

ECLA, Washington and Inter-American Economic Relations, 1948–1968

Isaac Cohen



UNITED NATIONS

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**ECLAC OFFICE
IN WASHINGTON, D.C.**

ECLA, Washington and Inter-American Economic Relations, 1948–1968

Isaac Cohen



UNITED NATIONS

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Abstract

Inter-American economic relations underwent significant changes since the end of World War II, with the creation of hemispheric institutions, such as the Organization of American States (OAS) and the United Nations Economic Commission for Latin America (ECLA). This document examines two decades of interaction on economic affairs between the Latin American and United States governments, in the setting provided by these hemispheric institutions.

The description is based mainly on primary sources, such as declassified documents on the foreign relations of the United States and the documentation produced by the regional institutions. Additionally, secondary sources are utilized to provide the circumstantial context in which these institutions functioned during the two decades examined.

Focusing on these two decades is justified by the fact that it was a time of profound and extensive economic change in Latin America, while the foreign policy of the United States evolved under the weight of the bipolar Cold War confrontation. The description starts with the creation of the Economic Commission for Latin America and focuses on the divergent perspectives on development policies that prevailed during the first decade. The final chapter describes the proclamation and evolution of the Alliance for Progress, in the following decade, as the culmination of the changes in Inter-American economic relations.

Abbreviations

AP	Associated Press
BNA	Banco de la Nación Argentina
CABEI	Central American Bank for Economic Integration
CACM	Central American Common Market
CFEP	Conference on Foreign Economic Policy
CENDES	Centro de Estudios del Desarrollo
CEPAL	Comisión Económica para América Latina
CIAP	Inter-American Committee of the Alliance for Progress
COAS	Council of the Organization of American States
ECA	Economic Cooperation Administration (United States Treasury Department)
ERP	Economic Recovery Program (United States Treasury Department)
ECLA	Economic Commission for Latin America
ECLAC	Economic Commission for Latin America and the Caribbean
ECAFE	Economic Commission for Asia and the Far East
EDT	Office of Economic Defense and Trade Policy
ERP	Economic Recovery Program (United States Treasury Department)
ERP	European Recovery Program, also known as the Marshall Plan.
EXIM Bank	Export-Import Bank of the United States

FAO	Food and Agriculture Organization
FOA	Foreign Operations Administration
FBI	Federal Bureau of Investigation
FRUS	Foreign Relations of the United States
GATT	General Agreement on Tariffs and Trade
IADB	Inter-American Development Bank
IA-ECOSOC	Inter-American Economic and Social Council
IBRD	International Bank for Reconstruction and Development
ICA	International Cooperation Administration
IFC	International Finance Corporation
IIEJI	Instituto Interamericano de Estudios Jurídicos Internacionales
ILPES	Instituto Latinoamericano de Planificación Económica y Social
IMF	International Monetary Fund
LAFTA	Latin American Free Trade Association
NSC	US National Security Council
OAS	Organization of American States
OCB	Operations Coordination Board
ODECA	Organización de Estados Centroamericanos (Organization of Central American States)
ODM	Office of Defense Management
OPEC	Organization of Petroleum Exporting Countries
NSC	US National Security Council
PAU	Pan American Union
UNCICT	United Nations Commission on International Commodity Trade
UNCTAD	United Nations Conference on Trade and Development
UN-ECOSOC	United Nations Economic and Social Council
UNIDO	United Nations Industrial Development Organization
UNTAA	United Nations Technical Assistance Administration
US	United States
USTC	United States Tariff Commission

Introduction

In 2018, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) celebrated seven decades of existence. This anniversary afforded the opportunity to reflect on the institution's history and its contribution to the economic and social development of the region.

At the Washington Office of the Economic Commission, this anniversary was judged propitious to survey the past participation of the United States Government in the functioning of ECLAC for several reasons. First, such a systematic examination had not been previously completed. Second, the abundant declassified documentation available in the *Foreign Relations of the United States* (FRUS), published by the United States Department of State Office of the Historian, provided an invaluable source of declassified material, superbly organized and electronically accessible. Finally, given the availability of these declassified sources, the decision was made to focus on the first 20 years, from the creation of the Commission in 1948 to 1968.

Any periodization needs justification. In this case, the first 20 years of the Economic Commission for Latin America (ECLA, this is the original acronym that is used throughout this document) have several distinctive characteristics. The two decades, from 1948 to 1968, form part of a period of intense and profound economic change in Latin America. These decades were described by Albert Hirschman (1995, p. 155), paraphrasing the French sociologist Jean Fourastié, as the "trente glorieuses," years of intense Latin American economic growth, at average annual rates of more than 5 per cent. Also, during 13 of those 20 years, from May 1950 to July 1963, the Secretariat of the Commission was led by Raul Prebisch, who decisively influenced its substantive message and operational style. Both the message and the style contributed to a distinctive profile within the framework of the Secretariat of the United Nations, to which the regional economic commissions belong. Finally, throughout both decades, the foreign economic policies of the United States underwent profound changes, mainly under the weight of the bipolar confrontation of the Cold War.

The story narrated here is institutional, in the sense that it attempts to portray the interaction between institutionalized actors, the Latin American governments, the United States government, as they perform their roles as members of an international organization, within the Economic Commission for Latin America. Institutions, as understood by Douglass North (1990, pp. vii, 3), are "humanly devised constraints that shape human interaction... and the present and the future are connected to the past by the continuity of a society's institutions." Therefore, North concludes, "the past can only be made intelligible as a story of institutional evolution."

The narrative is also documentary history in the sense that it is based on primary declassified documented sources. The essential purpose is to let the documents speak for themselves, as much as possible. Readers will verify the richness and extensiveness of the means of communication utilized, including phone conversations, letters, cables, minutes of meetings, position papers, which upon approval became official positions adopted by the interacting protagonists. These interactions take place in highly ritualized events, usually meetings and conferences held according to meticulously followed formal procedures, to generate the decisions whose implementation is necessary for the Commission's functioning.

However, the sole transcription of the documents is insufficient; other ingredients are necessary, such as contextual information describing the circumstances under which the documents were produced. In addition, because institutions are run by individuals, brief biographical sketches of some of the main actors are presented. Both the circumstances and the individuals are essential to achieve a wider and deeper understanding of the background in which the institution functioned during the first two decades.

Two main sets of official primary sources were examined. The most abundant is the already mentioned collection of official documents on the foreign relations of the United States. The other primary source is provided by the documents produced by the Secretariat of the Economic Commission, containing numerous resolutions, minutes of meetings, substantive papers and often also some verbatim discussions and presentations, produced during the meetings served by the Secretariat of the Commission. Most of these official documents are accessible at the digital repository maintained at the Commission's Secretariat headquarters in Santiago, Chile.

For the provision of contextual background and the biographical information on some of the individuals involved, two secondary sources proved essential. First, the comprehensive biography of Raul Prebisch, initially codirected by David Pollock and Edgar Dosman, finally completed and published by Dosman (2008), provided an essential source on Prebisch, his whereabouts and activities. Second, the doctoral dissertation by Hilary Burger (1998) was also essential because it focuses on the early years and it is built around the Chilean economist Jorge Ahumada, who joined early the Commission's Secretariat and contributed decisively to its evolution.

The document contains eight chapters, starting with the creation of the Commission, in 1948, based on the comprehensive collection of primary sources compiled by the headquarters library, in Santiago (Biblioteca CEPAL/ILPES, 1988). That volume includes a preface by Hernán Santa Cruz (1988, pp. ix-xiii), the young Chilean Ambassador to the United Nations, who proposed the initiative to create the Commission. This opening chapter also describes how the position of the United States Government evolved, from an initial abstention, motivated by genuine concerns about potential duplication of activities, to the approval, two years later, of the continuation of the Commission.

Three chapters describe a succession of three hemispheric conferences, held under the Organization of American States (OAS), starting with the 1954 Caracas Conference, followed by two economic conferences held at Quitandinha (Rio de Janeiro), in the same year and in Buenos Aires in 1956. At these conferences numerous differences between the Latin American and the United States governments were evident, particularly those centered around the emphasis by the United States on private investment flows and the Latin American position on the need to complement those resources with official development finance.

The next three chapters trace how change gradually started, in 1958, mainly motivated by political circumstances, which manifested themselves during the tense visit by then Vice President Richard M. Nixon to several Latin American capitals. The following year started with the overthrow of the government in Cuba and subsequent deterioration of relations between the United States and the Cuban revolutionary government, which became the first confrontation of the Cold War in the Western Hemisphere. By the end of the Eisenhower Administration in 1960, there were accelerated changes in hemispheric economic relations, leading to the creation of the Inter-American Development Bank, among others, and to the approval of commodity agreements, in the form of the International Coffee Organization.

The last chapter describes how the changes, initiated by the end of the Eisenhower Administration, culminated when newly elected President John F. Kennedy launched the tridimensional Alliance for Progress in 1961. This program, which included security, political and economic objectives, was the most comprehensive hemispheric initiative in 20 years. The chapter ends in 1968 with the inauguration of President Richard M. Nixon.

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Time line

JUL 1947	Draft resolution proposing the creation of ECLA presented to the UN-ECOSOC by Chilean Ambassador Hernan Santa Cruz.
FEB 1948	UN-ECOSOC sixth meeting approves resolution 106 (VI) creating ECLA, subject to revision by 1951.
JUN 1948	ECLA First Session, Santiago, Chile.
DEC 1948	Gustavo Martinez Cabañas (Mexico) appointed Executive Secretary of ECLA.
JUN 1949	ECLA Second Session, Havana, Cuba; Raul Prebisch presents <i>The Economic Development of Latin America and Its Principal Problems</i> .
MAR 1950	IA-ECOSOC Extraordinary Session, Washington, D.C., informal discussions on the continuation of ECLA.
MAY 1950	Raul Prebisch appointed Executive Secretary of ECLA.
JUN 1950	ECLA Third Session, Montevideo, Uruguay 5–21 June, Montevideo, off venue consultations on OAS-ECLA coordination.
OCT 1950	ECLA offices established in Mexico City and Washington, D.C.
JUN 1951	ECLA Fourth Session, Mexico City, approves resolutions I (IV) recommending the indefinite continuation of ECLA; 30 (IV) creating Mexico Office and 9 (IV) to support Central American economic integration program.
AUG 1951	IA-ECOSOC Second Extraordinary Session, Panama, creates IA-ECOSOC-ECLA coordinating committee.
FEB 1952	ECLA First meeting of the Committee of the Whole, Santiago, Chile. Prebisch presents vision of the Commission's role.

AUG 1952	Central American Economic Cooperation Committee, first meeting, Tegucigalpa, Honduras. Prebisch presents study on "integration and economic reciprocity in Central America." Victor Urquidi appointed Director ECLA Mexico Office.
JAN 1953	President H. Truman issues Executive Order 10422, to verify the loyalty of all United Nations staff members from the United States and the personnel from the United States Mission to the United Nations.
MAR 1953	National Security Council 137th Meeting approves policy statement NSC 144/1 on United States-Latin America policy.
JUL 1953	Professor Milton Eisenhower presents "Report to the President: United States Latin American Relations."
AUG 1953	CIA Director authorized to proceed with PBSUCCESS, covert operation to overthrow Guatemalan President Jacobo Arbenz.
SEP 1953	PBSUCCESS plan includes holding OAS conference to approve anti-Communist resolution.
MAR 1954	Tenth Inter-American Conference, Caracas, Venezuela, approves resolution XCIII "against the intervention of international Communism" and resolution LXVI, "Meeting of Ministers of Finance and Economy," to be held by the end of the year in Brazil.
APR 1954	President D. Eisenhower appoints Sub Cabinet Committee to review relations with Latin America and prepare United States Delegation positions for the Quitandinha/Rio economic conference.
JUN 1954	Overthrow of Guatemalan President Jacobo Arbenz.
JUL 1954	Interdepartmental Committee on Latin American Economic Affairs established under the chairmanship of United States Ambassador to the IA-/ECOSOC Merwin L. Bohan.
AUG 1954	ECLA report on International Cooperation in a Latin American Development Policy delivered to IA-ECOSOC.
SEP 1954	President D. Eisenhower approves policy statement 5432/1 on United States-Latin America policy, reviewed at NSC 212th Meeting, containing the United States Government position on the forthcoming Rio/Quitandinha Economic Conference.
OCT 1954	Assistant Secretary of State for Inter-American Affairs Henry Holland visits Mexico and several countries in South America for consultations on Economic Conference.
NOV 1954	NSC 224th Meeting, based on NSC 5432/1, approves "Position of the United States at the Rio Conference."
DEC 1954	Quitandinha/Rio Economic Conference, Fourth Extraordinary Meeting of the IA-ECOSOC, Quitandinha Hotel, reveals differences on economic policy between the United States and Latin America.
MAR 1955	Vice President Richard Nixon, traveling in Central America attempts, without success, to reconcile President Anastasio Somoza Garcia of Nicaragua with President Jose Figueres Ferrer of Costa Rica.
SEP 1955	ECLA sixth session, Bogota, Colombia, September, creates Trade Committee and requests study on Inter-Latin American trade.

SEP 1956	Resignation of Assistant Secretary of State for Inter-American Affairs Henry Holland succeeded by Roy R. Rubottom.
OCT 1956	Inter-American Meeting of Experts on Iron and Steel Making and Transforming Industries, Sao Paulo, Brazil.
NOV 1956	ECLA Trade Committee first meeting, resolution adopted on Intensification of Inter-Latin American Trade, Santiago, Chile.
NOV 1956	United States Department of Commerce hires the consulting firm Hirschman and Kalmanoff to draft a <i>Guidebook for United States Investors in Central America</i> .
MAY 1957	Resignation of Treasury Secretary George M. Humphrey succeeded by Robert M. Anderson.
MAY 1957	Working Group on Multilateral Payments System first session, Montevideo, Uruguay.
MAY 1957	ECLA seventh session, and Trade Committee second meeting, La Paz, Bolivia.
SEP 1957	Buenos Aires Economic Conference unanimously approves Economic Declaration of Buenos Aires.
OCT 1957	Assistant Secretary of State for Economic Affairs Thomas C. Mann appointed United States Representative to the United Nations Commission on International Commodity Trade.
MAY 1958	Vice President Richard Nixon's visit to eight South American countries disrupted by demonstrations and riots in Lima, Peru and Caracas, Venezuela.
MAY 1958	In a letter to President D. Eisenhower, President of Brazil J. Kubitschek proposes Operation Pan America to overcome underdevelopment in the hemisphere.
JUN 1958	Central American governments sign two treaties on Multilateral Free Trade and a Regime of Integration Industries.
AUG 1958	Under Secretary of State Douglas Dillon, in a statement to the IA-ECOSOC, announces the United States support of the creation of an inter-American financial institution.
JAN 1959	General Fulgencio Batista overthrown; guerrilla army commanded by Fidel Castro enters Havana, Cuba on New Year's Day.
JAN 1959	Twenty-one delegations from the Americas start negotiations, at OAS headquarters in Washington, to create the Inter-American Development Bank.
FEB 1959	President D. Eisenhower approves new "Statement of United States Policy Toward Latin America, NSC 5902/1."
FEB 1959	Department of State distributes among members of the OAS Committee of 21 a "Statement of United States Policy toward Latin America," supports Operation Pan America proposed by Brazil President J. Kubitschek and agrees development in Latin America requires substantial amounts of public funds to complement private capital flows.
MAR 1959	State visit by President of El Salvador Jose Maria Lemus to Washington, final declaration supports "the establishment of an economically sound system of economic integration" in Central America.

APR 1959	Prime Minister Fidel Castro and economic team visit Washington, received at the United States Department of State and meets with Vice President Richard Nixon.
APR 1959	Delegations conclude successfully negotiations on the creation of the Inter-American Development Bank (IADB), agreement on constitutive charter signed at OAS headquarters in Washington.
MAY 1959	OAS Committee of 21 meets in Buenos Aires. Prime Minister Fidel Castro addresses the meeting, says United States support for economic development in Latin America should amount to US\$30 billion over a 10-year period and meets privately with Assistant Secretary of State Roy R. Rubottom.
MAY 1959	ECLA Advisory Mission arrives in Havana to train experts in planning techniques.
OCT 1959	Central American governments subscribe Treaty on Tariff Equalization.
DEC 1959	President D. Eisenhower meets with recently created National Advisory Committee on Inter-American Affairs and announces his intention to visit several South American countries.
JAN 1960	Presidential campaign starts in the United States, relations with Latin America become top campaign issue.
FEB 1960	IADB Board of Governors meets in San Salvador and elects Felipe Herrera (Chile) as President of the Bank.
FEB 1960	Tripartite Integration Treaty signed in Guatemala City by the governments of El Salvador, Honduras and Guatemala.
FEB 1960	The governments of Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay sign the Treaty of Montevideo creating the Latin American Free Trade Association (LAFTA). The governments of Colombia and Ecuador join the following year.
FEB 1960	President D. Eisenhower visits Argentina, Brazil, Chile and Uruguay.
MAY 1960	Under Secretary of State Douglas Dillon leads preparations for the creation of a US\$600 million fund for grants to promote social justice in Latin America.
MAY 1960	At the 16th Session of the Contracting Parties of the General Agreement on Tariffs and Trade, in Geneva, the United States delegation welcomes the signature of the Montevideo Treaty creating LAFTA.
JUN 1960	At a National Security Council meeting, President D. Eisenhower expressed concern about social unrest and instability in Latin American and urged policy changes.
JUL 1960	United State Department of State proposes the creation of a Special Fund of US\$600 million to provide grants and loans for social development projects through the IADB. President D. Eisenhower declares his intention to seek funds from Congress for that purpose.
AUG 1960	Under Secretary Douglas Dillon negotiates with Senator John F. Kennedy, nominated presidential candidate by the Democratic Party, the approval by Congress of the proposed funding for social development projects in Latin America, provided appropriations start the following year.
SEP 1960	OAS Committee of 21 meets in Bogota and approves the Act of Bogota, which includes the creation of the Inter-American fund for social development.

SEP 1960	Richard Goodwin, speech writer to candidate John F. Kennedy, starts preparation for a major initiative on hemispheric policy to be known in Spanish as "Alianza."
SEP 1960	In Baghdad, the governments of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela create the Organization of Petroleum Exporting Countries (OPEC).
OCT 1960	Candidate John F. Kennedy issues a policy statement, in Tampa, Florida, on relations with Latin America proposing a new attitude and a new approach, described in Spanish as "Alianza para el Progreso."
NOV 1960	President-elect John F. Kennedy asks Adolf Berle, a prominent practitioner of the Good Neighbor Policy during the F.D. Roosevelt administration, to direct a "Task Force on Immediate Latin American Problems."
NOV 1960	ECLA Havana mission ends, after training 66 Cuban officials in economic planning techniques.
DEC 1960	With ECLA support, in Managua, Nicaragua, the governments of El Salvador, Guatemala, Honduras and Nicaragua sign the General Treaty of Central American Economic Integration and approve the creation of the Central American Bank for Economic Integration, supported by the United States. The government of Costa Rica abstains but joins two years later.
DEC 1960	Jose Antonio Mayobre appointed Venezuelan Ambassador to the White House.
JAN 1961	Task Force led by Adolf Berle on Latin America delivers report.
JAN 1961	In his inauguration speech, President J. F. Kennedy calls for an "alliance for progress" between the United States and Latin America and confirms this commitment, in the subsequent State of the Union address, requesting the appropriation of US\$500 million pledged in the Act of Bogota to finance social development projects in Latin America.
JAN 1961	President J.F. Kennedy asks Richard Goodwin to draft a major address on Latin America to launch the Alliance for Progress, based on the report from the Berle Task Force.
JAN 1961	Former Under Secretary of State Douglas Dillon appointed Secretary of the Treasury by President J.F. Kennedy.
MAR 1961	President J.F. Kennedy asks Venezuelan Ambassador Jose Antonio Mayobre to request comments on the forthcoming address on hemispheric relations from a group of Latin American economists. Ambassador Mayobre delivers a letter with the comments to Richard Goodwin.
MAR 1961	In response to a request contained in the Act of Bogota, the OAS, the IADB and ECLA create an Ad-Hoc Cooperation Committee, later known as the Tripartite Cooperation Committee, to coordinate their activities.
MAR 1961	President J.F. Kennedy launches the Alliance for Progress
APR 1961	At the IADB governors meeting, in Rio de Janeiro, Brazil, the Tripartite Cooperation Committee, including, Felipe Herrera (IADB), Raul Prebisch (ECLA) and Jorge Sol (OAS), meet with White House presidential advisors Lincoln Gordon and Richard Goodwin to draft the agenda of the forthcoming IA-ECOSOC ministerial meeting, scheduled for next July, in Punta del Este, Uruguay.

JUN 1961	Montevideo Treaty creating LAFTA enters into force.
AUG 1961	IA-ECOSOC special ministerial meeting, with the exception of the Cuban delegation led by Comandante Ernesto "Che" Guevara, approves a Declaration of the Peoples of America and a comprehensive development program contained in the Charter of Punta del Este.
SEP 1961	OAS-IADB-ECLA Tripartite Committee asked to set up panel of nine experts to manage Alliance for Progress activities. Prebisch announces his intention to retire from ECLA.
JAN 1962	The United Nations Special Fund and the IADB approve funding the Latin American Institute for Economic and Social Planning (ILPES according to its name in Spanish).
FEB 1962	Eighth Session of ECLA Plenary Committee, in Santiago, approves the creation of ILPES
MAR 1962	Fourth Extraordinary Meeting of ECLA Plenary Committee, in Santiago, designates the board members of ILPES.
MAR 1962	In Argentina, President Arturo Frondizi overthrown by the military.
MAY 1962	Jose Antonio Mayobre appointed Under Secretary General of the United Nations for Industrial Development.
MAY 1962	Prebisch appointed Director General of ILPES, asked to remain at ECLA until mid-1963, the expected arrival of his appointed successor, Jose Antonio Mayobre.
JUL 1962	ILPES starts operations in Santiago with a training course for Latin American economists.
JUL 1962	As representative of United Nations Secretary General U Thant, Prebisch attends the Cairo Conference on the Problems of Economic Development, which requests the UN-ECOSOC and the General Assembly to organize a meeting on trade and development.
JUL 1962	In Peru, President Manuel Prado overthrown by the military.
SEP 1962	Consumers and producers, including the United States and several Latin American governments, sign the International Coffee Agreement.
DEC 1962	United Nations General Assembly approves creation of Conference on Trade and Development (UNCTAD).
JAN 1963	United Nations Secretary General U Thant appoints Prebisch as head of UNCTAD Preparatory Committee.
APR 1963	In Santiago, Chile, President Joao Goulart of Brazil and President Jorge Alessandri of Chile propose the creation of a committee of Ministers of Foreign Affairs from the members of the Montevideo Treaty, to provide impetus to LAFTA.
MAY 1963	ECLA Tenth Session, held in Mar del Plata, Argentina, bids farewell to Raul Prebisch and welcomes his successor Jose Antonio Mayobre.
AUG 1963	To start a five-year term as Executive Secretary of ECLA, Mayobre arrives in Santiago, Chile.

- NOV 1963** IA-ECOSOC meeting in Sao Paulo, Brazil, creates the permanent Inter-American Committee of the Alliance for Progress (CIAP according to its name in Spanish). Carlos Sanz de Santa Maria (Colombia) appointed Chairman.
- NOV 1963** President John F. Kennedy assassinated.
- NOV 1963** In Washington, President Lyndon Johnson reassures Latin American diplomats about the continuity and priority of the Alliance for Progress.
- JAN 1964** President L. Johnson recalls Ambassador Thomas Mann from Mexico to appoint him Assistant Secretary of State for Inter-American Affairs, United States Coordinator of the Alliance for Progress and Special Assistant to the President.
- MAR 1964** To commemorate the third anniversary of the proclamation of the Alliance for Progress, a meeting of Latin American and United States diplomats held at the headquarters of the Pan American Union, to launch the recently created CIAP. President L. Johnson confirms increased support for the Alliance for Progress.
- MAR 1964** A statement issued by the State Department declares United States policy towards unconstitutional governments.
- APR 1964** In Brazil, President Joao Goulart overthrown by the military. Throughout the previous year, the military overthrew the presidents of Dominican Republic, Ecuador, Guatemala and Honduras.
- MAY 1964** Teodoro Moscoso resigns as United States representative in CIAP, succeeded by Walter W. Rostow.
- JAN 1965** President of Chile Eduardo Frei addresses a letter to four prominent Latin American economists requesting proposals to overhaul LAFTA.
- FEB 1965** President L. Johnson promotes Thomas Mann to Under Secretary of State for Economic Affairs, recalls Ambassador Jack Hood Vaughn from Panama to appoint him Assistant Secretary of State for Inter-American Affairs and Alliance for Progress Coordinator.
- MAR 1965** Events in Vietnam given as reason for cancellation of projected visit to South America by President L. Johnson. First United States troops arrive in Vietnam.
- APR 1965** Four Latin American experts respond to letter from President Eduardo Frei of Chile releasing document titled "Proposals for the Creation of a Latin American Common Market."
- MAY 1965** At ECLA Eleventh Session, in Mexico City, Executive Secretary Mayobre calls for member governments to strengthen and intensify the process of economic integration.
- MAY 1965** United Nations Secretary General U Thant asks Mayobre to lead a mission to observe the situation in the Dominican Republic, where 20,000 United States soldiers were sent to protect United States citizens and prevent another Cuba.
- NOV 1965** Council of Ministers approves reforms to the institutional framework of LAFTA, fails to override veto power by members.
- NOV 1965** Second Special Inter American Conference held in Rio de Janeiro, Brazil, approves an Economic and Social Act and reforms to the OAS Charter.

- NOV 1965** Senator Robert Kennedy travels to Peru, Chile, Argentina and Brazil, in that order, attends the Second Special Inter-American Conference.
- OCT 1966** Preparations start for the forthcoming Presidential Summit on the Alliance for Progress, scheduled for April 1967 in Punta del Este, Uruguay.
- OCT 1966** Jose Antonio Mayobre resigns from ECLA, appointed by President Raul Leoni of Venezuela as Minister of Mines and Hydrocarbons, in that capacity he chairs the Council of OPEC.
- NOV 1966** Walter W. Rostow, Special Assistant to President L. Johnson, drafts guidelines for the United States negotiators of the Punta del Este Summit Program. The objective is to increase United States support for a major commitment to economic integration by the Latin American governments.
- JAN 1967** Carlos Quintana (Mexico) starts five-year term as Executive Secretary of ECLA.
- FEB 1967** In preparation of the forthcoming Summit, Secretary of State D. Rusk attends Third Special Inter-American Conference and the 11th Meeting of Consultation of Ministers of Foreign Affairs of the American Republics, held simultaneously in Buenos Aires.
- MAR 1967** United States Congress refuses President L. Johnson request of increased funding for the Alliance for Progress.
- APR 1967** Declaration of Presidents of America signed at Punta del Este, includes pledge of United States support for Latin American stronger commitment to economic integration.
- JUN 1967** Government of Venezuela does not support Arab oil embargo against the United Kingdom and the United States, increases production by 300,000 barrels per day.
- SEP 1967** Representatives from LAFTA and the CACM meet in Asuncion, Paraguay, fail to agree on special treatment for relatively least developed countries.
- MAR 1968** President L. Johnson announces he will not seek reelection.
- NOV 1968** Richard M. Nixon elected as President of the United States.

I. Creation and continuation, 1948–1951

A. Introduction

None of the decisions to create the other United Nations Economic Commissions were controversial, except for the decision to create what was then known as the Economic Commission for Latin America (ECLA). This controversy was because of concerns that its functioning could duplicate the activities of the Inter-American Economic and Social Council (IA-ECOSOC) of the Organization of American States (OAS) and its secretariat.

B. The creation of the Economic Commission for Latin America

The scepticism about the creation of ECLA existed among several founding United Nations members, most prominently within the United States government. At the Lake Success meeting of the United Nations Economic and Social Council (UN-ECOSOC), held from 2 February to 11 March 1948, a project of resolution submitted by the Chilean delegation, proposing the creation of ECLA, was supported by the Cuban, Peruvian and Venezuelan delegations. The resolution was adopted with the conditioned support of the United States delegation and with the abstention of other members. Almost immediately after the approval of ECOSOC resolution 106 (VI), the Chilean government's offer was accepted and the secretariat of ECLA was located in Santiago, Chile. (BibliotecaCEPAL/ILPES 1988, p. 243. This is the most complete collection of official United Nations documents on the creation of ECLA.)

