. Pressured by other delegations, the United States had agreed at Chapultepec to restore Argentina to the inter-American community if it declared war against Germany. This pressure had strengthened the hands of officials such as Rockefeller, Secretary of War Henry L. Stimson, and Senator Arthur Vandenberg, who argued that the United States should retain its regional bloc of support in the United Nations.[9] Indeed, at the San Francisco meeting the United States insisted that Argentina, which declared war in March 1945, be admitted to the world organization even though the Soviet Union vigorously objected. But by the end of 1945, the State Department, with new personnel in key positions, had changed its policy. The new ambassador to Argentina, Spruille Braden, who established a reputation as a tough foe of fascism during his wartime service in Colombia and Cuba, openly denounced the Argentine military rulers as erstwhile sympathizers of Nazi Germany. For his efforts Braden reaped the disdain of the military men, favorable press commentary in the United States, and a promotion to assistant secretary of state for Latin American Affairs from the new secretary of state, James F. Byrnes, in December 1945. From Washington Braden continued his noisy campaign, particularly against the new Argentine president, Colonel Juan Perón.[10]

While holding an economic conference without Latin America's wealthiest nation was impractical, the Argentine issue provided the State Department with an excuse for avoiding an unwanted meeting. Secretary Clayton and his subordinates predicted that an economic conference would be a fiasco with the United States resisting Latin American demands for economic aid and commodity agreements; it had the potential for upsetting "the broad commercial policy applecart." Latin America could prosper by implementing liberal trade principles they had adopted at Chapultepec and preparing for massive orders of raw materials that would surely come from a rebuilding Europe. Such views lacked the spirit of conciliation and

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[9]Beatrice B. Berle and Travis B. Jacobs, eds., *Navigating the Rapids: From the Diaries of Adolf A. Berle* (New York, 1973), pp. 470–75; Entries, 29 April 1945, 2 May 1945, 10 May 1945, vol. 51, Henry L. Stimson Diary, Sterling Memorial Library, Yale University, New Haven, Conn.; Entry, 6 September 1945, p. 156, William Leahy Diary, Library of Congress, Washington, D.C.

[10]Ernest R. May, "The Bureaucratic Politics Approach: U.S.-Argentine Relations, 1942–1947" in *Latin America and the United States,* eds. Julio Cotler and Richard Fagen (Stanford, 1974), pp. 129–63.

compromise that had characterized the United States position in early 1945, perhaps because, as department officer Louis Halle bluntly put it, with the war over "the United States no longer desperately needs Latin America." Some department officials, particularly in the Division of Commercial Policy, wanted "to kill" the conference, but, fearing the Latin American reaction, the political section of the department chose only to postpone it through 1946.[11]

By mid-1947 the Argentine imbroglio no longer blocked an inter-American conference. In January 1947 President Harry S Truman asked Secretary Byrnes to resign and appointed General George C. Marshall as secretary of state. In June Marshall fired Braden, declaring that his Argentine policy had not weakened President Perón and that it endangered hemispheric solidarity by delaying the inter-American defense conference called for in the Act of Chapultepec. In view of ongoing confrontations with the Soviet Union over Europe and the Near East, Marshall decided that the goal of a united hemisphere outweighed any misgivings about Perón's past associations or beliefs. The State Department accordingly scheduled the defense conference for August 1947 in Rio de Janiero.[12]

Latin nations immediately perceived the Rio Conference as an opportunity to press for economic aid and the scheduling of the long-awaited economic conference. Their hopes were boosted by the 5 June 1947 announcement by Secretary Marshall of a plan to design a comprehensive, coordinated program to reconstruct war-torn Europe. Latin diplomats, correspondents, and businessmen predicted that a "Marshall Plan for Latin America" might follow. From their perspective their countries' economic problems, like Europe's, were "of a very grave character." Since the end of the war Latin America had suffered severe imbalances of trade. In 1947, for example, the trade deficit was nearly $1.7 billion; the countries could not balance that deficit, because traditional European markets had not recovered. Moreover, Latin economies had been ravaged by inflation; prices in Chile had risen 300 percent since 1938. Even foreign exchange reserves compiled during the war were being depleted. Latin America had sold its products in a price-controlled market during the war, but its postwar purchases of capital goods were in short supply and carried exorbitant price tags. Mexico had already been forced to impose exchange controls. In effect, as Laurence Duggan noted, Latin America had made a $3 billion non-interest-bearing loan to the United States and now had difficulty

[11] *FRUS, 1945,* 9:177–79; Clayton to Braden, 13 March 1946, 710.J/3-1346, DSR; Halle memorandum, "Policy Governing Economic Assistance to the Other American Republics," 27 August 1945, 810.50/8-2945, DSR; Spruille Braden, "Latin American Industrialization and Foreign Trade" in *The Industrialization of Latin America,* ed. Lloyd J. Hughlett (New York, 1946), pp. 487–93.

[12] Green, *Containment,* pp. 276–83.

collecting on the principal.[13] These postwar developments compounded the problems of a desperately poor area of the world.

While sympathetic to Latin America's problems, Secretary Marshall wanted to avoid controversy at Rio. He hoped that, beyond establishing the first regional security pact under Article 51 of the United Nations Charter, the Rio Conference would proceed smoothly, thereby disproving the Russian charge that the United States was responsible for the bitterness and rancor that marred other postwar conferences. Harmony, however, did not characterize the first sessions of the Rio Conference, which began on 15 August 1947. In the opening address Raúl Fernandes, the Brazilian foreign minister, called for economic aid for poor nations, describing it as the "only sound basis for peace." The Chilean and Uruguayan opening statements echoed Fernandes's speech. Cuban Ambassador Guillermo Belt followed them with an impassioned attack on "economic aggression," implying that provisions of a new sugar act, granting the secretary of agriculture the power to withdraw increases in the sugar quota if the exporting nation discriminated against American investors, constituted such aggression.[14]

Secretary Marshall quickly assuaged the agitated Latin Americans. In a series of private meetings he assured the delegates that the United States would not neglect its good neighbors, that their economic concerns would be given intensive study in the Economic and Social Council, and that the United States would attend an economic conference, probably in the latter half of 1948. With these promises Mexico successfully sponsored a resolution to defer discussions on economic issues. Latin Americans were further comforted by President Truman's address at the conclusion of the conference when he gave his "solemn assurances that we in Washington are not oblivious to the needs of increased economic collaboration within the family of American nations and that these problems will be approached by us with the utmost good faith and with increased vigor in the coming period." Latin American representatives left Rio believing the United States intended to aid Latin America after reconstructing Europe. But perhaps what had occurred at the defense conference, as a State Department official later candidly observed, was that the United States had "purchased the elimination of economic subjects from discussion" by agreeing to have a conference.[15]

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[13] John C. Campbell, *The United States in World Affairs, 1947–1948* (New York, 1948), p. 129; Harris, ed., *Economic*, p. 37; Ann Ruth Willner, "Case Study in Frustration: Latin America and Economic Issues at Post-War Inter-American Conferences," *Inter-American Economic Affairs* 2 (Spring 1949): 29–38; Laurence Duggan, *The Americas: The Search for Hemispheric Security* (New York, 1949), p. 126.

[14] *FRUS, 1947* 8 (1972): 30–31, 35–39; Entry, 18 August 1947, Rio Notebook, Folder 1, Box 69, Warren R. Austin Papers, Bailey Library, University of Vermont, Burlington, Vermont.

[15] *FRUS, 1947;* 8:40–90; Truman's speech in *DSB* 17 (September 1947): 498–501; Memorandum by H. Gerald Smith, 14 July 1949, 810.50 BA/7-1449, DSR.

Whatever President Truman and Secretary Marshall's intentions at Rio, State and Treasury department officials never seriously considered a Marshall Plan for Latin America. They believed that European recovery would be slow and expensive and that the United States could not shoulder "any heavy new burden." Indeed, they questioned whether Congress would enact another aid program. Accordingly, officials such as Assistant Secretary of State Norman Armour were reduced to arguing that the European Recovery Program would aid Latin America by restoring markets for raw materials and tropical foods. Moreover, once Europe rebuilt its industrial plant, Latin America would have another source of supply for scarce capital goods. Such arguments distressed Latin diplomats and businessmen who held that their countries' problems were as pressing, albeit less spectacular, than Europe's and that a "Europe first" policy would confine Latin America to its traditional role of supplying the industrialized world with raw materials. As Peruvian Foreign Minister García Sayán observed, "An error has been committed in trying to solve the problems of European industrial reconstruction independently and in ignorance of the needs of Latin America's economy."[16]