Point 9 of the new Commission's terms of reference, approved as part of the same ECOSOC resolution 106 (VI), contained the mandate, based on the concern expressed by the United States delegation, that the Commission had to cooperate and coordinate its activities with "the appropriate organs of the Inter-American System... to avoid any unnecessary duplication of effort." In addition, point 16 of the same terms of reference stated a deadline of "not later than 1951" for the UN-ECOSOC to carry out a "special review of the work of the Commission" to decide if "it should be terminated or continued" (Biblioteca CEPAL/ILPES, pp. 245–246).

Coordination between the new Commission and the Inter-American System was among the most decisive topics considered by the first session of ECLA because its very existence was at stake. The meeting was hastily organized and held, only three months after its creation, at ECLA new headquarters in Santiago, Chile, from 17 to 25 June 1948.

The coordination issue was item 4 of the first meeting agenda of the ECLA. Additionally, one of the first decisions adopted was to set up the Committee on Coordination, to carry out consultations with representatives from IA-ECOSOC, who were present as observers at the Santiago meeting. The Committee on Coordination was formed with delegates from Argentina, Brazil, Chile, Guatemala, Mexico, the United States and Venezuela, with Chilean Ambassador Hernán Santa Cruz designated as Rapporteur. Also participating in the coordination meetings were representatives from the Secretariat of the IA-ECOSOC, led by its Executive Secretary Amos E. Taylor (United States).

As a result of these consultations, the Santiago meeting unanimously adopted the resolution "Coordination," (E/CN.12/59, 23 June 1948), calling for "the closest co-operation and co-ordination between the two bodies (IA-ECOSOC and ECLA) to prevent overlapping and duplication of effort." A preliminary distribution of tasks was also approved because ECLA was directed to deal with economic problems arising in Latin America from world economic maladjustment (Biblioteca CEPAL/ILPES, pp. 289–301).

These were general statements of intentions; the specific procedures and mechanisms to make effective the projected coordination were left to be worked out as a result of subsequent negotiations.

C. Negotiations

The rapid succession of events between March and June 1948 unleashed intense negotiations between the United States and the Latin American delegations. These negotiations took place in different venues, mostly within the framework and among the members of the Committee on Coordination, which was set up, as mentioned, to deal specifically with the need for coordination. Furthermore, negotiations were also carried out with a sense of urgency because UN-ECOSOC Resolution 106 (VI) included the "not later than 1951" deadline. Until their culmination in Mexico in 1951, some of these negotiations took place in New York, at United Nations headquarters, continued during ECLA sessions in Santiago, Havana, and Montevideo and at the OAS IA-ECOSOC meetings in Washington, D.C.

1. Chilean diplomacy

As previously mentioned, the controversial decision to create ECLA was adopted by the sixth ECOSOC meeting, held in Lake Success, New York, between 2 February and 11 March 1948. The decision's approval was the result of the initiative and tenacity of Hernán Santa Cruz, a young and inexperienced diplomat, appointed a year before as Chile's Representative to the United Nations.

Under Ambassador Santa Cruz's leadership, the Latin American members of ECOSOC—Chile, Cuba, Peru and Venezuela—overcame the scepticism and outright opposition from some of the founders of the United Nations. Ambassador Santa Cruz described the negotiations in an essay, "The Creation of the UN and ECLAC" (Santa Cruz, 1995). The key role played by the Chilean delegation also was decisive for the prompt acceptance by the United Nations Secretariat of the

Chilean Government's offer to locate the new Commission's headquarters in Santiago, promptly installed at the downtown Hotel Carrera, in front of La Moneda Presidential Palace.

The complexity of the undertaking can be better appreciated in the different positions assumed and proposals tabled by the four Latin American delegations participating in the Lake Success, third year, sixth meeting of the UN-ECOSOC.

To start, according to Ambassador Santa Cruz, the draft resolution proposing the creation of a United Nations Economic Commission for Latin America was presented to the ECOSOC Program Committee, on 12 July 1947 (Biblioteca CEPAL/ILPES, pp. 13–15). The debate on the proposed resolution started on 1 August. However, consultations carried out during the second half of July revealed there was opposition among 8 of the 18 members of ECOSOC, among them France, the Soviet Union, the United Kingdom and the United States. Canada and New Zealand also opposed any kind of regionalism.

The decision was postponed to allow consultations within an Ad Hoc Committee, set up with the participation of delegates from Chile, China, Cuba, France, Lebanon, Peru, the United Kingdom, the United States and Venezuela, with Ambassador Carlos Eduardo Stolk from Venezuela designated as Chairman.

Subsequently, the 1947 United Nations General Assembly dealt with creating the ECLA, initially in the Second Commission, chaired by Chilean Ambassador Santa Cruz. A resolution, sponsored by delegates from Egypt and Lebanon, was approved by the Second Commission supporting the creation of the Latin American Commission and also one for the Middle East. Delegations from 43 members voted in favor and none against, but there were significant abstentions from the United States and the Soviet Bloc (Biblioteca CEPAL/ILPES, pp. 75–76).

Before the 1948 ECOSOC meeting, the Ad Hoc Committee on the proposed Latin American Economic Commission met twice and heard statements from several representatives. One of the most relevant of these was presented by the Director General of the Organization of American States (OAS), former President of Colombia Alberto Lleras Camargo. This last statement generated great expectation because of the objection from the United States delegation concerning the potential duplication of activities.

The statement by the Director General Lleras Camargo was presented to the second session of the Ad Hoc Committee, held in Lake Success on 22 January 1948. Lleras saw no reason why the new economic commission should overlap with the IA-ECOSOC, "if machinery for the consideration and solution of all problems of duplication which may arise is set up at the beginning and if its use is compulsory" (Biblioteca CEPAL/ILPES, pp. 107–111).

Director General Lleras Camargo was expressing the position adopted by the IA-ECOSOC meeting held in Washington, on 15 May 1947, which included a presentation by Chilean Ambassador to the United Nations Santa Cruz, who was invited to explain why the creation of a United Nations economic commission was justified. Five days later, the result of the Washington meeting was communicated to the UN-ECOSOC Ad Hoc Committee, by Director General Lleras Camargo. On 20 January 1949, the Venezuelan Ambassador to the United Nations Carlos Eduardo Stolk, Chairman of the Ad Hoc Committee, received copy of the IA-ECOSOC resolution adopted in support of the "immediate creation of the proposed Economic Commission for Latin America" (Biblioteca CEPAL/ILPES, pp. 97–98).

Despite all these successful diplomatic maneuvers carried out in different venues, the draft resolution creating the commission, submitted as part of a report by the United Nations Secretariat, could not overcome the scepticism or open disapproval by the governments of Canada, the Soviet Union and the United States.

As registered in the official records of the UN-ECOSOC, the Canadian delegate maintained his general opposition to regionalism. The Soviet delegate, Ambassador Amasasp Arutiunian, was more precise. He said, "As there was no war devastation in Latin American areas, there seemed to be no urgent need such as there had been in Europe and the Far East...the U.S.S.R. would withdraw its objections for it understood the difficulties caused indirectly by the war and particularly by the fact of the general underdevelopment in that area" (Biblioteca CEPAL/ILPES, p. 218).

The abstention by the delegate from the United States, Ambassador Willard Thorp, was more specifically based on the concern for the absence of coordination measures to avoid duplication with other regional entities. In his words, "The United States would therefore abstain in the vote on the commission, for a vote in favour might be interpreted as disregard of the problem of duplication, while a vote against might seem to indicate a disregard of the basic problems calling for action" (Ibid., p. 218). Throughout the negotiations, the coordination issue persisted and became fundamental.

2. United States diplomacy

To describe the antecedents of the position of the United States on the creation of ECLA, it is necessary to focus briefly on the state of Inter-American relations. In 1948, the treaty creating the Organization of American States (OAS) was approved by the Ninth International Conference of American States, held in Bogota from March to May 1948. The treaty represented the culmination of a lengthy and intense process of negotiation, which started in 1945, to consolidate in peacetime the strategic and economic relations developed within the Americas during World War II. These activities also marked the culmination of an internal debate within the United States Department of State about universalism and regionalism.

This report does not describe in detail these fascinating internal discussions, characterized perhaps with some hyperbole as an "acrimonious struggle," which took place within the United States Department of State in preparation of the San Francisco Conference, in the summer of 1945, to create the United Nations (Gellman, 1979, pp. 201–202).

Several prominent personalities were involved in the debate within the United States Department of State. Among the universalists, there were two advisors to Secretary of State Edward Stettinius, who was appointed after the November 1944 re-election of President Franklin D. Roosevelt and assumed direct responsibility for the preparatory activities aimed at the creation of the world organization. The advisors were Alger Hiss (later convicted for perjury in an investigation on espionage) and Leo Pasvolsky (a Russian émigré who joined the State Department from the Brookings Institute). Both Hiss and Pasvolsky were supported by the International Organization Division, which assisted the Secretary of State in proposing a powerful universal body that would control all regional arrangements.

The regionalists were led by Nelson Rockefeller, who had been head of the Office for Inter-American Affairs during the war, which was dedicated to counter the cultural influence of the Axis powers in the Americas. After his November 1944 re-election, President Roosevelt promoted

Rockefeller to Assistant Secretary of State for Latin American Affairs. The young Rockefeller, from a prominent New York Republican family, therefore, had direct access to President Roosevelt.

This initial debate between universalists and regionalists can be said to have concluded in San Francisco in 1945 because the creation of the United Nations may be seen as a major universalist accomplishment. However, regionalists also scored some impressive victories. Among these, the United Nations Charter, in article 52, chapter 8, recognizes "nothing in the present Charter precludes the existence of regional arrangements..."

The acceptance by the Latin American delegations to the San Francisco Conference of this regional provision resulted from an agreement with the United States delegation, whereby all decided to institutionalize outstanding post-war arrangements, including those dealing with security, economic and social issues.

All those issues were contained in the consensus achieved in Mexico City, at the so-called Chapultepec Conference of February 1945. These agreements became part of the OAS, the new, formal regional organization, whose statutes were approved by the Inter- American ministerial conference, hastily concluded after the infamous "Bogotazo" in May 1948, which caused havoc in the area of the Colombian capital where the meeting was taking place.

At the State Department, the staff of the Inter-American Affairs Division was dedicated to starting this new regional organization, which resulted from the consensus achieved by the 1945 Chapultepec and the 1948 Bogota conferences. However, the related issue of the coexistence of both the OAS and ECLA required specific attention.

3. United States position

To address this issue of coordination to avoid duplication, a position paper was prepared for the United States delegation that participated in the Extraordinary Session of the IA-ECOSOC, held in Washington from 20 March to 10 April 1950. The document was classified "confidential" and unfortunately it is "unsigned" (FRUS 1950, Vol. II, Doc. 354).

The document is very explicit and deserves full quotation because it contains a detailed description of the reasons that led the United States delegation to abstain from the decision to create the United Nations ECLA.

The document starts with a description of what it calls "the problem." A list of "recommendations" follows, on different alternatives the United States delegation could propose throughout the forthcoming negotiations. Finally, the document concludes with a "discussion" of the reasons which justify the adoption of the stated negotiating position.

"The Problem"

Several specific reasons were invoked to justify why the creation of a United Nations Economic Commission in Latin America was considered a "problem," as follows:

"The two organizations (the OAS and ECLA) have terms of reference which virtually duplicate each other.

They operate within about the same geographical region and their membership is very nearly the same.

No satisfactory basis for the allocation of duties between the two organizations has been found.

Cooperation at the secretariat level has been unsatisfactory" (FRUS 1950, Vol. II, Doc. 354).

The stated "problem" was seen as aggravated because "the Secretariats of each organization are now planning to undertake programs of technical assistance and there is good reason to expect duplication in this field" (Ibid.).

The document concludes, "the problem is how to remedy this unsatisfactory situation, and what policy the United States (and the Latin American governments) should adopt in 1951 when the continuation of ECLA would automatically come up for reconsideration in the United Nations Economic and Social Council" (FRUS 1950, Vol. II, Doc. 354).

"Recommendations"

After this concrete identification of "the problem," the document presents a list of "recommendations" addressed to the "United States Delegation to the Extraordinary Session of IA-ECOSOC," (Washington, March–April 1950), as follows:

- (i) ECLA would be abolished by UN ECOSOC in 1951.
- (ii) IA-ECOSOC would enter into an agreement of relationship with the UN ECOSOC under which the former might become the regional arm of the latter... In return, United Nations might make available certain funds to IA ECOSOC.
- (iii) The PAU (the existing Pan American Union, transformed into the OAS General Secretariat), might employ in appropriate positions some of the more effective members of the ECLA Secretariat.

The document concludes with a "discussion" of these alternatives, including the "reasons" which can be advanced for the dissolution of ECLA.

"Discussion"

The "discussion" starts recognizing the key role played in the creation of ECLA by Chilean diplomacy at the United Nations:

"Chile has been the initiator and chief supporter of ECLA, and its Secretariat is located in Santiago." However, the document states "representatives of Chile have intimated to (State) Department representatives that Chile might be willing to agree to ECLA's dissolution if the United States was not prepared to give the Commission its active support."

In other terms, active support from the United States was a sine qua non condition.

"It is believed that the enthusiasm of other Latin American governments for ECLA may have also cooled.

It is likely that if the IA-ECOSOC were to hold occasional meetings in Latin America, this would have further effect on Latin American opinion" (Ibid.).

"Reasons"

In closing, the document summarizes four "reasons which can be advanced for the dissolution of ECLA," as follows:

"There has been found no logical or theoretical basis for allocating work between IA ECOSOC and ECLA in advance. The only *modus vivendi* which has been found has been to allocate each job on an ad hoc basis. This has not worked particularly well.

There is strong evidence in the (State) Department that the ECLA Secretariat, which has naturally sought, by taking an ambitious and aggressive attitude, to justify its existence, has not cooperated at times with the PAU. Cooperation has not been enthusiastic on the part of PAU either. For this reason efforts at coordination have not so far been attended by a large degree of success. Unnecessary duplication has, in fact, resulted—as for example, in the case of the economic questionnaire to governments in the fall of 1948.

As a commission made up of government representatives (as opposed to a Secretariat) (sic) ECLA has shown a tendency to adopt useless (although harmless) resolutions which are proposed in many cases for home consumption, but which have a tendency to cheapen the work of international organizations as a whole.

The preface of the Lleras Camargo Report to the OAS this fall shows that the OAS now recognizes the need to bring its economic and social activities into far closer coordination with the United Nations to avoid duplication which is now beginning to take place on a serious scale."

Despite these detailed instructions, the March–April Special Meeting of the IA-ECOSOC, held in Washington, did not address the issue of relations between the OAS and ECLA. There is no mention of the issue of coordination in the report submitted by Ambassador Edward G. Miller, Chairman of the United States delegation to the IA-ECOSOC Special Meeting and Assistant Secretary of State for Inter-American Affairs (FRUS 1950, Vol. II, Doc. 355).

However, Ambassador Miller's report made reference to a pair of closely related topics. First, the indefinite postponement of a projected Inter-American Economic Conference (known as the Buenos Aires Conference) meant no OAS venue would be immediately available to discuss the issue of relations between the OAS and ECLA.

Second, Ambassador Miller described a discussion, of a document with the following misquoted title: "Economic Conditions and Problems of Development in Latin America." The committee examined the report and "found that while it constituted a noteworthy effort it was not sufficiently complete to provide any definite orientation and that considerable further study of this important subject was required."

However, according to Ambassador Miller the document "contained a number of conclusions with which we disagreed." In a footnote, Ambassador Miller describes the objections, quoting a United States position paper and contained in instructions he received from the Assistant Secretary of State for the United Nations Affairs, John D. Hickerson, Jr. (FRUS 1950, Vol. II, Doc. 355). The objections were summarized as follows:

"The report in question accepted uncritically the benefits of government intervention (especially exchange controls), Took inadequate note of varying economic conditions from country to country,

Reached the questionable conclusion that the terms of trade for American Republics had lately deteriorated,

Tended to promote autarky, and

Contained no unified discussion of labor and manpower problems" (Ibid.).

D. Concrete results in Montevideo

Meanwhile, OAS-ECLA coordination was becoming an urgent matter mostly because of the fast-approaching deadline of "not later than 1951," contained in the resolution creating ECLA. A new opportunity to negotiate came up at the ECLA Third Session, held in Montevideo, 5–21 June 1950.

In this case, in addition to the official minutes of the meeting, an extensive report by the head of the United States delegation, Ambassador to Uruguay Christian M. Ravndal, provides a detailed description of the negotiations that took place behind the scenes of the official venue (FRUS 1950, Vol. II, Doc. 357).

1. Consultations

Deliberately, the consultations on the continuation of ECLA took place outside of the meeting's official venue for several reasons. First and foremost, by means of a "gentlemen's agreement" between the then-President of UN-ECOSOC, Chilean Ambassador to the United Nations Hernán Santa Cruz and the United States Department of State Director of the Office of Regional American Affairs John C. Dreier, it was decided the continuation of ECLA would not be formally discussed at Montevideo's Third Session.

However, numerous informal consultations were carried out at the residence of the United States Ambassador to Uruguay Christian M. Ravndal, who was also the head of the United States delegation to the Third Session of ECLA. According to Ambassador Ravndal, the consultations were about the possibility of "a merger of the ECLA Secretariat and the IA-ECOSOC Secretariat."

In response to an inquiry from the head of the Chilean delegation, Ambassador Ravndal said, "the private, off-the-record conversations between the United States Delegation and his and other delegations were solely for the purpose of determining whether there was a consensus among the delegations as to the future of ECLA and its relationship with the IA-ECOSOC" (Ibid.).

As described by Ambassador Ravndal, this issue was discussed "at great length" with the delegations from Argentina, Chile, Cuba and Uruguay. These delegations agreed "amalgamation of the two Secretariats was generally desirable," if this could be done under the following conditions:

- Since they had "the warmest appreciation" of ECLA research, it should be continued.
- The Secretariat should be located in Latin America, outside of Washington.
- ECLA remained a principal interest of Latin America in the United Nations and as long as there were economic commissions for Europe and Asia, "there would have to be one for Latin America (Ibid)."

Several other participants in the Montevideo meeting were also consulted by the United States delegation. The Assistant Secretary of the United Nations David Owen, who represented the United Nations Secretary General at ECLA's Third Session, "agreed that the two Secretariats could be merged, provided that the resultant body should be part of the United Nations." The Netherlands delegate "agreed with the idea of a single Secretariat" but "desired to be represented

in whatever future commission emerged because of its large interests in the Western Hemisphere.” Finally, and of decisive relevance, the Executive Secretary of IA-ECOSOC Amos E. Taylor, who was participating as observer in the Montevideo meeting, “indicated his belief that the two Secretariats were effectively coordinating their work without duplication” (FRUS 1950, Vol. II, Doc. 357).

From these informal consultations, Ambassador Ravndal prepared a set of conclusions.

“Conclusions”

First, “there should be retained a single, strong, and independent Secretariat.” To explain this conclusion, Ambassador Ravndal made reference to the person of Raul Prebisch, who was present in Montevideo, but still under contract as a consultant to ECLA. It should be mentioned that Ambassador Ravndal was personally acquainted with Prebisch. They had become friends in 1937, while Ravndal was Secretary of the United States Embassy in Buenos Aires and Prebisch was General Manager of Argentina’s central bank (Dosman, p. 108). The Ambassador’s report made reference to “Dr. Prebisch” in the following terms:

“Obviously held in the highest esteem by the Latin American governments and constitutes an unusually able champion of their economic views.

The research work produced under his direction is welcomed and endorsed by many who might be suspicious of facts and conclusions presented by economists in Washington.

Many of the Latin American delegates, by the end of the session, had adopted as their own much of the thinking and even the technical phrases used by Dr. Prebisch in his central thesis on Latin American economic development” (FRUS 1950, Vol. II, Doc. 357).

Second, “the single Secretariat should be located in Latin America.” Furthermore: “Many of the Latin Americans distrust the Secretariat of the IA-ECOSOC. Any Secretariat located in Washington is subject to political pressures.”

Third, “any future organization should be related in some way to the United Nations and should receive financial support from it.” However, “this relationship will not be easy to devise, and will require thorough consideration in Washington and prolonged negotiations with the other members of ECLA.”

Fourth, “if a merger of the Secretariats takes place, the future Council need not necessarily be limited in site to Washington. At the very least, it would be essential to hold an extraordinary session once a year in a Latin American capital” (Ibid.).

And lastly, “some provision should be made for the participation of the three European powers (France, the Netherlands and the United Kingdom) in the work of any future organization.”

Ambassador Ravndal’s report to the Department of State in September 1950 concludes with a summary of the way the Montevideo meeting dealt with other topics of the agenda (Ibid.).

2. Concrete steps

As the informal conversations were held, the Montevideo third session formally addressed the specific issue of coordination between ECLA and IA-ECOSOC. Based on resolutions on

coordination adopted by ECLA 1948 first session in Santiago and in the 1949 second session in Havana, the Secretary of ECLA Gustavo Martínez Cabañas and IA-ECOSOC Secretary Amos E. Taylor informed the meeting of several concrete, jointly coordinated activities carried out by both Secretariats.

For instance, the preliminary outline for the first Economic Survey of Latin America was sent to the Secretary of IA-ECOSOC for suggestions. In addition, joint studies were carried out on foreign investment in Latin America and on agricultural credit in Central America.

In effect, these joint activities and consultations were evidence that a coordination mechanism was gradually evolving into a *modus operandi* between both Secretariats. A joint statement described these coordination activities and supported the adoption of a resolution approved in Montevideo following up on a similar resolution adopted in Havana. These resolutions, (all mentioned in CEPAL, 1950) supported those coordination activities already executed and encouraged both Secretariats to continue eliminating unnecessary duplication.

The question was whether this emerging *modus operandi*, to coordinate the activities of ECLA and IA-ECOSOC, would be enough to eliminate the concern about duplication.

E. Changed circumstances

Fast approaching was the 1951 deadline, set by United Nations ECOSOC to review the functioning of the three economic commissions it had created—for Asia and the Far East, Europe and Latin America. On the way to this deadline, two major events contributed to dissipate some of the scepticism.

1. The primacy of security: Korea

With the approval by the United Nations General Assembly, on 3 November 1950, of resolution 377(V) "United for Peace," the Korean War became the first major military confrontation of the Cold War. The foreign policy of the United States was focused on the strategic mobilization of all available support and resources. Regionally, in the Western Hemisphere, this support was mobilized through the OAS.

After President Harry Truman's speech to the nation on "The National Emergency," on 15 December 1950, the State Department's American Republic Affairs Division recommended unanimously to request holding an OAS Meeting of Consultation of the Ministers of Foreign Affairs (FRUS 1951, Vol. II, Doc. 606).

The proposed agenda items revealed the emphasis on strategic objectives, as follows:

- Production and control of strategic materials
- Allocation of manufactured goods to sustain Latin American development especially with regard to materials essential to the war effort
- Internal economic controls to maintain and stabilize economic life

- Implementation of United for Peace Resolution on regional basis, including utilization of Latin American manpower
- Common political defense measures in regard to communism, sabotage and exchange of information

Secretary of State Dean Acheson announced, on 16 December 1950, he had instructed the United States representative to the OAS to request the Meeting of Consultation (FRUS 1951, Vol. II, Doc. 607). The meeting was held in Washington from 26 March to 7 April 1951, and the formal agenda included the topics noted previously, under three main headings:

- i. Political and economic cooperation for the defense of the Americas;
- ii. Strengthening of the internal security of the American Republics; and
- iii. Emergency economic cooperation:
 - Production and distribution for defense purposes;
 - Production and distribution of products in short supply (FRUS 1951, Vol II, Doc. 612).

These activities in the security domain evidently were more urgent and had a higher priority compared to the future of the ECLA. Even so, "the matter was discussed informally with some of the Foreign Ministers of Latin America while they were in Washington in April," to attend the OAS Fourth Meeting of Consultation of Ministers of Foreign Affairs. The conclusion derived from these informal discussions was described as follows:

"There was some support for the idea of a merger (between ECLA and IA-ECOSOC) from some countries including Colombia and Venezuela.

Nevertheless, Brazil and Chile were opposed to the plan.

The Mexican attitude was cautious and certain other countries were non-committal."

In view of these facts, it became clear that "general agreement to a merger could not be obtained" (FRUS 1951, Vol. II, Doc. 665).

Given the impossibility of achieving a merger, "the United States delegation was accordingly instructed to seek a solution to this problem at the Fourth Session of ECLA," to be held in Mexico City, in June 1951.

This was the earliest available opportunity to decide on how to respond to the concern about coordination between ECLA and IA ECOSOC. As mentioned, the next United Nations ECOSOC session was scheduled to be held afterwards and had to review and decide on the existence of the three United Nations economic commissions created after World War II.

2. A new helmsman

The other major event contributing to changed circumstances took place at the ECLA Secretariat. Shortly after the conclusion in June 1950 of the Montevideo third session, the Mexican economist Gustavo Martínez Cabañas, Executive Secretary of ECLA, after one year in office, was transferred to New York, and Raul Prebisch was appointed Executive Secretary of ECLA.

The new Executive Secretary was no stranger to the Commission. Prebisch had been offered the job in 1948, when ECLA was created, but he was not interested. Instead, he was recruited in 1949 as a short-term consultant to draft the introduction of a study on the economic prospects and outlook of the Latin American economies. The study was requested in 1948, by the United Nations ECOSOC and by the first plenary session of ECLA held the same year in Santiago, and it had to be presented the following year, at the 1949 second session of ECLA in Havana.

One of the purposes of the study was to demonstrate the analytical capacity of the recently created commission by offering an interpretation of some of the economic “problems” confronted by the region (Dosman, 2008, pp. 231–249; Pollock, Kerner and Love, 2001, pp. 9–22).

According to Dosman (p. 235), Prebisch arrived in Santiago to work on the document on 13 March 1949. Time was short because the Havana session was scheduled to start on 29 May and last until 14 June. What is outstanding is how, in such a short time, Prebisch was able to produce the seminal document *The Economic Development of Latin America and Its Principal Problems* (Prebisch, 1950). Under the agenda item “economic development,” the document was presented by Prebisch to the Havana meeting and later became the introduction to the first *Economic Survey of Latin America 1949* (ECLA, 1949).

The document was immediately recognized as emblematic of the kind of analysis that should characterize the work of the Commission and contributed decisively to distinguish and justify its functioning. A decade after the Havana meeting, Albert Hirschman described the document as “that veritable ECLA manifesto” (Hirschman, 1971, p. 280).

However, beyond its overall impact, it is relevant to focus on how the “manifesto” was received by the member governments, particularly by the United States Government.

In a review on “the continuation of ECLA,” Acting Secretary of State Webb described how in early 1951 “the situation had changed.” He wrote, “by this time, Dr. Raoul (sic) Prebisch (an Argentine economist) who had taken over as Executive Secretary of the Commission, had built up a very considerable degree of support in Latin America both for his own work, and for the Commission itself” (FRUS, 1951, Vol. II, Doc. 606).

Furthermore, the United States delegation that participated in ECLA Mexico 1951 session “was much impressed with the work of ECLA and its Secretariat, and particularly with Dr. Prebisch himself.” The conclusion was “Dr. Prebisch is in a position to bring home to Latin American officials economic truths which they would not accept on the basis of any statement made by United States representatives” (FRUS 1951, Vol. II, Doc. 665).

All these changes converged into the ECLA 1951 Mexico meeting, the first meeting held under the leadership of Prebisch as Executive Secretary.

F. Solution in Mexico

The United States delegation to the ECLA Mexico fourth session was “instructed to seek a solution” to what it continued to characterize as the “problem,” of duplication between ECLA and IA-ECOSOC. The proposed solution was “on the basis of simultaneous sessions of the two bodies.” As mentioned, this represented a “fallback” from the original and discarded proposal of merging the Secretariats of both ECLA and IA-ECOSOC into a single entity.

By coincidence or deliberately, the head of the United States delegation to the Mexico session was Permanent Representative to the OAS Merwin Bohan, a seasoned career foreign service officer and a personal acquaintance of Prebisch. They had met in early 1942, when Bohan arrived in Buenos Aires, as Counselor for Economic Affairs at the United States Embassy and Prebisch was the General Manager of Argentina's central bank. Dosman (pp. 150–153) describes in detail the somewhat tense but amicable relationship that developed between the United States official, who was charged with monitoring economic transactions with the Axis powers, and the central banker, who had the pertinent statistics.