In lieu of economic aid, the United States prescription for Latin America's economic health included self-help, technical cooperation, liberal trade practices, and, in particular, private enterprise and investment. Following the defense conference the State Department repeatedly told Latin Americans that they could have the capital they so desperately needed by creating a "suitable climate" for foreign investors and by not imposing unreasonable barriers to transfering capital and earnings.[17] Private investment was, however, inconsistent with the economic nationalism that increasingly characterized Latin America. Remembering confrontations with foreign bondholders and the oil expropriation crises of the 1930s, Latin countries, led by Guatemala, Mexico, and Venezuela, held that foreign investment must be subject to national laws and include local capital. Moreover, they believed that state-directed enterprises offered the best opportunity for rapid economic growth and development. These inter-American differences were evident at the International Trade Organization conference, meeting in Havana in late 1947 and early 1948. In a series of

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[16]Paul Daniels, Office of American Republic Affairs, to Armour, 9 January 1948, 810.50/1-948, DSR; Circular, J. Burke Knapp, Office of Financial and Development Policy, for the acting secretary of state, 3 November 1948, 810.50/11-348, DSR; Clayton to Armour, 2 December 1947, 710.J/12-247, DSR; Armour's speech in *DSB* 17 (December 1947): 1214–18; Thurston, ambassador to Mexico, to State Department, 24 November 1947, 710.J/11-2447, DSR; Walter Donnelly, ambassador to Venezuela, to State Department, 23 January 1948, 710.J/1-2348, DSR; Sayán quoted in Campbell, *World Affairs, 1947–1948*, p. 135.

[17]Daniels to Armour, 28 January 1948, 710.J/1-2848, DSR; Memorandum, "United States Policy at Bogotá," by Henry Norweb, ambassador to Cuba, 7 April 1948, 710.J/4-748, DSR.

resolutions several Latin American nations objected to establishing international standards governing trade and investment. They proposed instead that, as a way of "equalizing all economies," public enterprises of poor nations be given special trade privileges and that commodity control and price stabilization agreements be enacted. At Havana the United States delegation found that Latin America offered the "most consistent and difficult" opposition to its positions on trade and investment.[18]

Experiences such as that at Havana worried United States diplomats as they prepared for the Ninth Inter-American Conference, which convened in Bogotá on 30 March 1948. The agenda included reorganization of the inter-American system, negotiation of a treaty of pacific settlement, and writing the economic charter that would serve as the basis for the economic conference in late 1948. The State Department understood, however, that its hemispheric neighbors were primarily interested in economic questions. Led by Secretary Marshall, the United States delegation's approach at Bogotá was to quash all hopes for an aid program, promote free trade and investment principles, but, as a psychological boost to inter-American relations, increase the lending authority of the Export-Import Bank by $500 million and promise that the International Bank for Reconstruction and Development would now consider loans for Latin America. The strategy backfired; Marshall's announcement about the banks in his speech at Bogotá was greeted with stony silence. Latin delegates felt insulted by Marshall's tactics of first denying large-scale assistance and then proposing a piecemeal program. The secretary had, as a Brazilian newspaper observed, offered "something like a tip, a sort of decoy to warm up friendships and devotions." This was, it continued, "in short a tremendous blunder of psychology, committed in good faith . . . but not for this reason less worthy of reprimand by the dignity of silence."[19]

With hopes crushed for economic aid, Latin nations displayed a contentious mood in the sessions at Bogotá on the economic charter. Over United States objections, the American republics adopted an Ecuadorian resolution that noted the disparity between the prices of raw materials and manufactures and called for compensation for raw-material producers. In addition, they proposed that an "Inter-American Institute of Commerce" control the volume and prices of commodities. And eight Latin nations filed reservations to the key passage of the charter, which stated that "any expropriation shall be accompanied by payment of fair compensation in a prompt, adequate, and effective manner." All held that Article 25, which

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[18]Lewis B. Clark, commercial attaché in Mexico, to State Department, 1 March 1948, 710.J/3-148, DSR; Claude Bowers, ambassador to Chile, to State Department, 10 November 1947, 710.J/11-1047, DSR; *FRUS, 1948* 1(1975): 809–33.

[19]*FRUS, 1948* 9 (1972): 5–26; Marshall's speech in *DSB* 18 (April 1948): 469–73; Editorial from *Diario da Noite* in despatch, H. V. Johnson, ambassador to Brazil, to State Department, 13 April 1948, 710.J/4-1348, DSR.

borrowed the language of international treaties and agreements, could not supersede the constitutions, courts, and laws of their countries. These nations rejected the United States position that private foreign investors deserved the protection of international law.[20]

While the American republics had created the Organization of American States and agreed on the Treaty of Pacific Settlement at Bogotá, the United States stance on economic issues had strained inter-American relations. Sumner Welles detected, for example, a degree of anti-Yankee feeling not present since 1928. Charges of "dollar diplomacy" were again being leveled at the United States, and Latin leaders, such as Rómulo Betancourt of Venezuela, openly wondered if their northern neighbor seriously intended to help Latin America escape "economic colonialism." Soon after the conference, the State Department received a resolution from prominent newspaper publishers in eighteen Latin countries decrying the lack of economic aid.[21]

Beyond generating friction among the American nations, the disputes over economic issues, particularly the clash over the economic charter, led to an immediate postponement of the economic conference and sparked a debate within the State Department over future cooperation with Latin America. Officials responsible for financial, investment, and trade policies increasingly argued that the United States should eschew multilateral conferences and focus on bilateral negotiations as the way to gain commitments to liberal trade policies and protection for American investments. A confrontation would inevitably occur at an inter-American conference with Latin nations "ganging up" against the United States. Yet, as Secretary Marshall noted, the United States did not want to be open to charges of "attempting to sabotage" the conference and lending credence to the claim that it had ignored Latin America since the end of World War II.[22] Therefore, between 1948 and 1949 officials in the Latin American section of the department, led by Paul C. Daniels, director of the Office of American Republic Affairs, attempted to salvage both charter and conference.

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[20] *FRUS, 1948*, 9:35, 46–47, 56–67; Smith, Office of Financial and Development Policy, to Assistant Secretary of State Willard Thorp, 9 May 1948, 710.J/5-948; for text of economic charter, see Pan American Union, *Annals of the Organization of American States, 1949* (Washington, D.C., 1949), pp. 99–108.

[21] Acting Secretary of State Robert Lovett to Marshall, 20 April 1948, 710.J/4-2048, DSR; George Djamgaroff, president ABC Publications, Inc., to secretary of state, 30 September 1948, 810.50/9-3048, DSR; Circular by Knapp, Office of Financial and Development Policy, for acting secretary of state, 3 November 1948, 810.50/11-348, DSR; R. H. Post, embassy in Venezuela, to Daniels, 10 May 1948, 710.J/5-348, DSR.

[22] Memorandum, "Encouragement of International Investment Through Tax Incentives, Double Taxation Agreements and Bilateral Investment Agreements," by Office of Financial and Development Policy, 27 September 1948, 810.50 Rio/9-1648, DSR; Memorandum by F. G. Heins, Office of Central American and Panamanian Affairs, to Daniels, 5 January 1949, 810.50 Buenos Aires/11-1948, DSR; *FRUS, 1948*, 9:73–74.

The principal issue that separated the United States and Latin America concerned the "Calvo Doctrine." In filing reservations to Article 25, eight nations embraced arguments made by the nineteenth-century Argentine jurist Carlos Calvo that sovereignty was inviolable and that resident aliens could not appeal to their home governments for aid. Latin Americans had ample reasons for insisting on that principle. Throughout the nineteenth century the British Foreign Office had employed diplomatic pressure to protect its bondholders and investors in Latin America, and in 1902–03 British and German warships bombarded the Venezuelan coast in a dispute over debt payments. As late as 1937–38 American and British oilmen vigorously beseeched their governments for diplomatic support after Bolivia and Mexico expropriated their holdings. Attempting to calm Latin fears without accepting the Calvo Doctrine, the State Department presented a draft protocol to the Economic and Social Council that retained the "payment of fair compensation in a prompt, adequate, and effective manner" passage of Article 25 but added that nothing in the article "shall be interpreted as modifying the respective positions of the States with respect to the Calvo Clause." Daniels hoped that by conceding this procedural point the United States would gain bargaining leverage leading to the withdrawal of all reservations and the modification of objectionable passages, such as the linking of prices of raw materials to manufactures. Indeed, when presented in early 1949, the draft protocol received a favorable reception from countries that had filed reservations, such as Ecuador and Venezuela.[23]