In addition to the consultations between the member governments, the Secretariats of both the IA-ECOSOC and ECLA were implementing in practice measures of coordination to address the concern about duplication of activities. A statement issued by both Secretariats, during the ECLA 1950 Montevideo session, described some of these coordinated activities and how the OAS Secretary General and ECLA Executive Secretary were keeping each other informed, as required.

A consensus was also emerging that the requirement of coordination included two different kinds of activities. First was the coordination of the functioning of both Secretariats, of the IA-ECOSOC and ECLA. It was recognized that this kind of coordination was taking place satisfactorily between the Secretariats of both entities. Even so, there was agreement that this could be formalized by the creation of a Permanent Coordination Committee. The second dimension of the coordination requirement was at the level of each member government because representatives of different agencies of the same government sometimes held divergent positions on the same issue. There was agreement that such an anomaly deserved more careful consideration.

Such was the prevailing consensus on the eve of the Mexico session. However, there is evidence that previously there were preliminary consultations on the issue of coordination between United States representatives and Executive Secretary Prebisch. Evidence of these consultations was revealed by Prebisch himself in the 2001 long interview with then ECLAC Washington Office Director David Pollock (Pollock, Kerner and Love, 2001).

In the interview, David Pollock asks Prebisch "about your initial relations with the United States government." Among other aspects of the question, after he was appointed, a few weeks before his first ECLA meeting as Executive Secretary in Mexico, without mentioning names, Prebisch said, "an ambassador who was representing the United States at the OAS, a very nice gentleman, invited me for a cocktail party in his house (in Washington). And he said to me 'My government does not like two organizations dealing with the same problems. So we have elaborated a project of merging the two. I may say first of all, that you are our candidate for being the Director of the two organizations. And you will have more resources than before. Here is the text: two pages.'"

Prebisch describes extensively some of the reasons for rejecting the offer:

"The basis of our organization, ECLA, is intellectual independence. This is the first opportunity for Latin Americans to start thinking with their own minds on economic problems.

I have to tell you frankly that you would be the dominating power in the new organization, as you dominate the Organization of American States.

If I had the weakness to accept your offer, not one of the young men who are accompanying me would continue in ECLA.

Believe me, it is an exceptional group of brilliant young men who never before happened to work together in Latin America. Not for the salary, but for the idea of a Latin America working in the right direction."

Prebisch concludes, "we changed the subject and the matter ended as a civilized parting" (Pollock, Kerner and Love, 2001, p. 13).

The description of the other consultation, which took place in Mexico City before the fourth session of ECLA, was anecdotal. In the same interview, Prebisch says, "Antonio Carrillo Flores, the Mexican Secretary of Finance, invited me for dinner with Alberto Baltra, (former) Minister of Economy of Chile (head of the Chilean delegation)... with Merwin Bohan (head of the United States delegation)" and other persons.

After dinner, according to Prebisch

"Carrillo said to Merwin 'Will you please read your project, your draft project for merging of the OAS with ECLA?' Merwin read it. Then Carrillo said to me, 'What do you think about it?' I told him 'I do not need to reflect on it because this is precisely what they consulted me (about) in Washington and I reacted absolutely against it... You know what Carrillo did? There are gestures in life one never forgets! 'Give me this paper,' (he) tore it up and threw it away. The matter was settled" (Pollock, Kerner, and Love, 2001, p. 14).

It is pertinent to contrast this anecdote with the description reported by the United States delegation on the Mexico City meeting. The instruction received by the United States delegation was "to seek a solution on the basis of simultaneous session of the two bodies." A suggestion to that effect was advanced by the Mexican delegation:

"In spite of the apparent logic of this solution, it met with determined opposition.

Brazil, Chile, Argentina and Cuba were strongly opposed. Mexico indicated it did not wish to press the matter against determined opposition. Colombia and Venezuela did not attend the session.

Personal conversation with influential delegates indicated that many Latin Americans suspected the United States desired a merger of the two bodies as a means through which it could dominate both.

Several delegations stated that ECLA was the only economic organ in Latin America which was genuinely Latin American in sentiment.

The delegate from Brazil stated privately that he was under personal instructions from the President (Getulio Dornelles Vargas) himself not even to admit the existence of the problem of coordination at a governmental level.

As the Mexican delegation stated in a closed session, the problem was fear and suspicion and such feelings could not be dealt with by logic" (FRUS 1951, Vol. II, Doc. 665).

The events described here led to the solution of the issue of coordination and duplication, adopted during the Mexico City meeting. This outcome was contained in a resolution (ECLA, 1951, p. 131), which recognizes the difference between the coordination between both secretariats and the requirements of coordination at the level of each government. The resolution formalized the

creation of the Committee on Coordination, formed by the Executive Secretaries of ECLA and IA-ECOSOC, which would meet at least twice a year, or whenever both members agreed.

On the topic of coordination at the level of each government, the resolution designates and instructs Executive Secretary of ECLA to analyze jointly with the OAS those measures required to implement positive and practical coordination within each government. For this purpose, the resolution invites the OAS to designate a staff member to carry out this joint activity.

The meeting in Mexico City also approved another resolution (1 (IV) E/CN.12/286, 16 June 1951, ECLA, 1951, p. 65) recommending to the UN ECOSOC the indefinite continuation of ECLA. The UN-ECOSOC adopted resolution 414 (XIII), 21 March 1952 to continue ECLA indefinitely and even strengthened its mandate in the fields of economic development and technical assistance (ECLA, 1952).

Voting in favor of resolution 1 IV, the United States delegation to the Mexico meeting issued the following statement:

"The Delegation of the United States declares that the Government of the United States is profoundly impressed with the high quality of the work being carried out by ECLA; that it wishes to see this work continued; and that it will give it its sincere and strong support. My Government, of course, will continue to maintain its interest in the coordination of the work of ECLA and the Inter-American Economic and Social Council at all levels but it will await the report of the Committee, which it is proposed to create, before supporting any specific method for realizing that coordination" (FRUS 1951, Vol. II, Doc. 665).

Finally, the Second Extraordinary meeting of IA-ECOSOC, held in Panama in August 1951, accepted the invitation from ECLA to form a coordinating committee comprised of the Executive Secretaries and other officials of ECLA and IA-ECOSOC. In addition, IA-ECOSOC agreed to designate the OAS Secretary General to study, jointly with the Executive Secretary of ECLA, the subject of coordination at governmental level (Ibid.).

Internally, commenting on the outcome,

"the United States delegation did not feel too dissatisfied...for the following reasons among others:

The resolution adopted does face the problem of coordination at a governmental level and it is hoped that Messrs. Prebisch and Lleras may come forth with a realistic solution since both are fully conscious of the nature of the problem; and can be expected to attack it in good faith.

The Delegation was much impressed with the work of ECLA and of its Secretariat, and particularly with Dr. Prebisch himself.

The Delegation felt ECLA is building up a body of Latin American thought in the fields of economic development and trade which is essentially realistic and useful.

Dr Prebisch is in a position to bring home to Latin American officials economic truths which they would not accept on the basis of any statement made by United States representatives" (Ibid.).

G. The Economic Commission for Latin America, Washington

The meeting in Mexico City also approved Resolution 30 (IV) (E/2021, ECLA, 1951, p. 130) creating a Mexico office, "to carry out more effectively the work of the Commission in the northern Latin-American countries, viz., Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama" (ECLA, 1951). One of the main justifications for the creation of the Mexico Office was the Mexico meeting's approval of Resolution 9 (IV, ECLA, 1951, p. 89), responding to the request from the Central American governments to support a program of economic integration in the Isthmus.

By contrast, almost at the same time, the creation of an office in Washington was less formal. Following the Montevideo meeting, Prebisch decided sometime during the second half of 1950 to hire two United States economists to staff an ECLA office in Washington. Because both were citizens of the United States, scheduled to work in Washington, their hiring required less formality than for other international staff, George Kalmanoff came from the United States Department of Commerce; Sidney D. Merlin came from the World Bank. Together they constituted the professional staff of the Washington office.

Kalmanoff (1917–1977), graduated from the City College of New York and studied at American University. He was an economist at the Office of Price Administration from 1942 to 1945. He also worked at the United States Department of Commerce, where he was Section Chief, at the American Republics Division, from 1945 to 1950. He joined ECLA in Washington as an economist, where he worked from 1950 until 1953. He was fluent in Spanish and taught Spanish in New York and Washington, D.C. public schools (*The New York Times*, 1977).

Sidney D. Merlin (1916–1958) is listed as staff member of the State Department, Commercial Policy Division in 1945 (FRUS 1945, Vol. IV, Doc. 532). He joined ECLA in Washington in 1950. At the time of his death he was described as an economist working for the United Nations in New York (*The New York Times*, 1958, p. 4). Merlin was a well-published economist. He authored

- "Trends in German Economic Controls Since 1933," *Quarterly Journal of Economics*, Vol. 57, Issue 2, 1 February 1943.
- "The Theory of Economic Change," *Quarterly Review of Economics*, Vol. 59, Issue 2, 1 February 1945.
- *The Theory of Fluctuations in Contemporary Economic Thought* (New York: Columbia University Press, 1949).

In the interview on ECLA with Prebisch, David Pollock, then Director of ECLA Washington, asked: "Why was the Washington Office set up in the first place?" Pollock went one step further, he asked if it was to coordinate work programs and avoid duplication and overlap with the OAS. Prebisch did not answer the question, he said: "I could see the extraordinary importance of being in Washington. First, as a source –as you subsequently developed the office– of contacts between Latin Americans and (North) Americans. As a source of collecting information and papers." Pollock insisted, "In addition to coordinating with the OAS?" Prebisch's answer was too candid, he said, "That was just an excuse. The real idea was to have a foothold here" (Pollock, Kerner and Love, 2001, p. 14).

H. Epilogue

This candid remark by Prebisch, made as former Executive Secretary of the Commission, reveals that several factors, in addition to avoiding duplication and overlap in relations with the OAS, or having a mere presence in Washington, explain why the United States Government scepticism about the new Commission, in the end, dissipated.

Of first and foremost importance was the role of diplomacy in the new multilateral setting offered by the United Nations. The fact that in 1948 the Latin American delegations could mobilize 20 votes, around 40 per cent of the total, at the General Assembly was fundamental. Whenever they could agree on a joint initiative, this solid bloc of votes provided the foundation upon which the Chilean delegation, led by Ambassador Hernán Santa Cruz, successfully obtained the approval of the initially conditioned decision to create the Commission.

Prebisch recognized the decisive contribution made by the Chilean delegation in the prologue he wrote to Ambassador Santa Cruz's book, *Cooperar o Perecer*. Prebisch said, "contrary to what is usually believed I had no intervention in the creation of the Economic Commission for Latin America. I still was a university professor in Buenos Aires and ignored the existence of Hernán Santa Cruz. ECLA was the exclusive work of him and his collaborators" (Martínez Sotomayor, 1991).

A memorandum, written by the influential State Department senior official, George Kennan, recognized what he characterized as "the inordinately powerful position enjoyed by the Latin American countries in the Assembly of the United Nations." In a footnote Kennan added "there are probably more Assembly votes for Latin America, per unit of population and economic power, than anywhere else in the world." He concluded, "as a group, they are today the most important single bloc in the Assembly" (FRUS 1950, Vol. II, Doc. 330).

However, as described, the decision was conditioned and the new Commission had to justify its existence in the next two-and-a-half years. It is in the accomplishment of the Commission's survival where Prebisch made the most decisive contribution. He provided the substantive vision on Latin American economic development and how the Commission could contribute to transform the vision into reality. In other words, Prebisch contributed to the Commission's identity by endowing it with a substantive message and articulating the method of how the task could be accomplished.

To illustrate the strength of this substantive vision, a decade later Hirschman reproduced an excerpt of the first paragraph of what he characterized as the "ECLA Manifesto," written by Prebisch:

"In Latin America, reality is undermining the outdated schema of the international division of labor... Under that schema, the specific task that fell to Latin America, as part of the periphery of the world economic system, was that of producing food and raw materials for the great industrial countries. There was no place within it for the industrialization of the new countries. It is, nevertheless, being forced upon them by events. Two world wars in a single generation and a great economic crisis between them have shown the Latin American countries their opportunities, clearly pointing the way to industrial activity" (Prebisch, 1950; Hirschman, 1971, p. 281).

Most impressive was also another fact Prebisch revealed in the interview on ECLA with Pollock. He said, "in three or four days I wrote the whole" of what later became the introduction to the first *Economic Survey of Latin America 1949* (ECLA, 1949). The explanation of how this was possible is found in the fact that Prebisch basically drew from his very rich and ample experience as a national and international economist and as a university professor.

To recall briefly this fruitful experience, among other posts in his native Argentina, Prebisch was undersecretary of finance, general manager of the central bank and advisor to governmental trade missions, for instance, to negotiate the Imperial Preferences with the British government, after the Great Depression. Internationally, he was a consultant to the League of Nations, in the preparation of the London World Economic Conference and a consultant for the United States Federal Reserve to advise several Latin American governments on the establishment of central banks.

Such an experience was distilled, in "three or four days," into the document, which Prebisch signed and was released as a stand-alone document, before becoming the "introduction" to the 1949 *Economic Survey* the following year. The document was sent to United Nations Secretary General Trygve Lie, by ECLA Executive Secretary Gustavo Martínez Cabañas, on 9 October 1949 (Prebisch, 1950, p. v). The "letter of transmittal" said

"In agreement with the Assistant Secretary General in charge of the Department of Economic Affairs, Mr. David Owen, the undersigned Executive Secretary has sponsored the preparation of a paper on 'The Economic Development of Latin America and its principal problems,' which has been written by Professor Raul Prebisch."

As mentioned, Prebisch personally presented the document to the Havana 1949 second session, where it was immediately received with praise by the participating delegations. Later, when the document became the introduction to the first *Economic Survey 1949*, it was presented to the member governments of the Commission at the Montevideo third session of June 1950 (ECLA, 1949). This led to the approval of a ten-point resolution titled "Economic Development and Anticyclical Policy" (CEPAL, 1950,) baptized as the "decatalogue of Latin American development."

However, Prebisch made more than a substantive contribution. He also provided a vision of how the functioning of the Commission could contribute to put in practice the message on the region's development. This vision was presented to the member governments in an "oral statement" by the new Executive Secretary, to the first meeting of the Committee of the Whole, held in Santiago on 11 February 1952. (The statement is transcribed verbatim as an "Appendix" in Prebisch, 1952, pp. 23–29).

Prebisch started referring to the documents submitted by the Secretariat to the governments "in which the economic phenomena of the Latin American countries have been set out, analyzed and interpreted." He continues with a description of his vision of the Commission which deserves full quotation:

"These studies might be considered of a theoretical nature, and while it is true that reality convinces us more and more that practical action must have a theoretical basis, in economic matters just as in any other sphere of human knowledge, it would be a grave error to conclude therefrom that the permanent organization of ECLA is

an instrument for theoretical analysis.. It would be a grave error because it would imply a deviation from the path mapped out for this Commission at the various meetings" (Ibid.).

After that introduction, Prebisch embarks on a description of what the Commission is not, as follows:

"The ECLA organization is not a theoretical instrument, nor a body devoted to scientific research: on the contrary, it is inspired by eminently practical aims, which have been gradually defined and which perhaps reached their clearest expression at the Mexico conference.

ECLA, as a body for international action, cannot grant loans. ECLA cannot take decisions on international economic affairs, as other entities do. ECLA cannot provide experts for the vast programme of assistance in this field which is spreading over the whole of Latin America" (Ibid.).

Here Prebisch asks the central question "What are ECLA's practical aims? ...What then is the practical mission of ECLA?"

To answer the question Prebisch enumerates "three main areas" of the work of ECLA: (i) economic development, (ii) recent events and trends and (iii) international trade.

On economic development, Prebisch distinguishes between what he calls "circumstantial factors which are constantly modifying the turn of economic events" and "the forces which are gradually changing the structure of the economies." He acknowledges that the last two ECLA meetings, in Montevideo (1950) and Mexico (1951), "directed the Secretariat" through "an express mandate ... to the study of these deep-seated forces of economic development" (Ibid.).

Here Prebisch was also reflecting a consensus arrived at the above mentioned meetings, which was described by the United States delegation as "an understanding under which ECLA would assume responsibility in the field of long-term studies while IA-ECOSOC would concern itself principally with short-term matters" (FRUS 1951, Vol. II, Doc. 665).

Prebisch went a step further and described the "practical work" ECLA had to carry out to contribute to economic development. He mentioned five specific tasks, as follows

- i. To determine the "technical needs" of the countries;
- ii. To determine "capital investment requirements;"
- iii. Studies on the "technique of programming;"
- iv. To contribute to "the formulation of development policy" and
- v. To train "economists in development problems."

In the second area of work, "the analysis of current trends and events," Prebisch said "the opportunities for practical action are naturally more limited" (Prebisch, 1952). Even so, the data gathered as a result of this activity would be presented in the *Economic Survey of the Latin American Economies*, which became the Commission's flagship publication.

Finally, on international trade, in addition to the studies requested in previous meetings, on commercial relations with what he called "the great industrial countries"—the United States and

Europe-Prebisch focused on intraregional trade. Specifically he asked "what factors were responsible for the failure" of trade agreements among the Latin American countries and proposed to analyze "the causes which have obstructed and continue to obstruct" intraregional trade (Ibid.). Also, as an example of a practical component of development policy, Prebisch announced he was traveling to Central America in response to the request for support from the governments to launch a process of economic integration in the Isthmus, requested and approved at the Mexico meeting (Resolution 9 IV, in ECLA, 1951).

Briefly, these were the essential components of a distinct institutional work program, different from the tasks of other entities, such as lending, technical assistance or theoretical research. After he had presented this vision of the Commission's tasks, to conclude, Prebisch returned to what he called "the problem of coordination." He acknowledged there was "duplication of effort" which should be avoided "at all costs," offering as an example the joint projects ECLA was executing with the Food and Agriculture Organization (FAO).

Admitting there was "duplication of effort" with the IA-ECOSOC, Prebisch said the problem existed "in theory but not in practice" and he presented an example of how it had been managed. Because the Secretary of IA-ECOSOC, Dr. Amos Taylor was participating as observer in the Santiago 1952 Committee of the Whole, Prebisch described how "three hours' conversation, comparing the work program of both ECLA and IA-ECOSOC were sufficient to eliminate all cases of potential duplication" (Prebisch, 1952).

Finally, an additional factor militated against the acceptance of the proposals of ECLA, some of which were controversial and heterodox and in some cases confronted distinctive forms of prejudice, or stereotypes.

In the interview about ECLA, Pollock asked Prebisch why some of these proposals were controversial. Prebisch answered, because "there is a prejudice... there is a certain arrogance and disparagement. They don't take us seriously. We are second-class economists, or even third class. We are underdeveloped economists" (Pollock, Kerner and Love, 2001).

There certainly were stereotypes which generated rejection and at times contempt. An example can be found in the report submitted by then-Counselor of the State Department, George Kennan on what he described as his "last official journey," before his retirement from the State Department, to some countries of Latin America in February 1950 (FRUS 1950, Vol. II, Doc. 330). The purpose of the trip was to explore the state of relations with Latin America, "as a rebuttal of the Russian challenge" and also the importance of "Latin America in the event of war with the Soviet Union."

Kennan starts warning honestly "my opinions remain what they were before and what all our opinions must be when they relate to areas with which we have little personal acquaintance: shots in the dark, based mainly on instinct and general experience."

Here is a good example of one of these "shots in the dark." On the Latin American "personality" Kennan says:

"In the realm of individual personality, this subconscious recognition of the failure of group effort finds its expression in an exaggerated self-centeredness and egotism—in a pathetic urge to create the illusion of desperate courage, supreme cleverness, and a limitless virility where the most constructive virtues are so conspicuously lacking."

Faced with such perceptions, the impression caused by Prebisch and the Secretariat's work on the United States delegations to meetings of the ECLA has even more merit. As mentioned previously, the United States delegation that participated in the ECLA Mexico 1951 session "was much impressed with the work of ECLA and its Secretariat, and particularly with Dr. Prebisch himself" (FRUS 1951, Vol. II, Doc. 665).

Substantive criticism, some from highly reputed economists, would come later.

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II. A place in the sun, 1952–1954

A. Introduction

By the end of 1951, the hurdle raised by the coordination. after the Mexico meeting, was cleared and the existence of the Economic Commission of Latin America was no longer questioned. The next step was finding the Commission's "place in the sun." This change required the achievement of a degree of recognition of its message and role from different actors, mainly the member governments, other international organizations, especially members of the United Nations family, such as the Bretton Woods institutions, and among decisive economic agents of the members' civil societies. As mentioned in Chapter I, the Commission's objectives and work program were ready for implementation. Among the next steps, the most essential was the recruitment of a team of experts who were capable of working together to deliver results.

B. Recruitment

From the start, based on his own experience as creator of the research department of Argentina's central bank, Raul Prebisch knew staff recruitment was fundamental to endow the ECLA Secretariat with a team of dedicated experts. In the interview on ECLA with David Pollock, he described the team as "an exceptional group of brilliant young men who never before happened to work together on Latin America. Not for the salary, but for the idea of a Latin America working in the right direction." He was also fully aware how unique was this possibility of bringing together such a team. In his own terms, "this is the first opportunity for Latin Americans to start thinking with their own minds on economic problems. This has not been the case up to now" (Pollock, Kerner and Love, 2001, p. 13).

At the conclusion of the May 1950 Havana plenary session, the United Nations Assistant Secretary for Economic Affairs, David Owen, asked Prebisch to become a permanent staff member of the Commission's Secretariat. Prebisch accepted the offer to become Director of Research, under what he described as three conditions. First, "intellectual independence" understood as "not to receive instructions" about what ideas and problems should be tackled. Second, admittedly, every appointment had to be approved by headquarters, by Owen himself, but Prebisch said "every appointment would be the result of my proposal. You can reject or accept but it has to be my proposal." The third condition was freedom to travel (*Ibid.*, p. 11).

Of these three conditions, confirmed when Prebisch was appointed Executive Secretary of the ECLA, the second on recruitment initially became one of the most challenging due to prevailing circumstances.

1. Building a team

From the beginning, the most basic task demanded by the creation of the Commission was to integrate the team of experts, described idealistically by Prebisch as "an exceptional group of young men..." dedicated to "thinking with their own minds on economic problems" in Latin America (*Ibid.*, p. 13). As mentioned previously, the recruitment of this team had to be carried out with a sense of urgency given the need to generate results that could justify the Commission's existence. Also, staff recruitment had to be completed under several constraints because economics as a discipline was not yet fully recognized academically in the region. Therefore, it was necessary to recruit experts from other member countries, particularly from the United States and Europe.

Staff recruitment started with the appointment of Eugenio Castillo (Cuba) as Acting Executive Secretary, from the New York United Nations Secretariat, who was joined by Louis Swenson (United States), in time for the Commission's first plenary session held in Santiago in June 1948. By November, Acting Executive Secretary Castillo reported to New York headquarters that recruitment at ECLA "originally got off to a slow start because of difficulties in staffing its offices with competent economists." Castillo added "our professional staff situation is still tight" (Burger, 1998, p. 67).

By the end of the year, United Nations Secretary General Trygve Lie appointed Gustavo Martínez Cabañas (Mexico) as the first Executive Secretary of ECLA. When Martínez arrived in Santiago he found a staff of around 35 persons, about a dozen of them economists. Some of them came from the Food and Agricultural Organization (FAO) as members of a joint ECLA/FAO working party, set up in June 1948. This group was chaired by Oscar Tenhamm (Chile); the working party included experts Jorge Alcazar (Bolivia), Francisco Aquino (El Salvador) and other agricultural specialists. At the Executive Secretary Office, Louis Swenson (United States) and Eugenio Castillo (Cuba) were in charge of day-to-day operations. In addition, Milic Kybal (United States), an expert in industrial development, came from the United States Federal Reserve, and Regino Boti (Cuba) was a Harvard-trained international trade specialist. Two Argentine economists, Julio Alizón and Raul Rey Álvarez, had previously worked for Argentina's central bank when Prebisch was the bank's General Manager. There were others, such as the mining expert Bruno Leuschner (Chile) and consultants on specific topics, such as George Kalmanoff (United States), who was working at the United States Department of Commerce and, as mentioned previously in Chapter I, he joined the staff of the newly created ECLA Washington office.

After the Havana session at the end of May 1950, Prebisch, as newly appointed Research Director, returned to Santiago in October via New York, Washington and Mexico. As mentioned, in Washington he hired two professionals to staff the newly created ECLA Washington Office, and he set up a one-person office in Mexico City, housed in the Banco de Mexico, as the seed of what became a full-fledged subregional office, in 1951, to cover 10 countries.

When Prebisch arrived in Santiago for the first time, in March 1949, he met Celso Furtado, a young Brazilian economist who came on board with a recently completed doctorate in economics from the Sorbonne. In 1952, Furtado became one of the most influential members of the ECLA Secretariat as head of the Economic Development Division. Prebisch also met Jorge Ahumada, a young Chilean economist trained at Harvard University, who was recruited in 1950 as member of the ECLA Research Division. In 1952, Ahumada became head of the Training Program in Economic Development, which would become the Commission's effective arm to gain access and influence within the member governments.

The presence of Furtado and Ahumada, both promoted by Prebisch to key positions was emblematic of the different ideological persuasions which prevailed within the Secretariat. These different perspectives generated a creative tension skillfully arbitrated by Prebisch and incorporated into a regional economic vision of Latin America, which had not previously existed.

However, as the ideological confrontation of the Cold War became dominant, these divergent positions coexisted, sometimes acrimoniously, within what was called "the House." Under Furtado, the Economic Development Division incorporated several leftist oriented economists, such as Juan Noyola (Mexico) who had worked at the International Monetary Fund (IMF), Regino Boti (Cuba) who studied at Harvard and, after 1959, became Minister of Economy in the Cuban Revolutionary Government. Alexander Ganz (United States) had worked in Puerto Rico and was hired under short-term contracts, successively renewed because of difficulties in getting his long-term appointment approved by New York headquarters due to his previous youthful Communist sympathies. In house, Dosman says, Furtado's team was known as the "Red Division" (Dosman, 2008, p. 267).

A contrasting viewpoint was offered by Ahumada (Burger, 1998, pp. 142–193). Trained as agricultural engineer at the University of Chile, in 1941 Ahumada started working at the Department of Agricultural Economics of Chile's Ministry of Agriculture, where he was granted, in 1943, a fellowship to study at the United States Department of Agriculture. From there, in 1943, he went to Harvard, where among his classmates were Regino Boti (Cuba) and Manuel Noriega Morales (Guatemala).

After completing a Master's degree from Harvard, Ahumada returned to Chile in 1944 but left after a year to become Visiting Professor at the University of Puerto Rico, Rio Piedras, from 1945 to 1947. There, he witnessed the launching of the island's development program, known as "Operation Bootstrap" (*Manos a la Obra* in Spanish). He joined the International Monetary Fund in 1947 and then went to Guatemala in 1949 as a consultant for the recently created central bank, led at the time by his former Harvard classmate Manuel Noriega Morales.

After a year in Guatemala, Ahumada was recruited in 1950 to join the ECLA Economic Development Division in Santiago, Chile. At the expiration of his two-year contract, he was ready to leave ECLA when Prebisch persuaded him, in 1952, to stay as director of the recently created Training Program in Economic Development. With this appointment, Prebisch entrusted the

direction of the most influential activity of ECLA to a conservative Christian Democrat. Training young economists in the techniques of planning led to the formation of a generation of technocrats throughout the region, some of whom were promoted to decisive positions within official economic agencies. Therefore, at all times, ECLA could find someone within any Latin American member government, frequently at the highest echelons, who had attended ECLA sponsored training programs.

In fact, given his professional and political trajectory, Prebisch ideologically was closer to Ahumada than to Furtado. As a young economist, Prebisch started working for the Sociedad Rural Argentina, the foremost elite group of the cattle raising families, producers of one of Argentina's main exports. As Research Director of the central bank, the Banco de la Nación (BNA), in 1927 Prebisch became one of the most influential technocrats in Argentina's public sector. In 1930, when he was only 29 years old and on leave from the central bank, Prebisch was appointed Undersecretary of Finance, in the Provisional Government installed by a military coup led by General José Félix Uriburu.