The Department of State's plans to negotiate a compromise were thwarted, however, when influential segments of the business community opposed the draft protocol. In preparing for the Bogotá Conference and the economic charter, the department had solicited the views of companies operating in Latin America and had circulated drafts of the charter to international business and trade councils. These procedures found diplomats and businessmen agreeing, as the United States Associates of the International Chamber of Commerce wrote, that "private capital and knowhow will undertake the task of economic development if a suitable climate is provided by the American Republics."[24] Continuing its consultative policies after Bogotá, the department circulated the draft protocol

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[23] *FRUS, 1949* 2 (1975): 424–27; Memorandum by Smith on conversation with Attorney John Laylin, 8 April 1949, 710.J/4-849, DSR; Daniels to Walter White, assistant to chairman, Business Advisory Council, Department of Commerce, 30 April 1949, 710.J/4-3049, DSR.

[24] "Report of the Committee on Foreign Investments on the Foreign Investment Chapter on the Draft Basic Agreement of Inter-American Cooperation," United States Associates, International Chamber of Commerce, 26 March 1948, 810.50/3-2648, DSR; Robert F. Loree, chairman of board, National Foreign Trade Council, to Secretary Marshall, 30 January 1948, 710.J/1-3048, DSR; Loree to Lovett, 24 March 1948, 710.ESC/3-2448,

and initially won some business support. But after further consideration some of the major corporations with investments in Latin America, including American Smelting and Refining, Anderson, Clayton and Company, Electric Bond and Share, General Electric, General Foods, General Motors, B. F. Goodrich, Grace Lines, International Harvester, Kennecott Copper, Standard Oil of New Jersey, and United Fruit, decided that they could not countenance any reference to the Calvo Doctrine. In a brief submitted in April 1949 by Attorney John Laylin of the prestigious Washington law firm of Covington, Burling, Rublee, Acheson, and Shorb, the companies argued that mentioning the doctrine was more than conceding a procedural point; it might enhance the doctrine as a principle of international law. In the future every signatory might invoke the clause, thereby preventing the United States from protecting legitimate interests. The companies recommended that the department shelve the charter and concentrate on bilateral treaties with Latin countries that recognized "that the Calvo Doctrine is the enemy of their own progress." With this approach the eight countries filing reservations "might in time reject the demagogic insistence on an otherwise dying concept of international irresponsibility."[25]

In view of such formidable opposition, in mid-1949 the State Department abandoned all hope of either resolving differences in the economic charter or holding an economic conference. The problem persisted, however, on how "to kill the conference idea once and for all" without strengthening the impression "that the United States is not overly sympathetic toward the economic problems of our Good Neighbors." Unable to find an influential Latin nation willing "to carry the ball" and propose cancellation of the conference, the department resorted to sending the charter and conference back to the Economic and Social Council for study.[26]

The business community was not solely responsible for the virtual cancellation of the economic conference, however, for the Department of State's new chief officers, Secretary of State Dean Acheson and his assistant secretary of state for Latin American Affairs, Edward R. Miller, Jr., were also unwilling to negotiate key trade and investment principles. Speaking with what Miller labeled "frank cordiality," the two officials

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DSR; Memorandum by Paul H. Nitze on conversation with businessmen on Inter-American Economic Conference, 13 December 1948, 810.50 Buenos Aires/12-1348, DSR.

[25]Austin S. Igleheart, president of General Foods, to Daniels, 13 April 1949, 710.J/4-1349, DSR; Laylin to Daniels, 4 May 1949, 710.J/5-449, DSR.

[26]Memorandum by Smith on conversation with Assistant Secretary of State Edward Miller and Stanley Metzger, legal counsel, 5 July 1949, 710.J/6-2849, DSR; Memorandum by Smith on Inter-American Conference, 14 July 1949, 810.50 Buenos Aires/7-1449, DSR; Memorandum, Office of American Republic Affairs, W. F. Nufer to Willard Barber, 3 August 1949, 810.50 Buenos Aires/7-1449, DSR; Miller to Spruille Braden, 26 May 1950, Correspondence Folder (B2), Box 1, Edward R. Miller, Jr., Papers, Harry S Truman Presidential Library, Independence, Mo.

repeatedly informed Latin America between 1949 and 1952 that the United States would not aid any nation unless it welcomed American capital. Failure to attract foreign capital was "the greatest single obstacle to economic development in Latin America." By affirming the free trade and investment principles of the United States, Acheson and Miller believed that Latin America would "learn to think about the heavy disadvantages of a narrow economic nationalism."[27]