Prebisch's evolution into a prominent technocrat in Argentina, from 1930 to 1943, takes place during what is known as the "Conservative Restoration" or "the Infamous Decade." When his career as a public servant and as an academic in Buenos Aires was terminated by another military government, in 1943, he became a consultant for several Latin American central banks and the United States Federal Reserve to support the creation of central banks throughout Latin America. According to David Pollock, during those years Prebisch was "anything but the reformer, he was instead associated with the Argentine oligarchy" (Pollock, 2006, p. 13.).

Prebisch's international experience, which marked his world outlook, started in 1923 as a consultant for the Minister of Finance of Argentina when he travelled to Australia and New Zealand to study income taxation in both countries. In 1932, Prebisch represented Argentina in the League of Nations Preparatory Commission of the London World Economic Conference, scheduled for the following year. Before the inauguration of the London Conference in the spring of 1933, Prebisch was asked to join, as an advisor, the team led by Argentina's Vice President Julio Roca to negotiate the bilateral trade agreement with the United Kingdom known as the Roca-Runciman Treaty, which included a quota for beef imports and freezing tariffs on wheat imports from Argentina in exchange for several concessions.

After the disappointing results of the London Conference, Prebisch returned to Buenos Aires to become advisor to both the Ministers of Agriculture and Finance. Also holding his position as Research Director of the central bank, he was charged with the preparation of a program for Argentina's recovery from the Great Depression in the 1930s.

This national and international experience, together with his capacity as a leader, gave Prebisch the ability to navigate the divergent positions which creatively coexisted within the Secretariat of the Commission and which reflected the bipolar confrontation of the Cold War. However, there were limits imposed on staff recruitment because the ideological anxieties of the Cold War, originating in the United States, spilled over into the United Nations.

2. Cold War compulsions

Domestically, in the United States, the Cold War unleashed an acute paranoia about the loyalty of civil servants, particularly those who were working at the United States Department of State, which led to suspicions about the loyalty of United States citizens working for the United Nations.

In June 1950, Senator Margaret Chase Smith (Republican from Maine), the only female senator, stood on the floor of the United States Senate to denounce what she called the "Four Horsemen of Calumny—Fear, Ignorance, Bigotry and Smear." Without naming him, Senator Chase Smith was referring to the accusation made, in February 1950, by the junior Republican Senator from Wisconsin Joseph R. McCarthy that "205 known communists" were working at the United States Department of State.

At the time, security became an overwhelming concern as a consequence of the approval, by the United Nations General Assembly, of the "United for Peace Resolution" 377 (V), on 3 November 1950. The resolution authorized military intervention by United Nations armed forces in the Korean Peninsula. It was followed, on 15 December, by President Harry Truman's address to the nation on "The National Emergency," which placed security above any other concern, including at the United Nations Secretariat.

The search for the "205 known communists," which initially focused on the State Department, began in the United Nations in the first half of 1952. In May, the Internal Security Subcommittee, known as the McCarran Subcommittee, chaired by Senator Pat McCarran (Democrat from Nevada) of the Senate Judiciary Committee, started interrogations of United States citizens who were working for the United States Government. In October, the McCarran Subcommittee went to New York to carry out hearings interrogating United States nationals who were working for the United Nations about their alleged sympathies or affiliation with communist organizations.

Brian Urquhart, in the extensive biography of the second United Nations Secretary General Dag Hammarskjöld, describes how far these inquisitive activities went and describes them as the "unhappy legacy" left by the first United Nations Secretary General Trygve Lie to his successor, Hammarskjöld (Urquhart, 1972, pp. 55–73).

For example, in January 1953 Secretary Lie, responding to a request by the newly appointed United States Ambassador to the United Nations, Henry Cabot Lodge, Jr., allowed agents from the Federal Bureau of Investigation (FBI) to operate within the Secretariat's headquarters arguably to photograph and fingerprint United States nationals working for the United Nations.

It all started on 2 December 1952, when a United States federal grand jury, without identifying individuals by name, released a statement denouncing "infiltration into the United Nations of an overwhelmingly large group of disloyal United States citizens." This was followed, on 2 January 1953, by the Senate Internal Security Subcommittee releasing a report for the Senate Judiciary Committee, which included a list of 38 names of United States staff members of the United Nations Secretariat who allegedly had communist affiliations.

One week later, on 9 January, the suspicions about alleged communist infiltration in the United Nations Secretariat reached the highest ranks of the United States Government. President Harry Truman issued Executive Order 10422, which created a procedure to provide information to the United Nations Secretary General about United States citizens interested in working for the

organization. The order also instructed the United States Civil Service Commission to verify the loyalty of United States citizens already employed by the United Nations.

Executive Order 10422 was used by the United States Ambassador to the United Nations, Henry Cabot Lodge, Jr. to request the FBI to investigate all members of the United States Mission to the United Nations and those United Nations staff members who were citizens of the United States. As mentioned previously, it was in response to a specific request from the United States Ambassador Lodge that United Nations Secretary General Lie allowed the FBI to operate inside the Secretariat building with the purpose of photographing, fingerprinting and interrogating suspected staff members.

Several incidents, described by Urquhart (1972, pp. 63–65), illustrate the climate of fear and tension generated by these measures. For instance, on 20 June 1953, United Nations security guards were escorting a demonstrator from the public gallery of the Security Council and a plainclothes FBI agent attempted unsuccessfully to snatch the demonstrator away. This prompted a vigorous protest from Secretary General Dag Hammarskjöld to the United States Mission to the United Nations.

Another incident occurred just before Hammarskjöld arrived in New York to start his mandate as Secretary General. In early April, Alva Myrdal, Director of UNESCO's Department of Social Sciences, arrived at Idlewild Airport on official business. She was denied legal entry, despite her valid United States visa, and was allowed to proceed to New York City only after signing a parole agreement to respond at any time to United States immigration authorities and to notify them of her displacements in the United States.

This was a clear violation of the Headquarters Agreement, whereby the host government cannot deny access to the United Nations to any person who has legitimate business with the organization. This case personally touched the new Secretary General Hammarskjöld, because Alva Myrdal and her husband, Gunnar Myrdal, the Executive Secretary of the Economic Commission for Europe (ECE), were both Swedes and his personal friends. As a result of negotiations, the United States Government issued a statement saying that the measure did not question Alva Myrdal's integrity (*Ibid.*, pp. 64–65).

Amid these tense circumstances, Secretary General Lie, before the end of his mandate on 10 March 1953, brought the issue of personnel policy to the General Assembly. He pointed out how the Cold War, "the great conflict of policy and ideology between the Western world ... and the Soviet Union" was complicating the functioning of the United Nations Secretariat. Also, he said the location of the Secretariat in one of the contenders made matters even more complicated. Finally, Secretary Lie complained because he was criticized from both sides; for some he was a stooge of the United States, for others he was soft on Communism (*Ibid.*, p. 60).

Previously, in October 1952, Secretary General Lie had appointed a committee of jurists from Belgium, Great Britain and the United States to advise him on the United States Government investigations of United Nations staff members who were citizens of the United States. The committee of jurists came to this conclusion: persons convicted of subversive activities against the United States, or those who refused to answer questions invoking the United States constitutional amendment against self-incrimination and any members of subversive organizations, should not be eligible to work in the United Nations.

To begin, the temporary contracts of those who had refused to answer questions were not renewed, and, after the committee of jurists submitted its recommendations, those who had refused to answer questions and were permanent staff members were fired. Later, some of these permanent staff members received compensation for their dismissal.

This document is not the place to describe in detail how the different personnel issues were solved. However, the principle was accepted that member governments had the right to object to the hiring of individuals considered subversive subject to the acceptance by the Secretary General of such objections.

In April 1953, at the United States Department of State, the Planning Staff of the Bureau of United Nations Affairs initiated a set of studies on the "principal stresses and strains facing the United States in the United Nations." Fifteen studies were originally requested and 11 were completed by July 1953 on issues such as the General Assembly and the Security Council, the colonial question, propaganda, collective security, bloc politics, human rights, economic development, admission of new members, and one specifically on the issue of "international secretariats" (FRUS 1952-1954, Vol. III, Doc. 24).

The following quotation summarizes some of the main conclusions contained in the study on international secretariats:

"By 1949 information reaching the Department of State indicated that in some instances United States personnel appointed by the United Nations agencies had a record of Communist or Communist-front activities which cast grave reflection both on their basic loyalty to the United States and on their integrity and ability to fulfill their fundamental obligations to serve the purposes and principles of the organization.

In the case of the United Nations, a secret arrangement was entered into whereby the Secretary General submitted the names of United States nationals for a United Nations "name check", and the Department reported to the Secretary General on persons it believed to be Communist or under Communist discipline.

This arrangement continued in operation until January 1953, at which time Executive Order 10422 (January 9, 1953) was issued, following a reexamination of policy stimulated by various United States investigations.

The Secretary General reported (on personnel issues) to the second part of the 7th GA General Assembly, November 1953)...and in the plenary debate the majority view was that the independence of the secretariat required that the Secretary General continue to exercise responsibility for selection of personnel without dictation from governments.

There was also general acceptance of the policy that the Secretary General should refrain from employing anyone where the preponderance of evidence indicates that the person is engaging in activities aimed at subverting the government of a member state.

In this connection, no government objected to the investigations the United States is making under Executive Order 10422, regarding this as a matter between the United States citizens and their government" (FRUS, 1952-1954, Vol. III, Doc. 34).

The presence of FBI agents at United Nations headquarters was terminated with relative ease. According to Urquhart (pp. 63–64) on 18 November 1953, *The New York Times* reproduced a statement made by FBI Director J. Edgar Hoover. In response to a question posed by the Senate McCarran Subcommittee, Hoover recognized that “the extraterritorial status of international organizations in the United States made it impossible for the FBI to operate on their premises.” Based on this statement, Secretary Hammarskjöld requested from the Deputy Chief of the United States Mission to the United Nations James Wadsworth the removal of FBI personnel from United Nations headquarters.

Even technical terminology was subjected to ideological compulsion. In the interview with Prebisch on ECLA, Pollock offers one example of this, he says:

“When I was in Santiago in 1955, I worked with Jose Antonio Mayobre (Venezuela, Director of the Economic Development Division 1954–1957) and Alex Ganz [United States] on an early ECLA document titled *An Introduction to the Techniques of Planning*. When that report went to New York, a cable came back to you (Prebisch) that got Mayobre very excited. He showed it to me. It said, ‘The report is all right, but every place where you say “planning”, delete it and insert the word “programming”, because here in New York we cannot have anything that supports planning.’ And you said ‘OK’... Explain to me how... ‘planning’ was a bad word and ‘programming’ was a good word” (Pollock, Kerner and Love, 2001, p. 15).

The answer by Prebisch was candid, “for many years after, I never used the word ‘planning.’ It was a slip of Jose Antonio Mayobre to speak of ‘planning.’ I was speaking of “programming” (Ibid.).

This was the context in which some staff members of ECLA were recruited, sometimes in spite of ideological interference and regulations. Alexander Ganz and Louis Swenson are two examples of some of the most prominent and potentially controversial appointments who were susceptible of objection, but were able to survive such objections and made significant contributions to the performance of the Commission.

Alexander Ganz was a United States citizen recruited by Prebisch, who was searching for someone with experience in the recent push for industrialization in Puerto Rico. Ganz had worked for Puerto Rico’s Planning Board. Between 1946 and 1950 he had also worked for the National Economic Analysis Division of the United States Department of Commerce. In 1952, when he joined ECLA, he was a tenured-track professor at the University of Chicago. He was recommended by his University of Chicago colleague, economics professor Harvey Perloff, who had also participated in Puerto Rico’s program.

Ganz’s expertise was in the preparation of national accounts, which was then terra incognita for most Latin American governments. In time, data collection and presentation became one the most relevant activities of the Secretariat, growing in importance beyond ideological posturing and interpretation. Together with training, data gathering based on the United Nations system of national accounts became the two tasks which made one of the most permanent and relevant contributions to the influence of ECLA.

This interpretation may be contradicted by those who believe that the major contribution of ECLA was in interpreting the region’s economic situation and prospects, the so-called substantive

contribution, consistent in offering a regional vision of Latin American development. This second interpretation may be true up to a certain point because it is doubtful that the ECLA message could have been transmitted with the same effectiveness if it were not for the fact that it was supported by training and, above all, by data.

Ganz was the pioneer who started this diligent collection and assembling of data, working under Furtado in the Economic Development Division. According to Furtado, "Ganz knew how to extract water from a stone, assembling statistical tables on the basis of fragmentary data" (Burger, 1998, p. 82). However, as mentioned previously, Ganz was never hired as permanent staff. According to Dosman (p. 288) he "had flirted with the United States Communist Party in the 1930s," therefore, to avoid a veto from the United States Government, he was hired on successive short-term contracts. According to Dosman (p. 322), "in 1956 the United States International Employees Loyalty Board again notified the United Nations that it had denied clearance to Ganz for a permanent United Nations appointment." Two years later, a State Department instruction to the United States United Nations Mission, issued in August 1958, stated: "not believe that Mr. Ganz possesses the standard of integrity required of international civil servants" (Burger, 1998, p. 140). Soon after, Ganz left ECLA to become "consultant to the research division of the Central Bank of Venezuela" from 1959 until 1961 (Ibid., p. 103).

Louis Swenson was the other United States citizen Prebisch found in the Secretariat in Santiago. Swenson had been recruited in New York from the United Nations Refugee Resettlement Agency and arrived in Santiago in July 1948. Together with the Cuban economist Eugenio Castillo, they formed the Executive Secretary's office. Furtado described Swenson as an "authentic New Dealer," (Burger, 1998, p. 79). Afterwards, when Eugenio Castillo was sent to Mexico to prepare the forthcoming Mexico session in 1951 and was later appointed Director of the newly created Mexico Office, Swenson became Prebisch's second in command in charge of daily operations. Swenson also served as liaison with the United States Embassy in Santiago, keeping the United States Department of State informed of the Commission's activities.

Prebisch described Swenson and his relation with him in these words: "I promoted Louis Swenson because he was very able, intellectually very open, and morally a superb man. He would be in charge of ECLA for a month or two while I was outside, and neither one of us was suspicious of the other. It was a perfect team.... I'd give a paper of mine to Louis, to let him make the criticism. He was free to criticize everything and he had a sharp mind." (Pollock, Kerner and Love, 2001, pp. 12-13).

The case of Adolfo Dorfman, however, is more complex because he was a citizen of Argentina working at United Nations headquarters in New York. Trained as an industrial engineer, he was an accomplished economist and professor at the Universidad de La Plata. In 1942, Dorfman published a major study on Argentina's industrialization, *El desarrollo industrial en la Argentina*, (Burger, 1998, p. 34), which is considered a classic of the country's economic history. (This publication was reissued and updated as *Historia de la industria Argentina*, Solar Hachette 1970 and *Cincuenta años de industrialización en la Argentina 1930-1980*, Solar, 1983.)

In 1943, after a group of officers, including Colonel Juan Domingo Perón, overthrew the conservative government of Ramon Castillo, the military intervened at the Universidad de La Plata, and Dorfman was dismissed from the university. Through contacts in the United States, Dorfman was granted a Guggenheim Fellowship, which allowed him to immediately leave Argentina for New

York. His family moved to the United States later. Dorfman's son, Ariel Dorfman, a renowned Chilean American novelist and playwright, described the situation in this manner: "The Guggenheim Fellowship lasted until 1944, when Dorfman joined the newly created Office of Inter-American Affairs, led by Nelson Rockefeller, the young Republican from a prominent New York family, appointed by President Franklin D. Roosevelt. In August 1946, Dorfman then joined the Economic Affairs Division of the United Nations, where he remained until 1953 when his affiliation to the Communist Party of Argentina in the 1930s was invoked to request his dismissal" (Dorfman, 1998, pp. 18–28).

There had been signals this could happen. Every time he came back to the United States from missions abroad, Dorfman was interrogated, and finally his visa was revoked. According to his son Ariel, Dorfman was summoned by his superiors and notified he could no longer be supported. He was offered a choice, resign or go to Bangkok, to the Economic Commission for Asia and the Far East (ECAFE), or to ECLA in Santiago, Chile. In two days, Dorfman flew to Santiago and his family again followed. He joined the ECLA Economic Development Division and had a successful career until his retirement in 1970, as Director of the Natural Resources and Energy Division (*Ibid.*, pp. 65–77).

Even so, Dorfman was occasionally remembered in the United States. In September 1959, Ross Adair, Republican Congressman from Indiana, introduced in the United States Congressional Record an article from the Indianapolis Star, denouncing Adolfo Dorfman "a leftwing Russian-born Argentine," because he had a "plan to gather secret industrial information from every power company in Latin America." The article said there was "a real danger that South American governments, many of them Socialist oriented, will pressure private power companies into complying with this request from the Socialist-Communist-dominated Economic Commission for Latin America, not knowing the real dangers to their own economic and military security that are involved." Burger quotes the following source, "U.N. Plan Would Aid Saboteurs," Extension of Remarks of Hon. Ross Adair of Indiana in the House of Representatives, Congressional Record, Appendix, September 10, 1959 (Burger, 1998, p. 135). Such were the vagaries, during the Cold War, confronted by data collection on power generation in Latin America.

By October 1951, Burger (p. 81) quotes a dispatch from the United States Embassy in Santiago stating the "ECLA Secretariat had 28 economists," 18 of them based in Santiago, others in the recently created Mexico Office and a few in some of the member countries.

With the installation of this relatively small team of experts, the Commission started to deliver results.

C. Breakthrough

In 1953, the basic elements to sustain the implementation of the Commission's mandate were in place. Briefly described previously, the purpose was to support the economic development of the Latin American members based on the contribution of a team of experts, which for the first time would be dedicated to envisage the region's medium- and long-term economic prospects.

For this purpose, three substantive areas of work were identified: (1) economic development, including "programming;" (2) interpretation of current economic events and trends,

based on data collection and processing; and (3) international trade relations with the advanced economies and between the Latin American countries.

To accomplish this far-reaching mandate, three tasks were identified: (1) to support the member countries policymaking process through the identification of technical needs and investment requirements; (2) to contribute to the formulation of evidence-based policies; and (3) to train teams of economists capable of performing these tasks.

However, as Prebisch pointed out from the beginning, ECLA was not a “theoretical instrument... on the contrary, it is inspired by eminently practical aims.” ECLA, to be relevant “as a body for international action,” had to become actively involved in the regional policymaking process. The question was how to make such access possible (Prebisch, 1952, p. 23).

The opportunity was granted by fundamentally political circumstances, generated by the first Cold War confrontation that took place in the Western Hemisphere.

In February 1950, as previously mentioned, George Kennan, then Counselor of the State Department, undertook his last official trip to several Latin American countries before retiring from the United States Department of State. The purpose of the mission was to assess the importance of “Latin America in the event of war with the Soviet Union.”

Among other conclusions, Kennan mentioned the following in the report: “As things stand today, the activities of the communists represent our most serious problem in the (Latin American) area. They have progressed to a point where they must be regarded as an urgent, major problem.” However, Kennan added, “it is also true that in no Latin American country, with the possible exception of Guatemala, does there seem to be any serious likelihood that the communists might acquire the strength to come into power by majority opinion.”

Since then, relations between the governments of Guatemala and the United States had deteriorated to the point that sometime around the inauguration of President Jacobo Arbenz, on 15 March 1951, “the Central Intelligence Agency was already drawing up a contingency plan (code-named PBFORTUNE) to oust Arbenz” (FRUS 1952–1954, Vol. IV, Guatemala, p. xxvi).

The exact date of approval of this “covert operation,” afterwards named PBSUCCESS, is difficult to determine. The FRUS volume released on Guatemala contains a memorandum stating “At its informal meeting of August 12 (1953), the Psychological Strategy Board authorized the Director of Central Intelligence to proceed on a basis of high priority...” A footnote follows stating: “On September 16 (1953) Frank Wisner (Deputy Director for Plans, CIA and director of the covert operation) sent a memorandum for the record to the Director making reference to the August 12 meeting, at which PBSUCCESS was accorded ‘an extremely high operational priority.’ Wisner wrote, ‘it is my understanding that this was the meeting which flashed the ‘green light’ to us...(Ibid., pp. 86–87).

On 11 September 1953, another “Memorandum for the Record, Subject: Guatemala” states “the task headed by CIA calls for a general, over-all plan of combined overt and covert action of major proportion.” It describes “a general outline of a contemplated course of action” (Ibid. pp. 102–110), which includes the following activities:

- Military Aid to other Central American States
- Cessation of Military Aid to Guatemala

- Supporting Official Pressure
- Official Discrediting of Guatemala: the threat of a conference of OAS or of Foreign Ministers (Action: State)
- Economic Pressure
- Psychological Warfare
- Political Action
- Para-Military Action Strengthening of CIA Station in Guatemala (Ibid., p. 108).

All these activities were "headed by CIA," except the implementation of the "threat" of holding an Organization of American States (OAS) conference, which required carrying out an intense process of internal and regional consultations, with the State Department performing the role of lead agency. In parallel to the other activities of the covert operation "PBSUCCESS," the State Department initiated open consultations at the OAS Council on the agenda for the Inter-American conference, to be held in Caracas 1–28 March 1954.

D. On to Caracas

The first step consisted of getting a draft agenda approved by the Permanent Council of the OAS for circulation among the 21 member governments. These consultations on the forthcoming meeting agenda revealed several hurdles, both in hemispheric relations and within the United States Government.

One of these obstacles originated in the scope of the proposed agenda, approved for submission to the governments of the member states by the Council of the OAS, on 1 July 1953. The proposed agenda included almost the whole spectrum of issues in inter-American relations, grouped under five main headings, each to be dealt with at the Caracas Conference in separate committees:

Juridical-Political (I)

Economic (II)

Social (III)

Cultural (IV)

Organizational (V)

Early in the process of drafting the United States position on various items contained in the Caracas Conference agenda, a critical linkage was identified between two main issues, which became the meeting's axis and which provided the terms of a major trade-off.

Based on the input provided by several diplomats, at a Cabinet meeting chaired by President Dwight Eisenhower on 26 February 1954, Secretary of State Foster Dulles described this linkage in the following terms: "the major interest of the Latin American countries at this (Caracas) conference would concern economics whereas the chief United States interest is to secure a strong anti-Communist resolution which would recognize Communism as an international conspiracy instead of regarding it merely as an indigenous movement" (FRUS 1952–1954, Vol. IV, Doc. 74).

However, a previous assessment of the program for the Caracas Conference, at the start of 1954, stated: "prospects for constructive results at the Tenth Inter-American Conference at Caracas are not good." The main reason was "it is inevitable that the Latin American countries will principally seek commitments from the United States on such matters as tariff policies and prices for their exports, which this Government will not be in a position to give" (FRUS 1952–1954, Vol. IV, Doc. 66).

Furthermore, the United States Ambassador to the OAS Council, on 5 January 1954, expressed concern because "This (United States) Government, as of this date, remains without any new policy in the major field of Latin American interest, namely, economic affairs." The conclusion was "the United States will, therefore, be in an essentially defensive position in regard to the subject on which the success or failure of this Conference depends. At the same time, the United States is seeking one or more anti-Communist resolutions which are not of major interest to many of the Latin American countries" (FRUS 1952–1954, Vol. IV, Doc. 65).

To respond to the Latin American demand that the Caracas Conference should address economic issues, in addition to solving some of the bilateral issues, the State Department proposed the announcement of a "program of cooperation" prior to the conference. This announcement was based on the recent "Report to the President: United States–Latin American Relations" presented by President Eisenhower's brother, Milton Eisenhower, who carried out a fact-finding mission to 10 Latin American countries, between 23 June and 29 July 1953. The purpose of the mission was to assess the state of relations of these countries with the United States (United States Department of State, 1953, pp. 695–717). On 20 November 1953, the White House circulated the Milton Eisenhower's report to members of the Cabinet and other agencies, indicating the President's "general approval" of the report and "his request that action be taken promptly to implement its recommendations" (FRUS 1952–1954, Vol. IV, Doc. 59).

In addition, in transmitting to the Secretary of State a confidential supplement of the report, containing "recommendations on certain specific problems in individual countries," President Dwight Eisenhower commented: "I am struck by the fact that, in a number of cases, a very small loan investment or grant on our part might reap very definite and extensive advantages for us" (ibid.).

Also, in a high-level meeting, held at the White House on 21 January 1954, on Export-Import Bank of the United States (EXIM) lending in Latin America, Treasury Secretary George M. Humphrey was sceptical about what he called "soft loans." However, "the President's position, as shown by various comments in the course of the discussion, was clearly in favor of a more liberal loan policy toward Latin America." He also commented that "when we were spending US\$36 billion a year in defense it did not seem a great risk to put an extra US\$17 million into Latin America in the interests of our security" (FRUS 1952–1954, Vol. IV, Doc. 51).

On this basis, the State Department proposed that at least two of the recommendations contained in the Eisenhower Report should be approved before the Caracas Conference by means of a "special message to Congress."

The first component of the proposed program was a request for US\$80 million in budget appropriations for technical cooperation projects and programs, which "would require only about seventeen million dollars in excess of amounts already included in the 1955 budget requests."

The second component had more potential. It consisted of “a statement that the United States will insure that a gross level of public lending (through IBRD and the Export-Import Bank) of US\$1 billion will be available over the next five years for sound economic projects within the capacity of the Latin American countries to finance.” The memo concluded “this proposed message should do much to create a favorable background for our delegation in Caracas”(FRUS 1952–1954, Vol. IV, Doc. 66).

There was also concern at the State Department because several outstanding economic issues in the relations with individual countries could generate divisiveness and antagonism during the conference. These issues are summarized below, listed alphabetically.

- ARGENTINA: First, we have dumped surplus linseed oil, undercutting Argentina’s markets. Second, We have imposed a quota of 2,500,000 bushels of oats, thereby cutting off Argentine imports and leaving several million bushels already under contract with no place to go.
- BOLIVIA: The National Security Council (NSC) recently decided that we should not enter the International Tin Agreement... it will cause resentment not only in Bolivia, but also in other countries which believe in price stabilization agreements for primary products.
- CHILE: In August (1953) the Chileans asked us to buy 100,000 tons of accumulated copper (which at our request they could not sell to the Communist countries). We felt that we should not buy this copper before Chile gave American copper companies fairer treatment and took measures to clean house economically, but it has again caused resentment.
- COLOMBIA: The Colombian Government’s inability to reimburse the United States for the logistical and other support furnished to the Colombian ground and naval units in Korea.
- GUATEMALA: We are nevertheless being harassed by such items as Senator Margaret Chase Smith’s bill connecting Guatemalan Communism with high coffee prices (which would play squarely into the hands of the Guatemalan Communists at Caracas). Reference to Senate resolution 211, introduced by Senator Smith (R-Maine) on 8 February 1954, *Congressional Record*, 83d Cong, 2nd Sess., Vol. 100 (pt.2), p. 1475).
- MEXICO: We have been unable to reach an agreement with regard to migrant labor.
- PANAMA: Several labor issues in the Canal Zone seen as the “most vexatious single irritant in United States–Panama relations.”
- PERU: The copper development project at Toquepala is now completely stalled, “to Peru’s irritation,” because the United States Defense Mobilization Board (DMB) withdrew the certificate of national necessity.
- URUGUAY: First, countervailing duty of 18 per cent imposed on Uruguay wool tops based on subsidies granted to these exports through a multiple exchange rate. Second, GATT commitment by the United States to lower tariffs on Uruguayan meat has not been complied with (FRUS 1952–1954, Vol. IV, Doc. 71).

This concern about the linkage between the proposed “anti-communist resolution” and economic issues was clearly stated in a “circular airgram” by the Acting Secretary of State to certain diplomatic offices in the American republics, on 18 February 1954: “Bear in mind the importance of preventing the development in Latin American thinking of the idea that their approving a strong resolution against Communism would constitute a concession to the United States which could only be justified by concessions on our part to Latin America in the economic field. The fact is that the political-security phase of the OAS relationship can and must stand on its own feet... There is, in principle, no room for bargaining with the political-security field as against the economic field” (FRUS 1952–1954, Vol. IV, Doc. 73).

Briefly, success at the Caracas Conference meant obtaining support for an “anti communist resolution.” For this purpose, the State Department proposed anticipating some of the economic demands of the Latin American governments by approving two concrete measures prior to the conference. Both were drawn from the report presented by Milton Eisenhower and were supported by President Eisenhower. They consisted of an increase in technical cooperation funding and a promise of development loans for US\$1 billion, from the Export–Import Bank of the United States (EXIM) and the International Bank for Reconstruction and Development (IBRD), in the next five years (ibid.).

However, this proposal confronted an almost insurmountable obstacle within the United States government agencies for two reasons. First, technical cooperation funds were already approved for the current fiscal year and they could not be increased in time for the conference. Second, perhaps more decisive, the Treasury Department said that instead of increasing the levels of official development lending, the Latin American governments should obtain such funding from the private sector.

Most of these economic issues remained unsettled within the United States Government before the inauguration of the Caracas Conference, on 1 March 1954. Assistant Secretary of State for Inter-American Affairs John M. Cabot, in a memorandum sent as late as 12 February concluded: “the United States was still without a program which will be in any way satisfying to the other American republics” (FRUS 1952–1954, Vol. IV, Doc. 71).

This last issue was discussed at a Cabinet Meeting 26 February, in the presence of President Eisenhower, Vice President Nixon, Secretary of State Dulles, Treasury Secretary Humphrey and several other officials, as follows: “Secretary Dulles called attention to the pending legislation concerning loans to Latin American countries and he emphasized the desirability of effective action to halt the growth of Communism in South America at this time rather than delay until a situation develops similar to that in China in the 1940s when American aid was too late” (FRUS 1952–1954, Vol. IV, Doc. 74).

E. The Caracas Conference

The Tenth Inter-American Conference was held 1–28 March 1954, at the University City in Caracas, Venezuela, with the assistance of all members of the OAS, except the government of Costa Rica, which at the time did not have diplomatic relations with the host government. The conference was the tenth of a succession of Inter-American conclaves, which started in 1889, leading to the creation of the OAS at the Ninth Conference, held in Bogota, Colombia, from 30 March to 2 May 1948.

(The following description is based on United States Department of State (1955). Henceforward, Arabic numbers in parentheses indicate page numbers of this document, and Roman numerals indicate the number of a resolution approved.)

Preparations for the conference started on 7 November 1951, when the OAS Council established a special committee, composed of several government delegations, to prepare the agenda and regulations. The final version of the regulations was approved by the Council on 1 April 1953. The agenda was approved in three stages. On 16 January 1953, a preliminary list of topics was circulated for consultation among the member governments. On 1 July 1953, a draft agenda was circulated for consultations, and the final version was approved on 10 November 1953. As previously mentioned, the agenda topics were grouped under five different headings, which also became working committees at the conference: (I) Juridical-Political; (II) Economic; (III) Social; (IV) Cultural; and (V) Organizational and Functional (United States Department of State, 1955, pp. 1–2).

The Caracas gathering was remarkable for several reasons. Eighteen of the 20 delegations were headed by Foreign Affairs Ministers. In all, the number of registered participants was close to 400, including delegates, alternates, advisers and support staff. The most numerous delegations were from the United States, led by Secretary of State Foster Dulles, with 77 persons, followed by Brazil, led by Minister Vicente Rao, with 72 persons, the host government of Venezuela, led by Minister Aureliano Otañez, with 46 persons, Mexico, led by Secretary Luis Padilla Nervo, with 42 persons, and Argentina, led by Minister Jeronimo Remorino, with 35 persons (*Ibid.*, pp. 191–207).

The inaugural session of the conference took place in the Aula Magna of the University City, on 1 March 1954. Dr. Aureliano Otañez, Minister of Foreign Affairs of Venezuela, presided over the session. The official welcoming address was given by the President of Venezuela, Colonel Marcos Perez Jimenez, and the response, on behalf of all the delegations, was delivered by the chairman of the delegation of Colombia, Dr. Evaristo Sourdis.

The United Nations participated as an observer and Secretary-General Dag Hammarskjöld addressed the first plenary session, on 3 March 1954. After his departure the United Nations delegation was chaired by Benjamin Cohen, Assistant Secretary General. ECLA formed part of the United Nations delegation and was represented by the Secretary of the Commission, Alfonso Santa Cruz.

An indicator of the conclave's productivity can be found in the approval of 118 resolutions and the signature of three conventions, two on diplomatic and territorial asylum and the third on the promotion of Inter-American cultural relations. The intensity of activities manifested itself in the fact that Secretary Dulles spent 13 days in Caracas. On 9 March, a week after the conference began, perhaps concerned about his absence from Washington, Secretary Dulles received the following reassuring message: "Perfectly safe for you to stay until Friday or weekend if necessary to keep anti-Communist resolution moving, and from reports here I am inclined to agree with our advisers there that unless you are present to provide the final spark this resolution may fizzle out" (FRUS 1952–1954, Vol. IV, Doc. 76).

After two weeks, on 13 March, Secretary Dulles departed from Caracas to Washington, and the chairmanship of the United States delegation was assumed by the Vice Chairman, Ambassador Henry Holland, Assistant Secretary of State for Inter-American Affairs.

While in Caracas, Secretary Foster Dulles intervened three times in the general debate: first, at the initial plenary session and later in two committees, in the Juridical Political Committee I and in the Economic Committee II.

On 4 March, during the second plenary session, Secretary Dulles presented the general statement by the United States delegation. He started with a description of the foundation and the threat to "Americanism," which he described in detail as "the Communist conspiracy." The rest of the speech was dedicated to what was called "the economic problem," and the "need for international conditions which facilitate a mutually advantageous exchange of goods and a mutually advantageous flow of capital from the more developed countries to the countries which are less developed," which he concluded was "for all, a matter of enlightened self-interest" (United States Department of State, 1955, pp. 43–55).

As evidence of President Dwight Eisenhower's conviction that "the welfare of the United States is related to that of others," Secretary Dulles mentioned the report prepared by Milton Eisenhower after a visit to several Latin American countries, which "has been brought to the attention of our government departments with a request that they do all within their power to carry out its recommendations." As a result, Secretary Dulles said "funds for technical assistance and cultural cooperation are being increased."

The rest of the speech covered five specific economic matters. First, concerning coffee Secretary Dulles said:

"The consumers of the United States do not like it when prices go up, just as you do not like it when prices of your exported commodities go down. We accept it that, in a free system, there are bound to be fluctuations in both directions, and I can assure you that there is no plan afoot to deal arbitrarily with the problem of prices by imposing some artificial price ceiling."

Second, concerning wool Secretary Dulles said:

"The United States Tariff Commission has recommended to the President an increase in the tariff on wool...The President told me last week he had no intention of acting favorably on the Tariff Commission's recommendation pending congressional consideration of his own proposal... to adequately support the wool industry of the United States without imposing increased duties on imported wool."

Third, concerning technical cooperation Secretary Dulles said:

"The Government of the United States firmly supports the continuance of our bilateral technical assistance programs as well as the programs carried out by the Organization of American States. Much important work in the field of public health and agriculture is done by private organizations, as, for example, the Rockefeller Foundation...The United States Government encourages those private efforts. But also, it intends, at a governmental level, to supplement them."

Fourth, concerning "capital flow" Secretary Dulles said:

"The United States was developed with the help of private foreign capital, and it would like to see its own capital now help to develop the great resources of other

countries of this hemisphere. There exists in the United States ample capital which is ready, willing, and able to perform its development function not only at home but also abroad."

Secretary Dulles mentioned the following example:

"The spectacular development of Canada during this century has been primarily due to cooperation between the private investors of the United States and those in Canada. Approximately US\$5 billion of private United States capital have been invested in Canada, and have made a significant contribution to producing for Canada one of the highest standards of living in the world." ... "However, private capital cannot be driven. It has to be attracted. Therefore, the decision rests with you."

Fifth, concerning the Export-Import Bank Secretary Dulles said that the International Bank for Reconstruction and Development "is the primary instrument through which the free world can cooperate in the public financing of economic development." He also mentioned "the Export-Import Bank will consider in their merits applications for the financing of development projects which are not being made by the International Bank and which, in our common interest, are economically sound, are within the capacity of the prospective borrower to repay, and within the prudent loaning capacity of the bank."

With the exception of the wool tariffs, or the promise not to put a ceiling on coffee prices, Secretary Dulles' speech did not contain new proposals on trade or on development financing. An "assist" arrived with instructions from the State Department in Washington which would contribute to remove a couple of other bilateral economic concerns. For example, Secretary Dulles was notified that during a Cabinet meeting in Washington it was agreed "to satisfy Panama on matters which do not affect fundamental rights" (FRUS 1951-1954, Vol. IV, Doc. 75).

In addition, another message from the State Department followed saying "you may wish to tell the Colombians that they do not have to give much thought to an additional bill for their Korean participation" (FRUS 1952-1954, Vol. IV, Doc 76).

Secretary Dulles spoke a second time, on 11 March, in the Juridical and Political Committee I, to propose an additional paragraph to the draft resolution presented by the United States delegation on "Communist intervention," as follows: "This declaration of foreign policy made by the American Republics in relation to dangers originating outside this Hemisphere is designed to protect and not to impair the inalienable right of each American State freely to choose its own form of government and economic system and to live its own social and cultural life."

Meanwhile, in the Economic Committee II "the Conference was confronted with the problem of how to handle the numerous proposals for specific items submitted by the governments... the listing of all or most of these topics would make for an unwieldy agenda" (United States Department of State, 1955, p. 15). This was a reflection of the pressure exercised by the Latin American delegations seeking solutions to several bilateral concerns and to some regional economic issues.

The following conclusion was drawn:

"From the statements made by the Latin American representatives it was evident that they had come to Caracas anxious to preserve the economic gains made during the

preceding decade and to obtain from the United States maximum assurances as to assistance in maintaining a favorable level of prices and avoidance of restrictions to trade with the United States. It was also clear that many of them looked to the United States to provide assurances or make commitments which they thought would lead to solutions of their common economic problems" (Ibid., p. 16).

The pressure to achieve results on some of these economic issues in Caracas was slightly alleviated because "in the opening debate in Committee II the delegation of Chile proposed the holding of a special meeting of the Ministers of Finance and Economy of the American Republics." The purpose of the meeting, as stated by the Chilean delegation, would be "to study on the highest technical level the present difficulties and to make concrete recommendations to all the governments" (Ibid., p. 23).

The Conference Report says "The United States delegation supported the (Chilean) proposal and offered Washington as the site for the Conference. Considering, however, that Brazil had earlier indicated a desire to serve as host, the United States withdrew its offer. The Conference accepted the Brazilian invitation to hold the meeting in Rio de Janeiro and set the last quarter of 1954 as the period in which it should be convened" (Ibid., Res. LXVI, pp. 23–24 and 133–134).

Even so, due to the numerous economic proposals presented by the delegations, the meetings in Committee II were divided among three subcommittees on economic development, commercial cooperation and technical cooperation and the functioning of the Inter-American Economic and Social Council (IA-ECOSOC).

Secretary Dulles, on 10 March, addressed the Economic Committee II. He started his "statement on general economic matters" with a description of the "relationship between economic welfare and communism," saying:

"I have sought the privilege of sitting with this Economic Committee because the problems we face here in the Americas are as much economic as they are political. It is sometimes said that we must seek economic welfare for the reason that that is the best defense against communism. I, myself, would put it differently. We seek economic welfare because, here in the Americas, we believe that all human beings without regard to race, religion, or class should have the opportunity to develop in body, mind, and spirit. That can only happen in a healthy society. Therefore, we seek it as something which is good in itself, not merely as a defensive mechanism against communism" (Ibid., pp. 65–67).

Secretary Dulles then described the accomplishments and shortcomings of the United States economy, saying:

"All this is being done within the framework of a free-enterprise economy which places primary responsibility upon private effort...We recognize that, as social and economic problems grow in magnitude and complexity, so government has to assume increasing supervisory tasks. Nevertheless, the United States continues to place its primary dependence upon individual effort and private capital."

On the role of international trade, Secretary Dulles said: "Foreign trade plays an important part in our economy. We know it plays an even more important part in the economy of many friendly nations. We shall, therefore, strive to give to trade the dependability which it deserves."

On the issue of what he characterized as "economic unity and diversity," Secretary Dulles said:

"We recognize that in the economic field it is more difficult to combine unity with diversity than it is in the political field... In many of the American Republics, government plays a much more important role in economic affairs than we think desirable for ourselves. Some of you may think in terms of governmental capabilities, where we think in terms of private activity. Action, which some of your governments would undertake as a normal function, might seem to us a major departure from our standards of peace-time activity. Equally, opportunities and safeguards for private activity, which we treat as a matter of course, may seem to some of you to be extraordinary... No one of our republics should expect to abandon its economic creed, in which its people believe, and which seems adapted to its particular environment. Nevertheless, we must find more and better ways to cooperate."

In closing, Secretary Dulles mentioned what he characterized as "economic complaints," as follows:

"We have heard here at this Conference a number of economic complaints directed against the United States. I take no offense at that. This is the place where we should talk frankly as friends, and it is best that we should say what is on our minds. However, I ask you to believe that these matters are not as simple as they sometimes sound. The difficulties may seem relatively small, but they can establish precedents which would have vast scope and consequences... The situation requires that we should not be self-righteous, either in defense or attack, but that we should go forward with good will, tolerance, and patience to find an understanding."

Secretary Dulles closed his address to the Economic Committee II with the following "pledge:"

"The United States will not continue to be satisfied merely with good political relations in this hemisphere. We also want good economic relations. We shall seek them on a basis of mutual respect for the economic and social, as well as the political, beliefs of each other. That is the pledge I give you."

Ten days into the Caracas conference it was evident, from these remarks by the head of the United States delegation, that the trade-off between the economic agenda, of interest for the Latin American delegations, and the political agenda, of interest for the United States delegation, was not working as expected. This became even more evident because on the same day, 10 March, another member of the United States delegation, the Assistant Secretary of State for Economic Matters Samuel C. Waugh, made another statement on "general economic matters" in Committee II ("Statement by the Assistant Secretary of State on General Economic Matters" (Ibid., pp. 67–72).

Assistant Secretary Waugh started his remarks underlining some of the points made by the previous statement of the Secretary of State and returned to the role of private initiative in the economy. He said "the basic philosophy of the United States emphasizes individual freedom." In support of this affirmation, he quoted the recent "Economic Report" presented by President Dwight Eisenhower to the United States Congress, as follows:

"The Government can greatly help to maintain prosperity. But it is well to recall the accumulated experience of generations which has taught us that no Government can of itself create real and lasting prosperity. A thriving economy depends

fundamentally on the enterprise of millions of individuals, acting in their own interests and in the interests of their families and communities" (Ibid., pp. 68–69).

Responding to a request from several delegations, Assistant Secretary Waugh presented a brief description of the "economic situation and outlook in the United States," Turning immediately afterwards to the economic conditions in the Latin American countries, he said, "Output in Latin America in the postwar period has increased by almost 5 percent annually. This is nothing short of spectacular. It exceeds the recent rate of growth in the United States."

Then Assistant Secretary Waugh mentioned the need to attract "foreign capital" to "hasten the development process." For this purpose, he described several measures from the United States Government "to provide incentives for an increased flow of private capital abroad," such as lower tax rates for income from foreign subsidiaries and to broaden the definition of foreign taxes which can be credited against the United States income tax. He also referred to the interest of the United States government to negotiate treaties for the alleviation of foreign taxation, lamenting that no double taxation treaties exist with Latin American governments. In addition, he indicated the United States's interest in negotiating treaties "to define the terms in which private capital may enter and operate in foreign countries."

Assistant Secretary Waugh acknowledged the concern by the Latin American delegations about "the relative prices of primary products and manufactured goods in international trade and the instability of raw material prices." However, he said these "are highly technical subjects...for fuller discussion in the appropriate committee."

In closing, Assistant Secretary Waugh described some of the problems the United States had as a major producer and exporter of agricultural products. He said, "Today we are confronted with large surpluses arising in part from the great efforts to relieve shortages of farm products resulting from the devastation and destruction of World War II." He noted that the United States Government "is taking precautions to prevent, so far as possible, the disposal of our surpluses from interfering with normal marketings of friendly countries" (Ibid., p. 71).

As an example of the interest in the economic subjects under discussion at the conference, Assistant Secretary Waugh introduced other members of the United States delegation from economic agencies, in addition to the State Department, as follows:

- Deputy to the Secretary of the Treasury, W. Randolph Burgess
- Assistant Secretary of Commerce, Samuel W. Anderson
- United States Representative to the Inter-American Economic and Social Council, Ambassador Merwin L. Bohan
- Managing Director of the Export-Import Bank, Major General Glen E. Edgerton

To conclude, opening the door to further negotiations, Assistant Secretary Waugh said "Many of our problems are not susceptible for easy or once-and-for-all solutions... it is for these reasons that we welcome and support the suggestion made here for a special economic conference. Possibly the Extraordinary meeting of the Inter-American Economic and Social Council, planned for this year, would serve this purpose," (Ibid., p. 72).

The main components of an agreement were becoming evident. By 13 March, Secretary Dulles returned to Washington signaling that he had secured approval of the "anti-Communist

resolution." Resolution XCIII, "Declaration of Solidarity for the Preservation of the Political Integrity of the American States Against the Intervention of International Communism" was finally approved, on 13 March by the Juridical-Political Committee I, with 17 votes in favor, two abstentions from the Argentine and Mexican delegations and one vote against from the Guatemalan delegation (*Ibid.*, p. 9).

As mentioned, the delegation from Costa Rica was absent, but the government later signed the Final Act of the Caracas Conference at the Pan American Union in Washington, on 20 April 1954 (*Ibid.*, p. 3). Also, after the overthrow of the Jacobo Arbenz government, on 31 July 1954, "the new Minister of Foreign Affairs of Guatemala notified the Secretary General of the OAS that his Government adhered to the resolution and withdrew the statement and reservations made by the Guatemalan delegation upon signing the Final Act" in Caracas (*Ibid.*, p. 9).

Meanwhile, the pressure from the Latin American delegations was increasing as was evident from the presentation of numerous proposals of resolutions on different economic issues. Some of these resolutions were approved unanimously, but on several others the United States delegation abstained or voted against, as illustrated by the following examples. However, most of the resolutions were adopted by consensus built around compromises.

For instance, the United States delegation abstained on the resolution on agricultural surpluses (*Ibid.*, LXXVII, pp. 19, 140–142). The version approved was based on proposals presented separately by the delegations of Argentina, Panama and Uruguay. These were consolidated into a resolution stating a set of principles on the disposal of agricultural surpluses and requested the Inter-American Economic and Social Council to prepare a study for presentation at the forthcoming meeting of Ministers of Finance and Economy. "In a statement accompanying the vote, it was explained the variable nature of the problem made it necessary for the United States not to commit itself definitively on a matter currently under intensive study in the executive and legislative branches of the Government" (*Ibid.*, p. 19).

The delegation from Panama proposed a resolution calling for the elimination of taxes on passenger fares in the Caribbean and Central America (*Ibid.*, LXXXV, pp. 148–149). It was approved, but "the United States abstained on the vote explaining that the Congress then had under consideration the broad subject of a tax program" (*Ibid.*, p. 18).

Perhaps the most intensely debated topic in the subcommittee on "commercial cooperation" was the terms of trade (*Ibid.*, pp. 18–19). From the start, "the United States representative, Assistant Secretary of Commerce Samuel W. Anderson, made a statement regarding terms of trade and instability, pointing out the difficult practical problems involved." Assistant Secretary Anderson "also noted that too much reliance should not be placed on statistics showing merely price relationships, while ignoring changes in volume and other factors, since a nominal worsening of the 'terms of trade' might coincide with great economic progress" (*Ibid.*, p. 18).

The discussion in the subcommittee "centered primarily on two points: (1) the use of the phrase 'remunerative prices' and (2) the statement that 'any campaign against the consumption of, or remunerative prices for, the products of the less developed countries is contrary to American interests and the good relations existing between the people of this hemisphere'" (*Ibid.*, p. 19).

The following text was approved (Resolution LXXVI, pp. 139–140): “To recommend to the countries that are consumers of raw materials and of natural and semimanufactured products that they give all possible facilities to the natural expansion of consumption at an equitable level of remunerative prices, thus permitting a balance in the terms of trade, and avoid restrictions on such products.” The United States delegation voted against Resolution LXXVI “Terms of Trade and Prices,” because it was “unable to obtain an acceptable formula on this point at any of the levels at which the resolution was considered” (Ibid., p. 19).

Several proposals on “the reduction of trade restrictions” were also sent to a “drafting group composed of Mexico, the United States and Venezuela.” However, failure to reach agreement resulted in the formulation of two drafts: one by the United States and the other by Mexico and Venezuela. The debate went on for several days.

The joint Mexican-Venezuelan proposal

“Opened with a statement regarding the dependence of the ‘less developed countries’ on ‘stable markets at equitable prices’ for their basic export products... The proposal concluded with the resolve that the industrialized countries eliminate restrictions of all kinds, and refrain from imposing them on the imports of the basic materials originating in the less developed American countries, and likewise eliminate discriminatory practices affecting imports of said products”(Ibid., p. 20).

Throughout the discussions “various attempts were made in the working group at compromise proposals, in which Brazil, Mexico, the United States, and Venezuela participated actively. None of these were successful, however, and the draft resolution together with the amendments were referred to the subcommittee (on commercial cooperation), where the original Mexican-Venezuelan draft was approved and sent to Committee II” (economic matters) (Ibid., p. 20).

In full Committee the resolution gave rise to considerable debate. Efforts to obtain a compromise again proved unsuccessful, and the resolution (LXVIII Reduction of Restrictions on Inter-American Trade, p. 135) was approved with the United States and Cuba casting negative votes. In explaining the United States’ position, the United States representative pointed out that the opposition of his delegation was based upon the lack of reciprocity in the resolution from the exporting countries (Ibid., p. 20).

Resolution LXXV, “Trade in Strategic Products” (p. 139) also generated intense debate but it was in the end approved without dissent. It “originated with a proposal submitted by Chile. In its original form, the draft was unacceptable to the United States principally because of the provision calling for ‘compensation’ to countries adversely affected by not selling strategic materials to the Soviet bloc. Attempts to reconcile points of view in the subcommittee (on commercial cooperation) having failed, the United States cast a negative vote on the proposal. However, in the full Committee the United States and Chilean delegations were able to reach a satisfactory compromise. The Resolution (LXXV) was then approved without a dissenting vote” (Ibid., p. 20).

In addition,

“Mexico submitted the proposal which gave rise to Resolution LXXIV (p. 138), entitled ‘Creation of an Inter-American Specialized Organization for Lead, Copper, Zinc and Tungsten.’ As submitted the resolution made provision for the establishment of such an agency within the framework of the OAS. Tungsten was added to the list of

commodities at the request of Bolivia. Brazil, supported by Venezuela, proposed a substitute formula suggesting that IA-ECOSOC undertake a broad study of the products enumerated. This formula was accepted, but later modified at the suggestion of Chile to provide that the Council of the Organization should study the desirability and possibility of creating an agency" (Ibid., p. 21).

Two resolutions "prepared by the second working group stemmed from projects submitted by Uruguay." One resolution was on economic solidarity of the Americas (Ibid., LXV, pp. 132–133), declaring that the members of the Organization should have as one of their basic objectives "a close coordination of their economies with a sense of unity." It was approved without change. The other proposal led to the approval of two resolutions on intensification and reduction of restrictions on regional trade, "which underwent several changes in both subcommittee and full committee before adoption" (Ibid., p. 21, Resolution LXVII, "Intensification of Inter-American Trade" and Resolution LXVIII, "Reduction of Restrictions on Inter-American Trade," pp. 134–135).

One issue where there was less controversy was technical cooperation. Four resolutions were approved without dissent on coordination, facilitation, financing and the status and nature of technical cooperation, as follows (Ibid., p. 21, pp. 143–146):

- Resolution LXXX: "Coordination of the Services of Technical Assistance and Technical Cooperation."
- Resolution LXXXI: "Facilities for the Development of Technical-Assistance Programs."
- Resolution LXXXII: "Financing the Program of Technical Cooperation of the Organization of American States."
- Resolution LXXXIII: "Status and Nature of the Program of Technical Cooperation of the Organization of American States."

Ecuador presented a proposal on the "Conservation of Natural Resources: The Continental Shelf and Marine Waters," which was intensely discussed and merited sending it to a special working group composed of 11 delegations. The approved resolution "follows the general outline of the Ecuadorean proposal with certain significant modifications... The most important of these modifications were made in the broad pronouncements relating to sovereignty and jurisdiction over the shelf and the water above it... On the other two points the Conference decided to convoke a specialized conference in 1955 to consider both the economic and juridical aspects of the subject and requested the Council of the Organization to study the possibility of establishing an Inter-American oceanographic institute" (Ibid., pp. 22–23, Resolution LXXXIV, pp. 147–148).

On the issue of agrarian reform, the delegations from Bolivia and Guatemala presented separate proposals, which were consolidated into a single draft, while the United States delegation submitted an alternate text. "The United States, however, found it necessary to abstain in the vote... Explaining this action, it clearly indicated that, although the United States favored and supported agrarian reform in its broad and full sense, it could not support the resolution because it was based solely on the narrow concept of land distribution" (Ibid., p. 24, Resolution LXXXIII Agrarian Reform and Development, pp. 137–138).

The other major issue on which there were expectations of major breakthroughs was on development finance. Nonetheless, not much progress was accomplished, except for general declarations in support of private and public investment and despite the participation in the

United States delegation, as alternate delegate, of Major General Glen E. Edgerton, Managing Director of the Export-Import Bank. In addition, representatives from the Bretton Woods multi-lateral financial institutions, both from the International Monetary Fund and the World Bank, were conspicuously absent from the Caracas Conference.

Two resolutions on private foreign investment were approved (Ibid., pp. 136–137). Resolution LXX on “Foreign Capital Investments and Economic Development” recommended the maintenance and improvement of “a favorable climate to encourage foreign private capital investments” as well as “reduce and eliminate international double taxation, and avoid discriminatory or unduly burdensome taxation.” Also, Resolution LXXI “Effects of Foreign Capital Investments on Previously Established Enterprises in the Country of Investment,” declared: “in order for new foreign investments to be an effective contribution to the economic development of the American countries, it is advisable to take into account, among other things, the situation with regard to previously established enterprises so as not to affect their normal development, provided this is in harmony with the national interest.”

Two resolutions were adopted on public finance (Ibid., pp. 142–143). Resolution LXXVIII “Public Finance of Economic Development” suggested “to existing public financing institutions that they give special consideration to measures to increase in an effective manner their operations in the field of economic development in the Latin American countries.” It also kept a door open, recommending that both “the governments of the American countries and the appropriate international agencies continue to study the possibility of additional arrangements, both private and public, that will assist economic development and the financing of mutually beneficial international trade.” The other Resolution LXXIX “Financing of the Pan American Highway” (Ibid., p.143) supported the completion of the Central American portion of the highway.

The same working group, which approved the last resolution on the Pan American Highway, “prepared a draft resolution endorsing free enterprise, based principally upon drafts presented by Panama and Peru. In subcommittee the representatives of Argentina, Chile, Mexico, Uruguay and Venezuela raised questions regarding its rather sweeping provisions on the grounds that they set forth principles which every government might not be prepared to adopt in full. The United States representative, referring to Secretary Dulles’ speech before Committee II to the effect that no one of the American Republics should try to force its economic system on another or expect another to abandon its economic creed, then suggested that the sponsors might wish to withdraw the resolution in view of the objections raised. The suggestion was accepted” (Ibid., pp. 17–18).

By contrast, the same working group approved without much discussion Resolution LXXII “Programming of Economic Development” recommending

“to the Latin American states not having economic development programming agencies, that they consider the establishment of such agencies, whose primary function would be to prepare appropriate programs, establish priorities from a national viewpoint, and coordinate public and private investment, endeavoring, to the extent possible, to contribute to the maintenance of economic stability and not to hinder the exercise of private initiative and free enterprise” (Ibid., p. 137).

The same was true of Resolution LXIX "Diversification of Production and Industrialization," approved in the subcommittee with minor discussion. It recommended "to the governments that, within the capabilities of each country, they take the necessary steps to diversify and provide a technical basis for their production and, after appropriate study, intensify the industrialization of their countries" (Ibid., p. 135).