Unlike their predecessors, Acheson and Miller bluntly criticized economic nationalism and declared that the United States had no obligation to aid Latin America. But their strident defense of private foreign capital did not represent a new thrust in United States policy. During the first years of the cold war, no influential State Department figure advocated large-scale economic assistance for Latin America. At most, Export-Import Bank loans would be considered if they supplemented domestic and foreign investment. As early as September 1945, officials predicted that a bitter clash would erupt at an economic conference, since the United States was unprepared to grant "requests which they are likely to make." Unwilling "to reveal before the world" their fundamental disagreement with their Good Neighbors, United States diplomats chose postponement over confrontation.[28]

Just as United States officials agreed that a Marshall Plan was inappropriate for Latin America, they also concurred on a strategy for the area's development. As they had when defending liberal trade policies, they drew on historical "lessons" in arguing for private investment and against enterprises owned and directed by the state. Latin America should emulate the patterns of development of the United States. As Secretary Acheson remarked in his first address on Latin American affairs, "This country has been built by private initiative and it remains a land of private initiative."[29] But private initiative was not the only factor of economic growth. State Department officials never tired of reminding Latin Americans that in the nineteenth century the developing United States had attracted sorely needed capital from European investors. This historical analysis was, perhaps, selective, ignoring both the policies of government promotion of the economy favored by Hamilton, Quincy Adams, and Clay and the tariffs erected to protect young industries, like United States Steel. Moreover, foreign investment did not guarantee sound economic development. During the nineteenth century Latin America also received heavy infusions of European capital, but Latin nationalists held that investments such as the British financing of railroads had not integrated their economies and

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[27] *FRUS, 1950* 2 (1977): 593–95, 675–79; Acheson's speech in *DSB* 21 (September 1949): 462–66; Miller's speeches in *DSB* 22 (February 1950): 231–34, and *DSB* 22 (April 1950): 521–23.

[28] *FRUS, 1945,* 9:177–78; *FRUS, 1949,* 2:424–27.

[29] *DSB* 21 (September 1949): 462–66.

developed internal markets but rather facilitated European access to their raw materials and foodstuffs.[30]

While the inter-American community debated the merits of private foreign investment, the United States devised assistance programs for the rest of the noncommunist world. By 1951 Latin America was the one area not under a United States aid program. It was eligible for aid only from the meagerly funded Point Four technical assistance program. Belgium and tiny Luxembourg, for example, obtained more direct aid than all the Latin nations combined between 1945 and 1950. Even Secretary Miller wondered in a memorandum to Acheson, "How is it possible to justify on either moral or logical grounds the extension of U.S. grants to a heavy dollar and gold earner such as Saudi Arabia, when similar assistance is not available to such poverty-stricken, dollar-short countries as Paraguay and Ecuador?"[31] What distinguished Luxembourg and Saudi Arabia from Paraguay was the Department of State's perception of the aims and strengths of the Soviet Union. In the first postwar years department strategists, such as the Policy Planning Staff, judged Latin America safe from the grasp of Russia. To be sure, they foresaw "potential danger" and worried about subversion, instructing field officers to monitor local Communist parties. But the department did not believe that communism in Latin America posed a significant political or military threat to the United States.[32]

The denial of aid reflected not only American confidence in private investment and the relative security of Latin America but also the changing evaluations within the State Department on the role and significance of the southern neighbors in the world arena. Appreciative of wartime military and economic cooperation, officials referred to Latin America as the one dependable area of the world and the Good Neighbor policy as the "keystone" of United States foreign policy while they prepared for the postwar world. But the cold war broadened the United States perspective. After 1947 department officials responded to criticism from former government officials, such as Welles, Duggan, and Henry Wallace, and Latin diplomats that it was abandoning the Good Neighbor by replying that defense expenditures and economic assistance to Asia, Europe, and the Middle East aided Latin America by "saving freedom" and restoring world trade. The problem was, as Secretary Miller analyzed it, that Latin

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[30]Richard Graham, *Great Britain and the Onset of Modernization in Brazil* (Cambridge, 1968), pp. 319–24; Ricardo M. Ortiz, *El ferrocarril en la econòmia argentina* (Buenos Aires, 1958); Raúl Scalabrini Ortiz, *Politica britiànica en el Rió de la Plata* (Buenos Aires, 1965).