Finally, the following two organizational and functional matters were examined in a third subcommittee of Economic Committee II. First, the functioning of the Inter-American Economic and Social Council (IA-ECOSOC) led to the approval of Resolution LXXXVI, "The Inter-American Economic and Social Council and Appended Suggestions for the Revision of Its Statutes" (Ibid., p. 149). Second, Resolution LXXXIX, on "Coordination Between the Inter-American Economic and Social Council and the Economic Commission for Latin America" (Ibid., pp. 153–154).

The Conference also approved votes of acknowledgment to both the IA-ECOSOC (Resolution XCI, p. 155) and ECLA (Resolution XCII, p. 156) for their "valuable work."

From this review of the resolutions on economic issues adopted by the Caracas Conference, it is evident that there were enough topics that could not be agreed upon, which amply justified the agreement on holding the Conference of Ministers of Finance and Economy, in Brazil, during the third quarter of 1954 (Resolution LXVI "Meeting of Ministers of Finance and Economy," (Ibid., pp. 133–134). The resolution went beyond deciding to hold the meeting because it outlined the provisional agenda and agreed that "not later than May 31, the governments may transmit their observations to the Inter-American Economic and Social Council, which will take them into consideration before definitively approving the agenda:

Practical Measures for the Solution of the Problems That Affect the Economies of the American Countries

- International Trade
 - Prices and markets
 - Restrictions on Trade
 - Promotion of Trade
- Economic Development
 - Programming
 - Financing
 - Technical cooperation
- Other Economic and Financial Matters

The resolution also stated that IA-ECOSOC "shall be fully responsible for the organization and operation of the meeting and the preparation of the documents therefor." The following specific instruction said that IA-ECOSOC "shall request of the Secretary General of the United Nations, through the proper channels, the collaboration and assistance of the Economic Commission for Latin America in the preparation and holding of the meeting." In addition, it said IA-ECOSOC "shall also seek the collaboration and assistance of other international organizations whose activities are related to topics on the agenda of the meeting."

The request for collaboration was certainly a recognition by the member governments that ECLA could make a substantive and procedural contribution to the forthcoming meeting.

F. Evaluations

Back in Washington, even before the end of the Caracas Conference, on 18 March 1954, the United States National Security Council (NSC) held its 189th meeting, at which the conference results were examined (FRUS 1952–1954, Vol. IV, Doc. 77).

The following persons were present: The President of the United States Dwight D. Eisenhower, presiding; the Vice President Richard M. Nixon; the Secretary of State Foster Dulles; the Deputy Secretary of Defense, Roger Kyes; the Secretary of the Treasury George M. Humphrey and other officials.

Secretary Dulles presented an “oral report” on the principal developments at the Caracas Conference. He first described how the approved “anti-Communist resolution” was “an extension of the Monroe Doctrine to include the concept of outlawing foreign ideologies in the American Republics.” As a result, Secretary Dulles said “Communist subversion and subsequent control of any of the American Republics was tantamount to external aggression against such a Republic. Efforts, therefore, to counter such Communist subversion could not rightfully be described as American intervention.”

However,

“Secretary Dulles admitted that it had not been easy to secure general acceptance of the anti-Communist resolution. There was much in the climate of opinion which militated against quick success. First of all, he had encountered much unhappiness and anxiety with respect to the commercial and financial policies which the Administration was following in Latin America. Beyond that, there were always those who insisted that the anti-Communist resolution was nothing but a pretext to permit American intervention in the internal affairs of the other republics of the hemisphere. It had therefore required two weeks of very intensive work and almost daily meetings with the other Foreign Ministers to change this atmosphere and to secure general agreement to the resolution. Even so, the resolution was certainly not adopted with genuine enthusiasm” (Ibid.).

Secretary Dulles attributed this outcome to several “complications.” He said, “among the complications was the very wide gulf between the Latin American democracies and the nations which were governed by dictatorship. Democratic Uruguay entertained feelings of hostility for dictatorships like Venezuela at least as strong as those it felt for Communism. In any event, the resolution had finally passed by a vote of 17 to 1, with Mexico and Argentina abstaining.”

Both abstentions were explained as follows. Argentina’s abstention

“was largely dictated by that country’s concern over economic and social matters. We finally agreed...to the convening of a later conference to deal with these matters, and the Argentinians seemed to be encouraged by our willingness at least to sit down and talk about these issues. On the other abstention, Secretary Dulles said ‘the real explanation of the Mexican position was the domestic political situation. The Mexican

people were still acutely sensitive to any possibility of United States interference in Mexican affairs.”

“All in all,” Secretary Dulles concluded, “a quite favorable atmosphere pervaded the conference when Secretary Dulles left, and he felt that he had come to know most of the Latin American Foreign Ministers fairly well.”

“The Vice President commented that the Congressional reaction to the report which Secretary Dulles had made on the conference had been generally very favorable. Indeed, some of the most outspoken critics of the Administration’s foreign policy had made flattering comments on Secretary Dulles’ performance.”

For its part, the State Department did its own internal evaluation of the Caracas Conference economic results (FRUS 1952–1954, Vol. IV, Doc 78). The “Report Prepared in the Department of State, Post-conference, Delegation Report,” begins by presenting a general overview of the conference purpose, as follows:

“The United States went to Caracas with the primary objective of obtaining a ringing hemispheric declaration against encroachments of Soviet communism. Most of the Latin American Delegations went to Caracas chiefly interested in economic problems. The Conference produced the desired anti-communist resolution, but the Latin American countries fell short of their full objectives of firm commitments by the United States on key economic issues.”

The report then presents a detailed description of how the conference evolved:

“The Latin Americans evidently realized before the Conference that the United States would be unwilling at Caracas or at least not ready, to accede to their full economic desires. The lead-off speaker in the general economic debate (Jorge) Prat (President, Bank of the State) of Chile, proposed a special meeting of Ministers of Finance or Economy at which ‘concrete’ solutions of Latin American economic problems would be achieved. This idea was generally supported, and the subsequent tactics by a number of delegations were to obtain the maximum possible at Caracas and still have a commitment for another meeting which would offer a further opportunity to press for additional and it was hoped, more firm concessions by the United States.”

The report concluded with the following observation on the conference tactics:

“The possibility existed, near the beginning of the Conference, of adopting a few perfunctory economic resolutions and postponing to the special economic meeting, action on the issues of major concern to most of the Latin American countries. This opening was not exploited, however, and in retrospect it was probably as well that the issues in dispute were debated and brought into clearer focus than ever before.”.On the interaction at the conference, the report concludes with the following observation: “In its preparations for the Conference, the United States had anticipated all proposals of any importance which were eventually presented. What was not fully anticipated, however, was the extent to which some of the Latin American Delegations would go in pressing certain of their proposals to points which could not be accepted by the United States.”

In closing, the report describes how this unanticipated situation influenced the functioning of the conference:

"At no previous Inter-American Conference did the Latin American Delegations come so well prepared with statements on economic problems and aspirations of their countries. Delegate after delegate presented lengthy and in many cases well-prepared documents; in fact the beginning of subcommittee work was delayed for several days beyond the normal period of "general debate" in order to permit the delegates to conclude their presentations" (Ibid.).

To conclude, the report offers the following explanation:

"In much of this was evident the work during the past three years of the secretariat of the United Nations Economic Commission for Latin America, under the direction of Raul Prebisch. The various Latin American countries had available from ECLA a very considerable number of studies of their economic problems on which they could draw for material, and in many cases the delegates had picked up technical economic jargon learned from Prebisch" (Ibid.).

The resolution on the projected Conference of Ministers of Finance and Economy, in Brazil, in 1954, constituted a recognition of the role of ECLA, specifically requesting its support in the "preparation and holding of the meeting." It can be concluded that, after the initial years of uncertainty, the Commission had found its place in the sun.

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III. The road to Quitandinha, 1954

A. Introduction

The preparations for the 1954 economic conference in Brazil were facilitated by the fact that during the Caracas Conference the agenda already had been approved, (Resolution LXVI). However, time was short because the resolution also mandated that the economic conference should be held in the last quarter of 1954, with the exact date to be agreed by the Inter-American Economic and Social Council (IA-ECOSOC) with the Government of Brazil, designated as host in the same resolution. Moreover, since the resolution requested that the agreed date should be made known at least 60 days in advance, the date was set from 22 November to 2 December 1954.

The Brazilian Government decided the venue would not be Rio de Janeiro. Instead, it proposed the Quitandinha Hotel, located 40 miles from Rio and three miles outside of Petropolis, a city named after Emperor Pedro II and therefore known as the "Imperial City."

Preparatory activities among both the Latin American and the United States delegations started, by the end of March 1954, immediately after the conclusion of the Caracas Conference.

B. Preparations

In the United States, on 9 April 1954, President Eisenhower appointed "a Sub-Cabinet Committee to review United States economic relations with Latin America and to formulate the basic policy framework for United States positions at the forthcoming Rio Economic Conference" (FRUS 1952-1954, Vol. IV, Doc. 80).

For the Latin American delegations, in addition to the activities carried out by each individual government, joint preparations took place in the OAS/ IA-ECOSOC and at ECLA. As

mandated in the Caracas Conference Resolution LXVI, the meeting would be the Fourth Extraordinary Meeting of the IA-ECOSOC, which was designated as "fully responsible for the organization and operation of the meeting and the preparation of the documents therefore."

1. In the United States

The Caracas Conference revealed the existence of profound differences within the United States Government, between the Foreign Operations Administration (FOA), the Treasury and State Departments about United States economic relations with Latin America. These differing views explain why one of the domestic consequences of the Caracas Conference, when some of these differences manifested themselves, was the appointment by President Eisenhower of the Sub-Cabinet Committee, immediately after the conclusion of the Caracas Conference, mentioned earlier. The purpose of this entity was to carry out a "review" of United States economic relations with Latin America and also to prepare the positions the United States Delegation would present at the forthcoming economic conference.

The composition of the Sub-Cabinet Committee revealed the scope of its purpose. It was chaired by Assistant Secretary of State for Inter-American Affairs Henry F. Holland, who was also Vice Chairman of the United States Delegation to the Caracas Conference. The Committee included, at the Assistant Secretary level, representatives from the Departments of Agriculture, Commerce, Defense, Interior, Labor, State and Treasury, also from the Office of Defense Mobilization, the Foreign Operations Administration (FOA) and the Export-Import Bank.

The main task of the Sub-Cabinet Committee was to approve a set of policy statements which were "subsequently transferred to an Interdepartmental Committee on Latin American Economic Affairs (EA)" (FRUS 1952–1954, Vol. IV, Doc. 80).

The Interdepartmental Committee was established in July 1954 under the chairmanship of Ambassador Merwin L. Bohan, who was the United States Representative to the OAS/ IA-ECOSOC. Ambassador Bohan was a diplomat with extensive experience in Latin American economic relations. As previously mentioned, he was personally acquainted with Raul Prebisch, since 1942, when as a young diplomat Bohan was appointed economic affairs counselor at the United States Embassy in Buenos Aires in charge of monitoring economic transactions with the Axis powers. At the time, Prebisch was General Manager of Argentina's central bank.

In 1951, their paths crossed again in Mexico City, at the Fourth Session of ECLA, Ambassador Bohan was head of the United States delegation, while it was the first ECLA session in which Prebisch participated as Executive Secretary. At this session, the decision was adopted to recommend the indefinite continuation of ECLA.

The Interdepartmental Committee chaired by Ambassador Bohan included representatives from the Departments of Agriculture, Commerce, Labor, State, Treasury and also from the FOA and the Federal Reserve Board. Their mandate was described as follows: "on the basis of the policy statements approved by the Sub-Cabinet Committee, the Interdepartmental Committee prepared position papers on specific issues scheduled for deliberation, and others which the Department of State expected would arise, at the conference" (FRUS 1952–1954, Vol. IV, Doc. 80).

The decision to convene the economic conference, adopted in Caracas, compelled the effort at interagency coordination to overcome the differences and crosscurrents which had become evident within the United States delegation particularly on economic issues.

Some of these disagreements involved different offices within the State Department, while others pitted the Departments of the Treasury and Commerce against the FOA, with the State Department placed somewhat in the middle. The confrontation was exacerbated by the fact that, in contrast with Caracas, the head of the delegation to the forthcoming Quitandinha Conference had to be the Treasury Department because the meeting was of Ministers of Finance or Economy.

The differences will be briefly summarized here to serve as background to the outcome, which resulted in the United States delegation abstaining on several resolutions adopted at the Quitandinha Conference. As it will be seen, ECLA was actively involved in providing the substantive elements which served as the basis for some of these resolutions.

a. At the Department of State

As mentioned, there were disagreements within the Department of State, basically concerning the positions adopted by the FOA and the Office of Economic Defense and Trade Policy (EDT). To a certain extent, these differences anticipated the major distance which existed with the negative position adopted by the Treasury Department.

The internal debate within the Department of State was unleashed by the presentation, on 8 June 1954, of a document by the FOA titled: "Program Recommended by FOA Staff for Adoption at the Rio Conference." One week later, on June 14, this document generated several comments from the State Department Office of Economic Defense and Trade Policy, contained in a memo authored by the Acting Deputy Director of the Office of Economic Defense and Trade Policy, Isaiah Frank to the Assistant Secretary of State for Economic Affairs (FRUS 1952-1954, Vol. IV, Doc. 82), and the quotes that follow of both documents are drawn from this memorandum.

Both documents will be described together, to better illustrate the distinct positions adopted by each agency. For this purpose the Foreign Operations Administration will be identified as FOA, and the State Department Office of Economic Defense and Trade will be identified as EDT.

Overall, it can be said that FOA's perspective was relatively more optimistic and positive, while EDT's reaction was relatively more sceptical.

To begin, FOA proposes some "general recommendations," as follows:

[FOA:] in inter-American economic relations there is "an urgent need for dramatic new lines of action."

[EDT:] "I would question whether dramatic new approaches are necessary or desirable. The dramatic quality can seldom be sustained over a period of time, and frustration often sets in when the initial enthusiasm wears away."

[FOA:] "the main punch should be an announcement that the United States intends to get behind Latin American economic development for the 'long haul.'"

[EDT:] "Regardless of how we qualify such an announcement, it will be construed in Latin America as a financial commitment. If we are willing to make a long-term financial commitment such an announcement would have a salutary effect, but this cannot be determined until we have discussed the substance of our policy."

After dealing with these "general recommendations," EDT then focuses on

"the heart of the FOA Report...the section on the programming and financing of development and technical cooperation... Most of the specific recommendations fall within this field... under "Economic Development". Ten of the eleven main lines of action proposed in the FOA paper deal with problems of economic development. These proposals are listed and commented on below under three headings, Programming, Financing and Technical Cooperation "(Ibid.).

I. Programming

"[FOA:] 1. Urge Latin American governments to devote greater attention to development planning.

[EDT:] Comment: This proposal was in effect made at the Caracas conference which adopted a resolution recommending that the Latin American countries consider the establishment of development planning.

[FOA:]2. Urge that the Latin American governments and the United States make joint effort in finding ways to increase Latin American production at a rate faster than population growth.

[EDT:] Comment: Increasing production in Latin America is a generally desirable objective. The objective of this proposal, however, has already been attained and indeed exceeded considerably. For the past decade or so output has increased faster than population, a fact reflected in the 3 percent annual increase in per capita production in Latin America, which is somewhat higher than the long time United States average.

[FOA:] 3. Urge Latin American governments to seek a more equitable distribution of income.

[EDT:] Comment: A positive statement on more equitable distribution of income would probably be desirable at Rio. FOA, however, has in mind increasing emphasis on production of consumer goods, housing, minimum wage legislation, etc. There is a serious question as to whether we could appropriately push the Latin American governments to take such specific measures while urging them to mobilize more of their capital resources for economic development. Instead of specifying the measures they should take toward this objective, we should limit ourselves to a general statement somewhat along the following lines: In order to increase the standard of living of the population, it is essential that the benefits of increased production be shared equitably.

[FOA:] 4. (a) Latin American countries themselves should be responsible for their development planning; recommended that they set up planning agencies as resolved at Caracas (Resolution No. 72).

[EDT:] Comment: Agree that the countries themselves should be responsible for their development planning. As there is already a resolution (Caracas) recommending the setting up of planning agencies, no further action along these lines seems to be called for.

[FOA:] (b) Recommend establishment of Joint Development Commissions to coordinate United States financing and United States technical cooperation with Latin American development goals.

[EDT:] Comment: In the minds of Latin American governments and peoples, plans prepared by a joint body including official United States participation imply a United States commitment to provide for the necessary financing of such plans. We have had experience with two Joint Commissions in Latin America, in Brazil and Paraguay. Our activities in Paraguay have not been of sufficient scope to make effective use of such an organization, and after a period of rather innocuous performance, several months ago it was terminated. In Brazil we made an aggressive effort to carry on joint planning, but after about two years we felt it advisable to terminate it following some strained moments in our relations with the country as a result of her disappointment in not getting the necessary financing for the plans formulated by this Commission. We should not, however, exclude the possibility (sic) that with improvement in this device, and under more favorable conditions, it could become a useful tool for guiding and stimulating economic development in some countries.

[FOA:] (c) Assign full-time FOA industrial or economic advisers to appraise each country's potential for development.

[EDT:] Comment: It seems to us that this is a matter to be resolved by the United States and the countries individually, depending on the nature of the program we carry on in a particular country. It is doubtful that any useful purpose would be served by a United States pronouncement on this matter at Rio (Ibid.).

[FOA:]5. Recommend setting up a mechanism for regional review of country plans.

[EDT:] Comment: This proposal envisages the possible application of the Colombo Plan (footnote: Reference is to the Colombo Plan for Economic Development in South and Southeast Asia... officially initiated in 1951 by the nations of the British Commonwealth) to Latin America, assigning the review and coordinating functions involved, however, to IA-ECOSOC (Inter-American Economic and Social Council) rather than to an ad hoc group... While on its face, regional review of country programs might seem useful, it would require a stronger case than there is in the FOA paper to merit its inclusion in our program for Rio.

[FOA:] II. Financing

6. (a) Emphasize that private investment, whether domestic or foreign, must be the main source of development capital in Latin America and that Latin America take appropriate measures to encourage that investment.

(b) Recommended establishment of bilateral and multilateral banks to help finance domestic investment in Latin America, or

Alternatively that FOA foster the establishment of national development financing agencies. These should be domestically capitalized, but supplemented by IBRD, Export-Import Bank loans, private investment, grants and local currency counter-part funds.

[EDT:] Comments:

(a) We are in wholehearted accord with the substance of this proposal. It should be implicit in our discussions with the Latin American countries that we look primarily to American private investment to assist them in pursuing their economic development goals. It would appear advisable, however, to soft pedal our public statements in this regard, as we have made the point time and time again and it leaves the impression that the United States must invest abroad for its own benefit.

(b) We also agree with the objective of this proposal. We should encourage devices to stimulate local savings and channel such savings into more productive kinds of investment. At the time we cannot help having some doubt about the advisability or our entering into the ownership and administration of bilateral development banks. Our participation in such activities might have unfortunate public relations repercussions. Our experience with such institutions in Bolivia, Ecuador and Haiti during the last war and the immediate post-war years should make us wary of such ventures.

We also have doubts about the advisability of our participating in a multilateral bank for Latin America. It may be assumed that all of the Latin American countries would wish to employ at home such resources as they have available for economic development. There is no indication that an Inter-American Bank would be able to attract the necessary capital from private sources in the United States, and in the absence of private United States capital the financing of this institution would fall almost entirely on the United States Government.

Our efforts might better be directed toward the other suggested alternative of encouraging national development banks organized primarily with domestic capital to be supplemented, where desirable, by IBRD, Export-Import Bank and other loans. There are institutions of this nature in Latin America, and in many cases the need is primarily to improve existing institutions. United States participation in the management of such banks, to the extent necessary, could be achieved, as IBRD has done through a technical advisor or his equivalent.

[FOA:] 7. Encourage United States private foreign investment by improved investment climate, more favorable United States tax laws and greater use of investment guarantees.

[EDT:] Comment: The FOA paper proposes calling the Latin American governments' attention to Contact Clearing House Service in FOA's Office of Small Business. This seems to be a desirable adjunct to encouraging private investment abroad, but its importance seems to be overemphasized. It would be helpful if we could have an appraisal of the effectiveness of this Service to date. In this connection, recognition should be given to the older, more far-reaching (and probably more effective) services of the Department of Commerce.

Tax Laws. We have always rejected, as the paper rightly recommends, the contention that the United States has no right to tax income earned abroad by its citizens and corporations.

Since the Administration tax proposals are now in the legislative mill, the Committee's consideration of tax measures would be more appropriate at a future date. It would be more appropriate to discuss the subject of taxes on the basis of a Treasury paper.

Investment Guaranty. The extension of the FOA Investment Guaranty Program to Latin America has been unsuccessful for several reasons, among which are:

(a) the feeling among Latin American countries that guaranties have little incentive effect and

(b) the reaction that the proposed guaranty agreements, particularly as regards expropriation, are a reflection both on the country's good faith and its sovereignty. There is some feeling that if the guaranty program were limited in Latin America to the transfer risk, it might be more palatable.

Export Credit Facilities. There is some feeling that additional export credit facilities are needed (1) to equalize the position of United States exporters in Latin American markets with that of foreign exporters who are able to offer better credit terms and (2) to enable Latin American importers to purchase goods on the basis of price rather than credit terms. A study of the possibilities of an export credit guaranty would be desirable.

[FOA:] 8. Public Lending. Expand IBRD and Eximbank development loans, announce the general magnitude of such possible expansion, and coordinate these loans with the objectives of country plans through Bank representatives on proposed joint Commissions.

[EDT:] Comment: The IBRD should certainly be encouraged to increase activity in Latin America, but the most useful effort toward this end would be for the Latin American countries to prepare sound development projects and submit them to that Bank. With regard to expansion by the Export-Import Bank, the new Administration proposal is a move in that direction. In regard to the recommendation of announcing the general magnitude of possible loan expansion, it may be recalled that some months ago in preparing for Caracas the Department was in favor of some general 5-year target along these lines, and that due to Treasury's objection, the idea was dropped. Any application of this proposal would, of course, be feasible only in terms of regional and not country magnitude."

[FOA:] 9. Increase United States grant and soft loan assistance.

[EDT:] Comment: We should be prepared to meet unusual situations, such as exist in Bolivia, where temporarily grant financing may be appropriate. No case has, however, been made for a general use of economic and either in the form of soft loans or grants.

III. Technical Cooperation

[FOA:] 10. Expand technical cooperation programs, and reorientate (sic) these programs to focus more directly on economic development objectives.

[EDT:] Comment: The proposal is that instead of concentrating on agriculture, health and education, as FOA and its predecessors have done in Latin America, the future emphasis should be on activities more directly contributing to economic

development such as industrial technology and public administration. We assume that the new program would still include agriculture.

Actually, FOA has provided some technical assistance in industry and public administration in Latin America on a modest scale. The stepping up of activities in these fields would, it seems to us, be a valuable contribution to development effort in Latin America. Serious consideration should, however, be given to the question as to whether we should really capitalize on this proposal in Rio without having some assurance beforehand that the United States will actually be in a position to make good on this offer to Latin America. Under existing agreements we have undertaken to staff a number of projects for which we have been unable to provide the necessary technicians.

Some caution will be required in our activities in the public administration field. This is a sensitive area, and many countries prefer to receive such assistance through the United Nations—even though the technicians employed may be United States nationals” (Ibid.).

As it is evident in the extensive comments quoted above, the divergence with the State Department was profound, even if most of the divergent comments from the Office of Economic Defense and Trade Policy (EDT) are of the “yes, however” kind. The Foreign Operations Administration (FOA), under the direction of Harold Stassen was more receptive to some of the Latin American demands. By contrast, a more cautious posture was proposed by the Acting Deputy Director of the Office of Economic Defense and Trade Policy Isaiah Frank, under Assistant Secretary of State for Economic Affairs Samuel C. Waugh. In fact, the positions proposed by Acting Deputy Director Frank served as the basis for the relatively more sceptical position adopted by the State Department and therefore were closer to those sponsored by the Treasury Department, throughout the preparations for the Quitandinha Conference, which on that occasion resulted in many abstention votes by the United States Delegation.

To explore alternatives aimed at overcoming the impasse, Stassen, on 21 June 1954, decided to convoke a “special meeting of FOA personnel to discuss the guidelines needed for the Rio Conference” (FRUS 1952–1954, Vol. IV, Doc. 83).

Stassen “explained that one of the reasons for analyzing the situation at this meeting was to consider whether it is appropriate to have the policy guidelines developed at a lower level, or whether it is necessary to have some early, Cabinet-level attention given to the need for broad guidelines on our Latin American policy” (Ibid.).

The minutes of the meeting first summarize the conclusions arrived at after lengthy discussions. These conclusions deserve full quotation because they reveal the perception, among FOA staff, that the more supportive attitude of Latin American demands was losing ground:

“Conclusions

(1) We need early reference to the Cabinet level, to get some very important guidelines for the Rio Conference established.

(2) FOA representatives should not consent, in working groups or in the Sub-Cabinet Committee, to any inadequate recommendations or measures; if necessary, FOA representatives should reserve their position so that there may be an appeal later.

(3) FOA believes that the United States economic policy toward Latin America is inadequate and that from that inadequacy are coming and will continue to come very serious political and security problems; therefore it is very important that the United States develop a new, adequate policy.

(4) Some regional economic approaches in this hemisphere are past due; and we will not get a correct psychological attitude in Latin America unless there is evolved a method for multilateral work on economic problems and financial considerations" (Ibid.).

To start the discussion, the Acting Regional Director of the Office of Latin American Operations Marion N. Hardesty, who was also FOA's representative at the Sub-Cabinet Committee in charge of designing the United States position for the forthcoming economic conference, briefly described the Committee's activities. Hardesty said thus far "the first five meetings of the Sub-Cabinet Committee were devoted almost exclusively to a general discussion of the broad philosophy of what could be done at the conference and the position the United States should take." However he added, "the Committee is now considering the FOA staff report [see *supra*] which is considered the basic document from which a position will be developed" (FRUS 1952–1954, Vol. IV, Doc. 83).

FOA's Director Stassen asked Mr. Hardesty to summarize

"what three things the Latin American governments want from the conference. Mr. Hardesty said the first is psychological—they want the United States to give them treatment in development finance that is equal to that given to other areas of the world; second, the formation of a Pan American Bank, and third a floor under prices paid for their commodities" (Ibid.).

This summary, in addition to other issues not mentioned related to international trade, described briefly the main topics of the conference's agenda of interest for the Latin American delegations. However, "Mr. Hardesty expressed concern that it appears to be the viewpoint of many members of the Sub-Cabinet Committee that we should be ready with a defense at Rio, anticipating how we can throw back the Latin American requests, rather than to have a positive approach as to what we have to offer" (Ibid.). This concern was premonitory of the conference outcome, mainly because of the United States delegation's defensive attitude.

From there on, the decision-making process within the United States Government, to agree on a position for the economic conference, consisted of an uphill effort by the FOA, which went all the way up to the National Security Council.

A few vignettes from the numerous meetings, at every level, will illustrate this frustrating, uphill effort.

One month after the June Sub-Cabinet Committee meeting previously described, Hardesty submitted a memorandum to the FOA Director, as background to a forthcoming meeting with the Assistant Secretary of State for Inter-American Affairs, Henry F. Holland (FRUS 1952–1954, Vol. IV, Doc. 84).

The opening remark of this memorandum is quite revealing:

"2. After 10 meetings of the Sub-Cabinet Committee, I have reluctantly come to the conclusion that the results of its work will prove inadequate. Only a few additional meetings are scheduled and I believe that when the final policy decisions are related to the needs of the situation, the Committee's work will remain almost fruitless unless it is given the benefit of higher level directives (Ibid.).

3. Only two policy statements have been finalized: the first recognizes the need on the part of most Latin American countries to improve their economic development planning and programming, and affirms the role of technical cooperation in such planning and programming; the second recognized that "development banks" may serve useful functions, but again, the qualifications would make effective implementation difficult (Ibid.).

6. With respect to financing economic development, FOA and State support a level of public loans up to US\$1 billion over the next few years for essential projects which do not attract private capital...The proposal is most vigorously opposed by Commerce and Treasury representatives on these grounds:

a. Any mention of a figure is tantamount to a commitment.

b. It is impossible to forecast the creditworthiness of Latin America.

c. Latin America knows that there is an unlimited source of financing in the United States, including IBRD and Eximbank; the inference is that the banks will look at such projects as are brought forward and relate them to the extent to which Latin American countries put their financial houses in order to enhance creditworthiness" (Ibid.).

The memorandum closes with the following general observation:

"7. I feel a directive is needed which will say, not 'how little can we do to appease Latin American desires for economic cooperation with the United States?', but 'how much must we do to insure the security of the United States?', as both the time and opportunity to do this are running out" (Ibid.).

To no avail, on 20 August, the Sub-Cabinet Committee on the economic conference held its 19th meeting and adjourned, until sometime in October, to consider the position papers to be prepared by the Interdepartmental Committee on Latin American Economic Affairs (EA), which held its first meeting on 27 August (FRUS 1952-1954, Vol. IV, Doc. 85).

"The policies developed by the Sub-Cabinet Committee may be summarized as follows:

A. Programming of Economic Development and Role of Technical Cooperation

1. Favors the establishment of national agencies, where lacking to prepare economic development programs, fixes priorities and coordinate public and private investment. Endorses technical assistance in this type of activity (including the very limited use of joint commissions).

2. United States should take the initiative at Rio in proposing that discussions of development programming and related problems of member countries be placed on the agenda for the 1955 annual meeting of IA-ECOSOC (Ibid.).

3. Accepted the principle that technical cooperation has reached a stage of development in Latin America which requires broadening and more long-range planning.

B. Financing of Economic Development

1. Adopted the position that the economic development of Latin American countries will be best served by adherence to the principles of the private enterprise system; that the United States should exert constant but discreet practical pressure in favor of private initiative.

2. Proposes the announcement that (a) the United States is prepared to conclude as promptly as possible appropriate agreements for the avoidance of international double taxation and the prevention of fiscal evasion, urging the Latin American States to be more receptive to the United States' proposal to negotiate such agreements, and (b) the United States will continue to explore measures that will progressively reduce or eliminate international double taxation and avoid discrimination or unduly burdensome taxation and thereby encourage the flow of private capital to countries which by their own tax regimes and other policies are attractive to United States capital.

3. Endorses the position that IBRD is the primary source of development financing for projects not attractive to private capital. Proposes the announcement at Rio that Eximbank, within its prudent lending capacity, will supplement IBRD lending to the extent necessary to satisfy all applications for the financing of sound development projects which are in our common interest and which are not being financed by IBRD. This lending will depend to a very considerable extent upon the degree to which the other country desires to obtain private and public capital and takes "house-in-order" actions to attract it. (The Committee, with FOA reserving its position, considered that the foregoing, plus the flow of private capital, would satisfy all development financing needs, and it did not therefore accept the proposal of utilizing FOA development advances as loans or grants, nor did it accept the concept of United States loan assistance to create a Latin American Development Bank to finance small industries and a Latin American Clearing House to facilitate convertibility) (Ibid.).

4. Recognizes, subject to limiting qualifications, that a useful function can be performed in some cases by "national development banks" in mobilizing domestic capital and promoting development, and that in such cases assistance may be appropriate through loans and other means as circumstances may warrant in each case."

C. International Trade and Price Stabilization

1. Considers that special measures are not needed to maintain an equitable relationship between the prices of primary products and those of manufactures, nor

that an international price parity system is a practical possibility. Normal market prices can be relied upon to achieve fair and equitable price relationships.

2. Places more reliance upon normal corrective forces through the market price mechanisms than on special measures such as buffer stocks and commodity agreements which would be made use of only in exceptional cases, the burden of proof of feasibility and effectiveness to rest with the proponents of the measure.

3. Adopted the position that the long-term stockpiling should not be presented at Rio as a significant solution to the price stabilization problem and that the delegation should confine itself to the statement that a stockpiling program is being developed which is likely to have some tendency in the direction of greater stability of world prices.

4. Supports GATT [General Agreement on Tariffs and Trade], hopes that countries which are not members will join, and endorses the aims to change the organizational provisions and trade rules of the GATT to make it a simpler and stronger instrument for international cooperation and expansion of international trade.

5. Considers participation in COCOM [Coordinating Committee of the Paris Consultative Group] and CG [Consultative Group] as unwarranted since the problems of concern to participants are those of highly industrialized economies heavily engaged in exporting advanced technological items (Ibid.).

6. Proposes the announcement at Rio that it is the policy of the present Administration to pursue stable long term trading policies, including the gradual selective reduction of United States tariffs and other barriers to trade" (Ibid.).

From these conclusions, arrived at after 19 meetings of the Sub-Cabinet Committee, it was evident that the relatively more positive stance in support of some of the Latin American demands, favored by the Foreign Operations Administration (FOA), had lost ground. Meanwhile the more sceptical posture, sponsored by certain offices within the State Department and the defensive attitude by the Treasury and Commerce Departments, gained ascendancy. Therefore, the option of elevating the discussion to the National Security Council remained.

Before describing the discussions at that upper level, it is revealing to examine some of the preparations for a forthcoming meeting of the National Security Council, scheduled for 2 September. A day before that meeting, in a memorandum, the Assistant Secretary of State for Inter-American Affairs Henry F. Holland registered concern about the situation and prospects of economic relations between the United States and Latin America (FRUS 1952–1954, Vol. IV, Doc. 86).

This analysis was also relevant, beyond the forthcoming debate at the National Security Council, because immediately after the meeting, from 5 September and 10 October, Assistant Secretary Holland visited Mexico and all the countries of South America. The purpose of the trip was to explain to and gain acceptance among the leaders of the respective governments for the policies developed by the Sub-Committee in preparation of the Rio Economic Conference. (FRUS 1952–1954, Vol. IV, Doc. 87).

In the "talking paper" for the NSC Meeting, Assistant Secretary Holland starts as follows: "For several years in policy papers, in meetings and in public announcements the United States has been talking about how important its relations with Latin America are and about how we are

going to start doing something to demonstrate our interest in the area" (FRUS 1952–1954, Vol. IV, Doc. 86).

On the state of economic relations he says "It is my impression that when we get around to economics our performance has been largely verbal. I ask myself when we are going to start doing something about our relations in these countries and how long we are going to expect them to be satisfied with fine phrases" (Ibid.).

He recalls how recent events increased interest in the United States in that part of the world:

"The very narrow escape that we had in the Guatemala crisis has centered public and congressional attention on Latin America. The public and the Congress feel strongly that this Government has got to do whatever is necessary to bring these countries closer to us. In the economic field those policies are going to be weighed and measured at the forthcoming conference beginning in Rio de Janeiro on November 22."

Assistant Secretary Holland then describes the topics of the economic conference agenda:

"I believe that we can go to Rio with policies that will make that meeting a success. The subject that interests the Latins more than any other one is the question of trade barriers... The government leaders understand the obvious fact that Latin America cannot achieve much economic progress unless she trades with the United States. If we convince the Latins that the policy of this Administration will be to avoid tariff increases, quotas, and other trade barriers which would reduce existing levels of inter-American trade and that our policy would be one of gradual selective reduction of trade barriers, they will be fully satisfied on this score.

The next most important subject will be that of government finance. If we convince the Latins that there will actually be a more liberal policy on the part of the Export-Import Bank, that we are going to make loans available... we believe that the Latin Americans will be satisfied on this point. In other words, if they are assured of a liberal Export-Import Bank policy I do not feel that grant aid or so-called 'soft-loans' are going to be necessary.

Another point that will be important at Rio is whether the United States Government is going to engage in any sort of a price stabilization program to assure minimum prices for the principal products of Latin America. I believe that the Latin Americans understand that we cannot undertake such a program, and that our failure to do so will not jeopardize the success of the Rio Conference.

The Latin Americans are going to be interested in our continuing our programs of technical aid, and I believe that our policies on this are sound" (Ibid.).

Assistant Secretary Holland concludes: "These points obviously don't add up to a complete foreign policy for Latin America, but they are the most important features of an economic policy" (FRUS 1952–1954, Vol. IV, Doc. 86).

It is evident from this memorandum that there remained wide differences within the State Department with the more positive position of the FOA. Therefore, it was appropriate, as judged by FOA's Director Harold Stassen, to elevate the decision to the upper levels.

b. At the National Security Council

As early as March 1953, the NSC examined United States policy in Latin America and issued a statement of policy defining a set of objectives and courses of action. Given the described differences prevailing within and among different government agencies on United States policies in Latin America, it is useful to summarize here the main elements of this early policy definition to determine if there were significant changes, particularly on economic objectives, adopted after the Caracas Conference and in preparation of the forthcoming Rio economic conference.

i. National Security Council 137th Meeting, 18 March 1953

The 137th meeting of the NSC was held on 18 March 1953, to discuss, among other topics, United States policy with respect to Latin America (FRUS 1952–1954, Vol. IV, Doc. 2).

Chaired by President Dwight Eisenhower, the meeting was attended by Vice President Richard Nixon, the Under Secretary of State Walter Bedell Smith, Treasury Secretary George M. Humphrey, other members of the Cabinet, the Director of the FOA Harold Stassen and staff members from different agencies were also present to assist their principals.

Point 9 of the NSC meeting's agenda discussed and approved the report titled "United States Objectives and Courses of Action with Respect to Latin America" (NSC 144). A brief comment by the Special Assistant to the President for National Security Affairs Robert Cutler set the tone of the discussion. Mr. Cutler said "the President had been extremely pleased with the present report and was going to use some portions of it as the basis for his forthcoming Pan American Day speech" (Ibid.).

However, two general remarks made at the meeting deserve quotation because they anticipate some differences, which would emerge more sharply later, between the FOA and the Treasury Department.

First,

"Asked for his views, Governor Stassen (FOA) said that while on the whole he was pleased with the report, it failed to take account with sufficient force of one point that he felt to be of very great importance. It did not reflect the need for Latin American capitalists and business men to provide better treatment for their workers and to take a more progressive and responsible role in the development of the economies of their countries (Ibid.).

Second, Treasury Secretary Humphrey criticized a recent Eximbank US\$300 million loan to Brazil, because he said it was "a case, and not a very edifying one, of straight overbuying by the Brazilians." He added "one final suggestion to make with regard to United States relations with the Latin American states, particularly in the economic sphere. He felt sure that if we could find a few first-rate business men and send them as our ambassadors to the key Latin American nations, it would do far more good than any amount of money we could dole out" (Ibid.).

At the meeting's conclusion, with minor changes, the NSC adopted the policy statement contained in NSC 144/1. A brief summary of the policy statement will be presented here, particularly of the economic courses of action recommended (FRUS 1952–1954, Vol. IV, Doc. 3.)

The document starts by making the following "general considerations":

"1. There is a trend in Latin America toward nationalistic regimes maintained in large part by appeals to the masses of the population. Concurrently, there is an increasing popular demand for immediate improvement in the low living standards of the masses, with the result that most Latin American governments are under intense domestic political pressures to increase production and to diversify their economies.

2. A realistic and constructive approach to this need which recognizes the importance of bettering conditions for the general population, is essential to arrest the drift in the area toward radical and nationalistic regimes. The growth of nationalism is facilitated by historic anti-United States prejudices and exploited by Communists" (Ibid.).

The document enumerates the objectives and courses of action to be followed in the political, economic and military fields. Only the economic aspects will be reproduced here to serve as point of contrast with the policies adopted prior to the economic conference of November 1954.

Under the economic heading, NSC 144/1 says:

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

a. Encouraging Latin American governments to recognize that the bulk of the capital required for their economic development can best be supplied by private enterprise and that their own self-interest requires the creation of a climate which will attract private investment.

b. Continuing the present level of International Bank (World Bank) loans and Export-Import Bank loans and, where appropriate, accelerating and increasing them, as a necessary supplement to foreign private investment.

c. Continuing a limited economic grant program in Latin America, including such projects as the Inter-American Highway and the Rama Road.

d. Making it easy for Latin American countries to sell their products to us, through simplification of customs procedures and reduction of trade barriers under the Reciprocal Trade Agreements program.

e. Continuing the program of technical assistance to the area, but designing individual projects within the capability of the particular country concerned.

f. Undertaking a thorough study of the means by which we can assist Latin American capital to play a more vigorous and responsible role in economic development in the area.

8. The United States should encourage the institution of necessary Latin American government fiscal, budgetary and other measures which are indispensable to economic progress in the area through utilization of the International Monetary Fund, the International Bank, the Export-Import Bank and other appropriate means" (Ibid.).

ii. *National Security Council 212th Meeting, 2 September 1954*

The 212th meeting of the NSC was held on 2 September 1954, to discuss again, among other topics, United States policy towards Latin America (FRUS 1952–1954, Vol. IV, Doc. 11).

Chaired by Vice President Richard M. Nixon, the meeting was attended by the Acting Secretary of State Walter Bedell Smith, the Acting Secretary of Defense Robert B. Anderson, the Director of the FOA Harold E. Stassen, the Director of the Office of Defense Management (ODM) Arthur S. Fleming. Also present were the Acting Secretary of the Treasury Andrew N. Overby, Assistant Secretary Anderson for the Secretary of Commerce, Assistant Secretary of State Holland as Chairman of the Interdepartmental Cabinet Committee preparing for the Rio Conference, Robert Cutler, Special Assistant to the President and other NSC staff members.

The discussion of Point 3 of the meeting's agenda, on "United States Policy toward Latin America," started with a briefing by the Special Assistant to the President Robert Cutler on the background and content of the document NSC 5432.

"He pointed out that the Planning Board had intensively reviewed a March 1953 statement of policy toward Latin America (NSC 144/1) in the light of recent developments. In this review the Planning Board had two basic objectives in mind: (1) to recommend the additional United States efforts needed to strengthen the hemisphere against extra-hemisphere infiltration and to reverse those trends which offer opportunities for Communist penetration, and (2) to recommend decisions which should be taken in order that the United States might have an effective position at the economic conference in Rio on November 22" (Ibid.).

Acting Secretary of State Smith started the discussion saying he

"felt that NSC 5432 contained an adequate United States program toward Latin America provided it is carried out... In the past our performance in Latin America, particularly in economic matters, has been largely verbal. The Rio conference will be an economic conference pure and simple, and we must follow it up with adequate performance... He said that trade, government credit, and price stabilization would be the principal topics at Rio, and that if we handled these matters properly we had an opportunity to improve our relationships with the countries of Latin America" (Ibid.).

Turning to a specific paragraph of document NSC 5432, Acting Secretary of State Smith "noted that there was a difference of opinion as to whether economic development in Latin America should be 'accelerated.' He regarded the word 'accelerated' as misleading, because Latin America had gone through an enormous acceleration of its economic development since the war, and it might be impossible to accelerate this development anymore."

"Governor Stassen said that FOA had joined with ODM (Office of Defense Management) in proposing the word "accelerated". He would not insist on any particular word in this paragraph, but he did want to state at this point his general views on economic development in Latin America. FOA, he continued, is in the position of being more directly concerned than some other departments with the economic outlook in Latin America. He considered the Latin American situation serious and our program to meet it inadequate. He cited the following as factors which led him to conclude that the situation is serious:

1. The population in Latin America is growing at the rate of 2½ % per year (one of the highest rates in the world), but gross national product is increasing at a rate of 1% per year in an area where the standard of living has always been very low.

2. The rate of capital investment in Latin America is too low; indeed, there has been an outflow of capital from the area in the past year, a development which has multiplied inflationary pressures" (Ibid.).

On the basis of these factors Governor Stassen concluded that an explosive situation was developing in Latin America. He thought we were in a rut with respect to that area; that is we never seem to make any dramatic moves there. We had greatly improved the situation in Iran by the expenditure of a modest sum of money, and Governor Stassen thought similar action was urgently needed in Latin America to check inflation, attract capital, and build confidence in the future. The courses of action in NSC 5432 were good, but inadequate" (Ibid.).

Acting Secretary of State Smith said

"his views in general were in accord with those of Governor Stassen. However, he was compelled to differ with Governor Stassen on several points, including the question of procedure. For example, he felt the tactics which had been successful in Iran could not be applied to Latin America. Moreover, he felt Congress would not appropriate enough funds for a large economic aid program. Governor Stassen was inclined to think that Congress would appropriate funds for Latin America more readily than for any other area in the world" (Ibid.).

Deputy Director of the Bureau of the Budget Rowland R. Hughes said

"he was convinced that the United States could not afford to substitute government aid and capital for private investment. He was sure the recent flight of capital from Latin America was due to restrictions and fear in that area. He felt that private investment would flow into Latin America if a favorable climate for investment could be created" (Ibid.).

Governor Stassen said

"it would be impossible, in his view, to change the present 'climate' in Latin America without United States Government action. He agreed that if the climate were changed as a result of United States public funds, then private capital would be attracted to the area... Governor Stassen wished to refer particularly to Export-Import Bank loans and International Bank loans to Latin America. He said that from February 1953 to the present Export-Import Bank loans to Latin America had totaled US\$35 million. The tragic inadequacy of such loans indicated to him that we must shake off lethargy and really do something... He added that the argument was sometimes made that capital would be invested in Latin America if a 'favorable climate for investment' existed. He agreed that a favorable climate was necessary, but thought it could only be created by United States government action. Although such action would cost money, it would be a good investment in terms of realizing our objectives in Latin America. Governor Stassen said he was willing to drop the FOA proposal in paragraph 4-b [on the term 'accelerated'], but wished to emphasize again that United

States economic policy toward Latin America must be reversed... He felt the Rio conference would be the time to act... [and concluded again] the courses of action in NSC 5432 were good, but inadequate" (Ibid.).

This open exchange between different positions did not lead to an attempt to reconcile them. Vice President Nixon moved on and "asked what issues at the Rio conference required United States decisions at the present time." Acting Secretary of State Smith said "NSC 5432, if approved, would provide an adequate basis for the United States position at Rio. He then summarized the issues expected to arise at the Rio conference, as follows:

"1. The problem of trade barriers is most important. If we can convince Latin America that our policy is gradual selective reduction of trade barriers, Latin America will be satisfied.

2. Latin Americans are very much concerned about our loan policy, and we must convince them that we will adopt a more liberal policy than we have followed in the past.

3. Price stabilization—that is the establishment of minimum prices for Latin American exports—might be demanded at Rio. However, we would not incur much ill will by refusing to agree to price stabilization, since our probable refusal to agree is already well understood in Latin America.

4. Latin Americans want continued technical assistance, and we should be able to satisfy them on this point" (Ibid.).

Several attempts at modifying the specific wording used in NSC 5432 followed, which were illustrative again of the divergent perspectives that prevailed on certain issues. For instance, a divergence on reduction of tariffs appeared between the State and Treasury departments.

Assistant Secretary of the Treasury Andrew Overby "expressed great concern with respect to paragraph 9-a, which provided for gradual selective reduction of United States barriers and tariffs on trade. He said this was the first policy statement which came out flatly for gradual and selective reduction without any qualification." Acting Secretary of State Smith said "he favored paragraph 9-a as written because gradual selective reduction was what we wanted." Vice President Richard Nixon tipped the balance. He said "we should shake ourselves out of our lethargy and make a bold statement. He added that of course we would follow established practices and statutes, but he preferred paragraph 9-a as written... The Vice President suggested that the Council might adopt paragraph 9-a as written and then call the President's attention to any differences between it and his message" (Ibid.).

Assistant Secretary of Commerce Anderson pushed back; he "expressed some anxiety about the broad language in paragraph 9-a. For example, he felt it might be interpreted as a mandate for raising the Peruvian sugar quotas, a problem which would soon come up. The Vice President said the paragraph had built-in escape clauses, such as "selective" and "gradual." We talk a good game, he added, but we don't do much, and if we make errors we should make them on the side of vigorous action." Acting Secretary of State Smith added, "he favored the paragraph as written because he needed all the ammunition he could get when he started discussions with the Bureau of the Budget and the Treasury Department." Special Assistant to the President Robert Cutler "summarized the decision of the Council as saying that paragraph 9-a would remain unchanged but would be brought to the President's attention as suggested by the Vice President (Ibid.).

Another example revealed opposition from the Treasury Department concerning lending policies. Special Assistant to the President Robert Cutler "called attention to the alternative versions of paragraph 9-b. He said the majority of the Planning Board wished 'to assure the financing of all sound economic development projects', while Treasury wished to 'assist in the financing of' such projects." Assistant Secretary of the Treasury Overby said "under the statutes and established practice, the Export-Import Bank could only participate in financing such projects. He felt the paragraph went far beyond Export-Import Bank practice and policy" (Ibid.). Vice President Nixon "suggested that paragraph 9-b as written should be recommended to the President. He detected a general feeling around the table, with Treasury dissenting, that the loan policy of the Bank should be liberalized" (Ibid.).

Several other discussions revealed outstanding differences, some of which were solved by direct intervention from Vice President Nixon, while others remained unsolved. Even so, as amended, NSC 5432 was approved by President Eisenhower as NSC 5432/1, on 3 September 1954, in time to serve as the position adopted by the United States delegation to the forthcoming economic conference (FRUS 1952-1954, Vol. IV, Doc. 12).

iii. Consultations

NSC 5432/1 immediately provided the substance for the consultations carried out by the State Department with several Latin American governments. As mentioned previously, from 5 September until 10 October, Assistant Secretary of State for Inter-American Affairs Henry F. Holland carried out a round of consultations that took him to visit the governments of Mexico and all of South America.

In a report of his mission, sent from Buenos Aires on 19 September to Deputy Assistant Secretary of State of Inter-American Affairs Woodward, Assistant Secretary Holland summarized the presentation he was making to each government about the substance of United States policies and some of the reactions he found among those governments he had visited (FRUS 1952-1954, Vol. IV, Doc. 87).

On the substance of the presentation to the governments, Assistant Secretary Holland summarized it under three headings, preceded by a brief introduction, as follows:

"There is intense popular interest in the improvement of living standards.

Our governments must coordinate their efforts to convince the American peoples that within the free enterprise system they can hope to satisfy this aspiration,

The overwhelming majority of the burden of this task must rest upon the people and government of each state. However, each state should make a determined effort to contribute in accordance with its own capacity to the efforts of the other American States in this regard" (Ibid.).

Assistant Secretary Holland continued,

"The contribution which our government can make... falls in three categories:

1. Commerce

We feel that through intensified inter-American trade more than by any other means the nations can help strengthen their economies... It will be our own policy to seek the

expansion and stabilization of Inter-American trade. To that end we shall seek the gradual, selective reduction of such barriers as tariffs and quotas.

2. Government Finance

I state that we believe in the private enterprise system... Because it has demonstrated itself to be the best vehicle for efficient production of goods and services yet known.

I argue that the bulk of the capital needed for economic development should come from private sources, particularly those within the countries.

The United States Government recognizes, however, that private capital is not available for many desirable economic development projects. The International Bank (IBRD)... should be the first source of governmental finance for projects in which private capital is not interested.

We recognize there will be many sound projects which lie beyond the scope and normal activity of the IBRD. With respect to these the policy of our Government will be through Export-Import Bank to satisfy all applications for economic development loans (Ibid.).

3. Technical Aid

It will be our policy to expand and diversify technical aid, always respecting the wishes of the Government affected both as regards the amount and the nature of our aid" (Ibid.).

To conclude, assistant Secretary Holland described some of the comments he received from the governments he had already visited, as follows:

"In Venezuela both the President (Col. Marcos Perez Jimenez) and Foreign Minister (Aureliano Otáñez) assured me they would take the position that in these policies the United States fully fulfilled the expectations of that Government.

In Brazil the Ministers of Foreign Affairs (Vincente Rao) and of Finance (Oswaldo Aranha) both gave us the same assurances. There were a number of officials including Roberto Campos, the Brazilian Consul General in Los Angeles and certain others in the Ministry of Foreign Affairs who state that this policy would provoke wide resentment as falling short of the value of aid generally expected. However, the two Ministers mentioned and assured us that by direct personal contacts they will undertake to convince the heads of other delegations that these policies are sound and reflect the most that should be expected of the United States.

In Uruguay the Minister of Finance (Eduardo Acevedo Alvarez) assured us that these policies satisfy the expectations of his Government and that their delegation will support us. We were given the same assurances by the President (Gen. Alfredo Stroessner) and the Minister of Finance (Carlos R. Velilla) in Paraguay.

In a conference this morning with President Perón he stated emphatically that these policies were fully adequate, and that any policy of extensive grant-aid would be positively harmful to our prestige and relations in the Hemisphere" (Ibid.).

In closing, Assistant Secretary Holland wrote "The foregoing is very closely the statement which I am making at each stop... I realize, of course, that we have not yet reached the South American countries from which we can expect most of the discontent with these policies" (Ibid.).

Nonetheless, at this stage the internal decision-making process still exhibited several differences on specific topics. For example, on 5 October 1954, in a memorandum to Under Secretary of State Herbert Hoover, Jr., transmitting the report on Assistant Secretary Holland's consultations, (FRUS 1952-1954, Vol. IV, Doc. 87) Deputy Assistant Secretary of State Robert E. Woodward said:

"I believe you will agree that the approach taken by Mr. Holland is very sound and clear. However, I wonder if you share my apprehension concerning the possibility that he may be too sanguine that the NSC policy on loans by the Export-Import Bank will actually be carried out. I am afraid that we will never have a clearly established policy with respect to the use of the Export-Import Bank for economic development until we obtain clear-cut Congressional sanction for this purpose. Under the authorizing law, the purpose of the Bank is to facilitate exports and imports. We have had recurring struggles in order to use the bank as an instrument of foreign policy and economic development, because there is no clear-cut Congressional sanction for these purposes" (Ibid.).

About a month before the start of the conference several of the described major differences persisted within the State Department, with the FOA and with the Treasury Department, which as head of the United States delegation had the responsibility of presenting a coherent position. Therefore, one week before the conference inauguration, a final attempt at overcoming the differences was made, at the top of the decision-making pyramid, in one more NSC meeting.

iv. Preparations for the Final National Security Council Meeting

There were intense preparations by the different agencies participating in the forthcoming 224th NSC meeting, which became the last opportunity to defend each agency's position in front of the highest ranked decision-making authorities. The NSC meeting was taking place, 15 November, only one week before the conference inauguration, scheduled for 22 November.

The FOA was the agency which had the most "sympathetic" (the term was used in some of the official documents) attitude towards the proposals which would be presented by the Latin American delegations at the conference. This contrasted with the position adopted by the Treasury Department which openly opposed some of those initiatives supported by FOA. Somewhere in the middle was the State Department, at the highest echelons and through the Assistant Secretary for Inter-American Affairs Henry Holland, who undertook the preconference consultations with several Latin American governments. All these agencies prepared the positions they would adopt at the forthcoming, last NSC meeting to be held before the conference.

On 11 October, the NSC itself examined the position papers that were being prepared at the Sub-Cabinet Committee, with the purpose of evaluating how closely these papers were following the policy objectives and actions contained in NSC 5432/1 (FRUS 1952-1954, Vol. IV, Doc. 12).

The conclusions derived from this evaluation illustrate how the prevailing differences were hindering the adoption of some of the principles and objectives prescribed by the policy contained in NSC 5432/1 (FRUS 1952–1954, Vol. IV, Doc. 88).

The purpose of the Special Report was “to call to the attention of the [NSC] OCB (Operations Coordination Board) cases in which the Working Group believes the proposed positions fall short of carrying out adequately the objectives and policies of NSC 5432/1.” Under the following heading, “I. General Need to Reflect a Broadened and More Constructive Policy,” the Working Group “believes that the present position papers do not adequately carry out specific courses of action outlined in NSC5432/1” and offers several examples.

Under heading “II. Need to carry out Specific Courses of Action Outlined in NSC 5432/1, the Working Group mentioned paragraph 9c: if “private capital, IBRD and EXIM Bank prove inadequate, the United States should finance through development assistance loans the initiation or acceleration of projects in the United States interest... the recently proposed subcabinet position is that the United States will give no indication of the possibility of United States development loans outside the EXIM Bank” (Ibid.).

The Working Group “believes that United States economic policy toward Latin America would be made more constructive and effective, as envisaged by NSC 5432/1, if an interpretation were made that the United States is now prepared, under specified conditions, to provide development loans for projects not eligible for EXIM Bank financing” (Ibid.).

Another difference was found in paragraph 9g: the United States should “consider sympathetically, but only on individual merit, any proposal by Latin American initiative to create regional economic actions and groupings to promote increased trade, technical cooperation and investment, and to concert sound development plans” (Ibid.).

The Working Group “questions whether the positions recommended by the subcabinet committee regarding such anticipated proposals or similar proposals suggested by United States agencies, reflect the “sympathetic consideration” which paragraph 9c. contemplates” (Ibid.).