[31]*FRUS, 1950,* 2:686–87; for statistics on economic aid, see *FRUS, 1949* 1 (1976): 754–55, and *FRUS, 1950* 1 (1977): 812–14.

[32]*FRUS, 1948,* 9:194–201; *FRUS, 1950,* 2:603–4, 624–25; Stephen G. Rabe, "Inter-American Military Cooperation, 1944–1951," *World Affairs* 137 (Fall 1974): 143–44; Roger R. Trask, "The Impact of the Cold War on United States-Latin American Relations, 1945–1949," *Diplomatic History* 1 (Summer 1977): 279–81.

America wanted to ignore the cold war and return to the 1930s when "the Good Neighbor Policy was virtually our sole foreign policy." That experience combined with the consequential high-level attention devoted to Latin America "had fostered an exaggerated and extreme sense of self-importance on the part of individuals connected with Latin American governments."[33]

Neither promises of private foreign investment nor protestations about cold war burdens quelled Latin criticism of United States foreign economic policy. Unable to persuade, diplomats increasingly blamed Latin America for failures in postwar economic cooperation. They charged that Latin delegates were not interested in discussing concrete, practical projects but rather in using conferences as forums for passing frivolous resolutions for home consumption. Writing in 1950, former Assistant Secretary of State Braden alleged that "some of our Latino friends were playing at economics," enjoying "all the speechifying and solemn pronouncements on these matters, especially when accompanied by the glamour and spotlight of an international conclave." Some even questioned whether Latin America could thrive and prosper with its *latifundia,* excessive military expenditures, and gross inequalities of wealth. As Secretary of State Acheson reminisced, "Hispano-Indian culture—or lack of it—had been piling up its problems for centuries."[34]

Whatever the merits of the Department of State's explanations for Latin America's problems, its postwar position on economic aid had fractured the wartime hemispheric alliance. This became strikingly evident at the Fourth Meeting of Foreign Ministers held in Washington between March and April 1951. Scheduled by the department after President Truman's 15 December 1950 declaration of national emergency, the Washington Conference was intended to persuade Latin Americans to mobilize their economies for the Korean conflict. For this war, however, the United States received only "rhetorical" support from its neighbors. The conference's key resolution, calling for increased production of strategic materials, was tied to a statement citing the American nations' need for programs of economic development. Moreover, only Colombia responded to requests for troops with a token battalion of volunteers. One observer described the work of the Washington Conference as "impeccably orthodox in general principle, conspicuously vague in detail." Secretary Miller simply labeled Latin America's contributions as "disappointing."[35]

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[33]*FRUS, 1950,* 2:625–26; *DSB* 23 (December 1950): 1015.

[34]*FRUS, 1950,* 2:674–75; *DSB* 22 (April 1950): 650; Braden to Miller, 6 June 1950, Correspondence Folder (B2), Box 1, Miller Papers; Dean Acheson, *Present at the Creation* (New York, 1969), pp. 257–58. See also George Kennan's appraisal of Latin America, *FRUS, 1950,* 2:598–623.

[35]Text of Resolutions of Fourth Meeting of Foreign Ministers in *DSB* 24 (April 1951): 606–13; quotation from Richard P. Stebbins, *The United States in World Affairs, 1951* (New

Indifference continued to characterize inter-American relations through most of the 1950s. Like the Truman government, the Eisenhower administration refused to discuss comprehensive economic aid with Latin America, although in November 1954 officials attended an economic conclave in Rio de Janiero. Washington continued to trumpet the virtues of "enlightened private enterprise" and asserted that multilateral economic cooperation was "neither needed nor wanted by the other American states."[36] Change ensued, however, after a series of anti-American riots, culminating in the near assassination of Vice President Richard M. Nixon in Caracas in May 1958, and the emergence of Fidel Castro and the specter of communist upheaval. Then, with the Alliance for Progress, the United States began to redeem pledges of economic cooperation made at Rio de Janiero in 1942.

York, 1952), p. 303; Miller quoted in U.S., Congress, Senate Foreign Relations Committee and Senate Armed Services Committee, *Hearings on Mutual Security Act of 1951*, 1951, p. 398.

[36]See respective speeches of Assistant Secretary of State Henry F. Holland and Secretary of Treasury George Humphrey in *DSB* 31 (November 1954): 684–90, and *DSB* 31 (December 1954): 863–69.