The Working Group provides specific examples of United States proposals that were not accepted, as follows: “The committee, for example, rejected a proposed United States position favoring the establishment of a Latin American Bank for Economic Development... The committee also rejected a proposed United States position favoring the establishment of a regional Payments Union” (Ibid.).

The report by the Working Group concludes with the following recommendation: that the OCB (Operations Coordination Board) consider whether the proposed United States positions for the Rio Conference fall short of the objectives and policies enumerated in NSC 5432/1, and that it advise the subcabinet committee of any shortcomings of the presently proposed positions” (Ibid.).

For its part, FOA was also preparing itself for the forthcoming NSC meeting. The positions adopted were contained in a memorandum dated 8 November and drafted by Marion N. Hardesty, who represented FOA in the activities of the Sub-Cabinet Committee on the Rio Economic Conference (FRUS 1952–1954, Vol. IV, Doc. 89).

The following topics were included in the memorandum describing “the main proposed positions on which FOA has dissented:

"1. Development Financing... the United States position at Rio should indicate that the United States is prepared to give greater assistance to that region in obtaining needed development capital than it has provided up to now...FOA believes that the United States should undertake the following program to supplement the other sources of development capital available to Latin America (Ibid.).

(a) g. Such financing would normally be on a loan basis with the option of repayment in local currency, although provision should be made for grants as necessary to meet emergency situations as were recently encountered in Guatemala and Bolivia (Ibid.).

(b) Assistance to a Latin American Regional Development Bank. Respond favorably to the initiative for the establishment of a Latin American regional development bank... The Sub-Cabinet Committee has rejected the FOA proposal, and Secretary Holland has publicly announced that the United States will oppose proposals for the establishment of a new Latin American or Inter-American development bank (Ibid.).

2. Financing Expanded Intra-Regional Trade: FOA has proposed that the United States at Rio favor the establishment by the Latin American countries of a clearing union in which foreign exchange balances arising out of international transactions could be settled in sterling or in dollars, and that the United States announce its willingness to loan at least US\$50 million for the initial swing account of such a clearing union. The Sub-Cabinet Committee has rejected the FOA proposal" (Ibid.).

The conclusion of this first part of the memorandum stated: "The two topics just discussed are the main ones on which FOA has regularly registered a strong dissent in the Sub-Cabinet Committee against the tentative position proposals of that Committee" (Ibid.).

On other issues FOA's position was basically in agreement and only proposed clarifications, as follows:

"1. Technical Cooperation: moderated 'increases in the funds annually appropriated' and expand training.

2. PL 480 in Latin America: 'make as encouraging statement as is feasible.'

3. Investment Guaranty Program: make an affirmative statement and express 'willingness to attempt to work out the problems which have, so far, held up the extension of that program.'

4. Measures to Stabilize World Market Prices for Latin America Products: according to Secretary Holland's public statements... the position, in effect, is that the United States will 'reluctantly acquiesce in discussions of this problem when Latin Americans countries insist. The FOA position is that the United States should express a willingness to discuss this problem'" (FRUS 1952-1954, Vol. IV, Doc. 89).

Finally, at the State Department there were also preparations about its participation in the forthcoming NSC meeting. The positions adopted were contained in a memorandum from the Assistant Secretary of State for Inter-American Affairs Henry F. Holland, who carried out consultations in several Latin American capitals. The memorandum was addressed to the recently appointed, on 4 October 1954, Under Secretary of State Herbert Hoover, Jr. (FRUS 1952-1954, Vol. IV, Doc. 90).

Assistant Secretary of State Holland began characterizing the fracture which existed among different agencies, he said: "There are indications that dissatisfaction with the positions we intend to take at Rio is broader than purely State-FOA-Treasury. Defense has shown a great deal of interest on the Conference and has sided with FOA...CIA, to a more limited degree, has similar views" (Ibid.).

This conclusion was based on the following quote from a 13 October Memorandum to Acting Secretary Herbert Hoover, Jr. from Walter A. Radius, the Operations Coordinator in the Office of the Under Secretary of State, stating: "FOA is aggressively pushing particular proposals which go further than State feels it desirable to go while, on the other hand, the Treasury Department is unwilling to take even the minimum steps which the State Department considers desirable. The real problem is how to secure a middle-of-the-road program between the Treasury and the FOA positions" (Ibid.).

This was perhaps one of the clearest descriptions of the fracture as viewed from the State Department. An additional quote from another memorandum, dated 9 November addressed to Under-Secretary Hoover from Max W. Bishop, the Special Assistant to the Under Secretary of State, offered the following explanation: "I am informed that some of the 'heat' in Defense and FOA comes from the bureaucratic belief that Mr. Holland did not utilize interdepartmental coordinating machinery sufficiently to allow such agencies as FOA to air their views completely" (Ibid.).

After these two very informative quotes, Assistant Secretary Holland continued indicating that Assistant Secretary of the Treasury Andrew N. Overby had shown him

"a rough draft of the address Mr. Humphrey (Secretary of the Treasury) plans to make at one of the early Plenary sessions of the Conference. I understand from Mr. Overby that this draft was prepared by the Treasury staff and has not yet been seen by Mr. Humphrey. Nevertheless, the tenor of the speech is not as forthcoming as our position and would not adequately reflect the views we wish to present at Rio" (FRUS 1952-1954, Vol. IV, Doc. 90).

Having recognized the scope and the protagonists of the fracture, Assistant Secretary Holland refers to how all this will play out in the forthcoming NSC meeting. He says: "I believe the Department's spokesman should not open discussion of the Rio Conference in the NSC. If the presentation were made by Treasury the opposing agencies would direct their comments to Treasury. Our position would then be put in the most reasonable light as a follow up to the views of the extreme elements." The purpose is described as "to bring into the open any centers of resistance in the Government, which, if allowed to exist, may later plague us at Rio." Therefore, Assistant Secretary Holland proposes the following sequence for the forthcoming NSC meeting:

- "1. Treasury be put very clearly on the record regarding their approach to the Conference.
2. We allow the reactions of FOA, Defense and other agencies to have full play against the Treasury position.
3. We avoid getting this Department into a position where we are attacked from both sides" (Ibid.).

The memorandum by Assistant Secretary Holland closes with the following "Recommendation I recommend that you call Mr. Humphrey to suggest that he, as Chairman of the Delegation, make the presentation to the NSC" (Ibid.).

To a certain extent, Assistant Secretary Holland anticipated the way the NSC meeting evolved. However, the expected outcome, that the extremes would cancel each other out and, in the end, the reasonable middle ground, supported by the State Department would prevail, never happened.

v. *National Security Council 224th Meeting, 15 November 1954*

But those were only the preparatory activities for the NSC meeting, where each agency presented its own position, without the achievement of a unified posture (FRUS 1952–1954, Vol. IV, Doc. 91).

Chaired by President Dwight Eisenhower, present in the meeting were Under Secretary of State Herbert Hoover, Jr. for the Secretary of State; the Secretary of Defense; the Director of the FOA; the Secretary of the Treasury; the Director, Office of Defense Mobilization; the Director of the CIA; Special Assistant to the President Robert Cutler and several heads and staff from other agencies.

Point 2 of the NSC agenda was "Position of the United States at the Rio Conference (NSC 5432/1)." Mr. Cutler pointed out "the United States position to be taken at the Rio Conference had been based on NSC 5432/1... approved September 3, 1954." He said "he had been informed that questions of interpretation of this policy paper had arisen...of paragraphs 9-b, 9-c and 9-g." As planned, "Mr. Cutler then called on Secretary Humphrey, as head of the United States delegation... to outline the United States position" (Ibid.).

In preliminary remarks, Secretary Humphrey mentioned the conference would last two weeks, "he would be in charge of the United States. delegation for the first week, and Under Secretary of State Hoover would be in charge the remainder of the session." He added Assistant Secretary (of State) Holland had carried out consultations throughout Latin America, "In the course of this preparatory work Mr. Holland had encountered both criticism and approval—criticism for our failure to agree to unsound projects; approval for our agreement to go along with sound projects" (Ibid.).

A description of "the general purpose of the United States delegation" was presented by Secretary Humphrey, as follows:

"in the first instance... an outline of what the United States had already done—by way of sound enterprises—on behalf of the various Latin American countries.

Secondly, we would indicate our intention to resist other projects which had been proposed, because such projects were deemed by us to be unsound.

Thereafter, Secretary Humphrey outlined the following five points as indicating the positive content of the United States position at the Rio Conference: the United States would

1. Undertake to maintain, as absolutely basic, a high level of economic activity in America, because this was not only vital for the welfare of Latin America but for all the rest of the free world.

2. Take further sound steps toward convertibility and the removal of restrictions and restraints on commerce and trade.
3. Do its utmost to encourage increased private investment as being of the essence of economic progress in the hemisphere.
4. Show particular concern for increased local investment because it believed that investment of local capital in the various republics was far more significant than investment in them of foreign capital.
5. Press for the extension of technical assistance programs and developmental programs.

The United States would also undertake to negotiate new treaties with the Latin American republics dealing with taxation issues" (Ibid.).

Immediately afterwards,

"Secretary Humphrey indicated various proposals and suggestions that the United States delegation had decided to oppose at Rio:

1. The United Nations proposal, (reference to a document prepared by ECLA) which set up a goal of US\$1 billion which would have to be spent each year on some project or other. This proposal, complained Secretary Humphrey, was just like the Marshall Plan in philosophy, only not so big.
2. The United States would resist a variety of commodity price stabilization schemes which had been proposed by Latin American countries.
3. The United States would oppose such regional preferential arrangements among the Latin American nations as would require United States financial support for their operation.
4. The United States would oppose the project for a new Inter-American Bank. There were already three banks in a position to extend loans to Latin American countries, and there was no need for another" (Ibid.).

The discussion then turned to the meaning of the three paragraphs of NSC5432/1, 9-b, 9-c and 9-g, which Mr. Cutler had identified as subject to divergent interpretations. The discussion on these paragraphs was lengthy and tedious because, at times, it became a matter of semantics, although the differences were indicative of the distance which existed between the positions of the Treasury and the FOA. For this reason it is worthwhile to describe briefly the discussion.

Paragraph 9-b said: "Be prepared to assure the financing of all sound economic development projects, for which private capital or IBRD financing is not available, through Export-Import Bank loans..." (Ibid.).

"Secretary Humphrey said that it was his conviction that this language was too broad and the course of action too open-ended. He therefore recommended that the word 'assure' in the first line be replaced by the word 'assist' and that the word 'all' in the first line be deleted" (Ibid.).

"Secretary Humphrey observed that in effect this course of action called on the United States to make 'fuzzy' loans to Latin American countries, not in economic grounds but because such fuzzy

loans were in the interest of furthering our national security. In order to qualify somewhat the approval of fuzzy loans Secretary Humphrey suggested the addition of the following phrase... "and only after further review of the particular case by the National Security Council."

"The President said he thought this was the right idea, and inquired who would make such loans. Secretary Humphrey replied that he did not know, but supposed it would be some Government agency or else one of the International Banks" (Ibid.).

Assistant to the President Robert Cutler

"indicated concern over the apparent intention of Secretary Humphrey to amend NSC 5432/1... warned against hasty changes in paragraph 9 without adequate staffing by the Planning Board and the interested departments. Mr. Cutler insisted that the National Security Council had never intended paragraph 9-c to countenance resort to fuzzy loans and the like... Mr. Cutler suggested that it would be in clear consonance with the prior Council discussion and action if language were inserted to provide perhaps a year's time to see how the courses of action... actually worked out. This would be preferable to the proposal for having a Council review on a case-by-case basis. Secretary Humphrey said he would be delighted to go along with this suggestion, since that was all he wanted to achieve" (FRUS 1952-1954, Vol. IV, Doc. 91).

At this point, President Eisenhower intervened again, and he

"suggested adding also that the courses of action in 9-c should not be carried out except with the express approval of the President. He turned to the Secretary of the Treasury, however, and asked him to remember that all these things we were doing or proposing to do in Latin America, we were doing in our self-interest. This being the case, and if we were careful and cautious, he believed that perhaps the word 'assure' rather than the proposed word 'assist' was the right word for paragraph 9-b.

Secretary Humphrey continued to argue strongly against any course of action which would assure Latin Americans that we would agree to finance every project which they asked us to finance. Mr. Cutler observed that he thought this was somewhat unfair, since the paragraph as written contained three clearly stated qualifications on the freedom of the United States to finance all such proposals. Secretary Humphrey argued that the gist of the course of action in 9-b had been advertised throughout the length and breadth of Latin America, and there was very great danger that, as a result of such advertising by United States Government agencies, the Latin Americans would come to us and ask for assistance which we would be in no position to give them. Refusal to accord loans and other things they wanted would be bound to affect adversely our relationships with these countries" (Ibid.).

A suggestion by Acting Secretary of State Hoover, to invert the contents of paragraph 9-c, to start with the three lending policy requirements, was accepted by Secretary Humphrey (Ibid.).

Secretary Humphrey turned to paragraph 9-g, which read as follows: "Consider sympathetically, but only on individual merit, any proposal by Latin American initiative to create regional economic actions and groupings to promote increased trade, technical cooperation and investment, and to concert sound development plans" (Ibid.).

At issue was the term "sympathetically," which Secretary Humphrey proposed should be omitted, adding he was "against any United States financial commitment to assist Latin American regional economic groupings which had as an objective any discrimination against United States trade and commerce." President Eisenhower "interrupted to say that he was in agreement with this proposal" (Ibid.).

Mr. Cutler explained the reasons which led "to accept regional groupings in Latin American countries." This was followed by a detailed intervention by the head of the FOA, Harold Stassen (Ibid.).

"Governor Stassen said that while he would not oppose Secretary Humphrey's proposed revision of paragraph 9-g since Secretary Humphrey was chairman of the United States delegation, he nevertheless felt obliged to state, on behalf of the Foreign Operations Administration staff, that FOA regarded this and other aspects of our policy toward Latin America as very seriously inadequate to meet our needs. He also predicted that the proposed United States position at the Rio Conference would evoke a very negative reaction. It did not meet the obvious needs of Latin America from a number of points of view" (Ibid.).

Governor Stassen added

"In the first place, the Latin American countries plainly want to join together in some kind of regional economic grouping.

In the second place the Latin American republics want to sit down and talk over the serious problem of raw materials. We have opposed becoming involved in agencies to control prices of raw materials, but it would be at least useful to agree to discuss these commodities with the Latin Americans, even if we rightly refuse to join any agreements on the subject.

"Thirdly, the level of investment in the Latin American republics had long been too low and still was."

Governor Stassen concluded saying "we at FOA want to flag the serious inadequacy of this policy, even though it is the responsibility of others to make the decisions."

President Eisenhower "stated his belief that the United States should certainly not use its funds to encourage regional economic groupings which would adversely affect the trade and commerce of the United States" (Ibid.)

Secretary Humphrey then described the difference between regional groupings in Europe and in Latin America. He said "in Europe a very high percentage of trade and commerce took place between the various European countries; whereas only about 10% of the total Latin American commerce was conducted among the Latin American countries themselves." Therefore, he concluded, "if we could make them clearly understand that they must not expect us to finance their regional economic groupings or for us to support actions by such groupings which discriminate against the United States, that was all that he, Secretary Humphrey, would ask for" (Ibid.).

President Eisenhower then

"pointed out to Secretary Humphrey that it was much more important for the United States to achieve a good climate of opinion in Latin America than to agree to the various specific items on this program for the United States position at Rio. You must think said the President, of our policy in Latin America as chiefly designed to play a part in the cold war against our enemies. Russia, he warned, would shortly step into any vacuum if we allowed one to develop in Latin America" (Ibid.).

CIA Director Allen Dulles "noted the rapid increase in trade between the Soviet bloc and Latin America in the last year and a half. Much of this trade, said Mr. Dulles, was 'political' rather than 'natural' trade" (Ibid.).

President Eisenhower

"continued pointing out to the Council that the United States was not merely "doing business" in Latin America, but was fighting a war there against Communism. Second, said the President, the Spanish-settled countries of Latin America have a simply incalculable pride. They still feel we do not treat them equally with Europe and Asia, and our policies toward Latin America must be sure to meet this point of their great pride. Pay attention to this idea of equality and to the importance Latin Americans attach to personalities" (Ibid.).

Secretary Humphrey said "he merely wanted to emphasize how important it was, prior to the Conference, that the interested Government agencies—State, Treasury and FOA—all go there with the same interpretation of paragraph 9-g."

President Eisenhower "suggested that the pragmatic approach to 9-g might be the best. If any of the 9-g proposals or programs turn out to involve United States financial support, indicate that we cannot agree at once, but that the case must be taken up with the 'head of the nation'" (Ibid.).

The meeting moved on and "Governor Stassen then launched a strong statement in support of the value of an Inter-American Bank. Secretary Humphrey opposed this proposal with equal vehemence" (Ibid.).

Assistant to the President Robert Cutler "reminded the Council that the President had approved the proposal for dropping the adverb "sympathetically" and of adding a caveat against United States support for Latin American economic regional groupings" (Ibid.).

President Eisenhower again

"expressed the view that our policy ought to emphasize the objective of making the several Latin American republics more interdependent economically and less dependent on the Soviet Union. He reiterated his point that this was primarily a cold war problem. However, said the President, he was wholly on Governor Stassen's side in not desiring to see our delegation put in a position of having to refuse flatly to consider any request from a Latin American republic for something we turned down simply because it wasn't noted approvingly in our policy. There should be no such flat turn-downs, and on such cases the United States delegation should consult with Washington before reaching a decision" (Ibid.).

The President said "he had come to hate these long drawn-out papers which lay down hard and fast rules for carrying out every detail of a program. He would much prefer to trust to our negotiator (looking at Secretary Humphrey) to meet any new conditions which might arise on the spot. He can always relay doubtful cases back to Washington" (Ibid.).

However, Secretary Humphrey "still professed to be strongly opposed both to the regional groupings proposed in paragraph-g, and particularly, to the proposed new Inter-American Bank." In a dramatic gesture, Secretary Humphrey, "turning to Governor Stassen, he said "Let's be specific. Are you going down there and advocate the Bank as you have been doing all over the place up to now?" Governor Stassen "denied that he had advocated any Inter-American Bank outside the circles of the United States Government. While, said Governor Stassen, he would of course abide by the authority of the Secretary of the Treasury as head of the United States delegation, he nevertheless believed in the idea of a new Inter-American Bank" (Ibid.).

The discussion on the so-called Rio Conference concluded with the approval of the amendments to Paragraph 9, items b, c, g of the document NSC 5432/1, which contained the approved position of the United States delegation to the conference. However, as revealed by subsequent events on the road to Quitandinha, the differences within the United States delegation persisted to the end.

2. In Latin America

In addition to intense preparatory activities carried out in each capital, Latin American, regional preparations took place at two levels, first, at the Inter-American Economic and Social Council (IA-ECOSOC) and second, at the ECLA Secretariat. Both entities carried out these preparatory activities at the request of the 10th Inter-American Caracas Conference.

As mandated by the Caracas Resolution LXVI, which convoked the Meeting of Ministers of Finance or Economy, the full responsibility for the organization and preparation of the meeting and of the required documentation was given to IA-ECOSOC. In addition, IA-ECOSOC was instructed to request from the Secretary General of the United Nations, "the collaboration of the Economic Commission for Latin America in the preparation and holding of the meeting." Finally, also requested was the "collaboration and assistance of other international organizations whose activities are related to topics on the agenda of the meeting."

a. At IA-ECOSOC

At the Organization of American States (OAS) in Washington, preparatory activities started almost immediately after the conclusion of the Caracas Conference on 28 March 1954. As mentioned, Caracas Resolution LXVI had identified some of these preparatory activities, such as a draft of a preliminary agenda and requesting specific contributions from several institutions.

By 9 April, less than two weeks after the conclusion of the Caracas Conference, the first step consisted of creating within IA-ECOSOC an "Ad Hoc Committee on Preparation for the Meeting..." composed of seven delegations: Argentina, Brazil, Costa Rica, Chile, Panama, the United States and Venezuela. The Ad Hoc Committee was asked to perform two specific tasks: (1) the approval of the meeting's agenda and (2) monitoring the drafting of the meeting's documentation.

The originally proposed agenda, approved in Caracas, included three main topics:

- i. International trade prices and markets, restrictions and promotion of trade

- ii. Economic development programming, financing and technical cooperation
- iii. Other economic and financial matters

After consultations with the member governments, another point, "iv. Transportation and Tourism" was added to the final version of the agenda, which was approved by the IA-ECOSOC on 1 July 1954.

The other IA-ECOSOC task was the preparation of the documents for the conference. Most of the documentation was prepared by the Department of Economic and Social Affairs of the Pan American Union, as the OAS Secretariat was called at the time, which performed the function of secretariat of the IA-ECOSOC.

In all, 19 documents were presented by the OAS Secretariat to the meeting on different topics. (A total of 184 meeting documents, including the speeches pronounced at the plenary sessions by the heads of delegation and representatives from international organizations, summaries of the discussions held in the different committees and the approved resolutions, all are contained in four volumes available in hard copy at the OAS Columbus Memorial Library, IA-ECOSOC (1954).

Out of the 19 documents presented by the Pan American Union, the first two, docs 1/54 and 2/54, were procedural, on the meeting's agenda and regulations (the numbering to identify the documents used here corresponds to the numbers used in the IA-ECOSOC Volumes I-IV quoted previously). Other documents prepared were informative, containing collections of background documents, such as a summary of the discussions on economic topics at the Caracas Conference (14/54), and a collection of treaties to serve as reference (10/54) and even a guide to the abundant documentation prepared by the Secretariat (15/54).

Another set of documents was dedicated to technical cooperation in general (13/54) and to technical cooperation activities (12/54), or specifically to the OAS technical cooperation program (11/54). The remainder was a set of substantive documents prepared by the OAS Secretariat on the main topics of the agenda. These topics illustrate the scope of the conference:

- The Problems of Instability in Latin American Primary Commodity Markets (3/54)
- Terms of Trade of Latin America: Their Development and Prospects (4/54)
- Primary Products Surpluses: Measures for Their Disposal (5/54)
- Inter-American Trade: Measures for Its Expansion (6/54)
- Foreign Investments in Latin America: Measures for Their Expansion (7/54)
- Inter-American Transportation Development and Coordination (8/54)
- Study of Inter-American Consultation Procedures in Economic and Financial Matters (9/54)

These substantive documents, together with those addressing technical cooperation issues, provided the background for the discussions, including resolution projects on the different agenda topics. In all, the documentation reveals an impressive effort by the Department of Economic and Social Affairs of the Pan American Union to provide an analytical base to the future discussions.

Also, as requested in Caracas Resolution LXVI, the International Bank for Reconstruction and Development (IBRD) (16/54) and the International Monetary Fund (IMF) (18/54) presented reports on their recent activities in Latin America.

Finally, as it was also requested in the same Resolution, ECLA (1954) prepared a document addressing the topics of the agenda, titled International Cooperation in a Latin American Development Policy, (henceforward quoted as International Cooperation). This document is analyzed below because it provides some basic elements which oriented the discussions and resolutions approved by the conference.

b. Economic Commission for Latin America contribution

Several traits distinguish the document prepared by ECLA for Quitandinha, when it is compared with those produced by the Commission's Secretariat then and even today.

Some preliminary formalities were observed before the Secretariat of ECLA could proceed with the elaboration of the requested document. The first step consisted, as mandated in Resolution LXVI, in a formal request, from IA-ECOSOC to the Secretary General of the United Nations, for ECLA's collaboration. This was followed, in May 1954, by consultations between ECLA Executive Secretary Raul Prebisch and the Chairman of IA- ECOSOC Jorge Hazera (Costa Rica) and Octavio Paranagua (Brazil), as Chairman of the ad hoc committee for the meeting's preparation. These consultations led to an agreement on the tasks requested from the Executive Secretariat of ECLA (they are described in the Preface of ECLA, International Cooperation, p. vii), as follows:

- (1) to "prepare a report on practical measures for economic development, the financing of development and problems of international trade... as well as any item on the agenda which it might deem expedient to analyse or expound..."
- (2) to "designate a small number of distinguished Latin Americans to constitute a Preparatory Group, who would be requested to formulate recommendations and economic projects related to the study prepared by the secretariat,"
- (3) to "forward the corresponding documents to the ad hoc Committee of the Inter-American Economic and Social Council for their consideration and distribution to Member Governments, together with the rest of documentation for the conference."

Given the extraordinary nature of the task, the Executive Secretary of ECLA submitted the agreement with IA-ECOSOC for approval to the Commission's Committee of the Whole, which met on 30 July 1954 and adopted the following resolution (also reproduced in ECLA's Preface, International Cooperation, p. vii):

"To take note with satisfaction

- (a) Of the invitation extended to the secretariat of the Commission to collaborate with the Inter-American Economic and Social Council in the Meeting of Ministers of Finance or Economy...
- (b) the appointment of the Preparatory Committee, consisting of six outstanding Latin Americans, which will formulate recommendations and projects on the basis of the study prepared by the secretariat."

Finally, the resolution indicated "its pleasure at this collaboration between the Commission and the Inter-American Economic and Social Council as a new stage in the coordination of work and closer collaboration between these two agencies."

With this authorization from the member governments, the Secretariat of ECLA prepared the document, which indicates in its title that it contains two sections:

- Preliminary report of the secretariat of the United Nations Economic Commission for Latin America
- Explanatory statement and recommendations of the Preparatory Group appointed by the Commission's Secretariat

The very special characteristics of this document should be pointed out. First, this was not a regular document like those descriptive or analytic contributions on regional or global economic conditions usually produced by the Secretariat during its first five years.

The main difference was perhaps due to the fact that it was a document drafted in support of an international negotiation, a document which was destined to become an input into a negotiating process. It thus recognized ECLA's technical capability to support the ongoing negotiations on economic issues in the Western Hemisphere.

A second difference was that the document was addressed to a meeting of decision-makers who were not the normal constituency of the Commission. After all, the Ministers of Finance, as holders of the "purse strings," deal mostly with short-term issues. Those were different from the medium-term tasks performed by planning or international trade agencies, which were the main points of contact between the Commission's Secretariat and its member governments.

A third difference was that, in this specific instance, the Secretariat's contribution provided the basic elements to be considered by a group of "distinguished Latin Americans." As stated in the document's preface, the members of the group "acted in their personal capacities and whose recommendations are put forward entirely on their own responsibility." The participation of these prominent persons from Latin America provided the document with an endorsement from promising political figures in their own countries and from influential private and public decision-makers. Therefore, by becoming more closely involved in the hemispheric decision-making process, the Commission's Secretariat required support that went beyond its own technical capabilities.

This was evident in the composition and background of the group's six "outstanding Latin Americans," as the ECLA Committee of the Whole resolution called them. The group designated two prominent politicians as Chairman and Rapporteur. The Chairman, Eduardo Frei Montalva (Chile) was a Senator and former Minister of Public Works. The Rapporteur, Carlos Lleras Restrepo (Colombia) was former Minister of Finance. Later, both individuals became presidents of their respective countries: Frei Montalva was the 28th President of Chile from 1964 to 1970 and Lleras Restrepo was the 22nd President of Colombia from 1966 to 1970.

The other four members of the group were also prominent in their own fields of expertise. Evaristo Araiza (Mexico) was President of the Council, Banco de Mexico and Director-Manager of the company Fierro y Acero de Monterrey S.A. Rodrigo Facio (Costa Rica) was Rector, University of Costa Rica and former Director of the International Monetary Fund. Francisco Garcia Olano (Argentina) was Director of the Research Centre of the Advanced School of Economics, Buenos

Aires and a former member of the Committee of Experts appointed by the Secretary-General of the United Nations to study commodity trade and economic development. Finally, Cleantho de Paiva Leite (Brazil) was Director of the National Bank of Economic Development and Vice-President of the National Technical Assistance Commission.

The document itself was best described by the Executive Secretary of ECLA Raul Prebisch in his address to the 24 November plenary session of the Quitandinha Conference, on behalf of the United Nations Secretary General who could not attend, Prebisch said:

"The report does not contain anything substantially new. It does have the great merit to have gathered, to have channeled perceived aspirations in all the Latin American countries and to have attempted to crystallize them in practical and reasonable formulas. Perhaps such formulas do not always fit within certain limited possibilities for immediate action. But that has not been a reason to abstain from presenting them. It was necessary to undertake a vast persuasive effort and the ECLA report has that characteristic: to point out the significance of the events which are evolving in front of ourselves, and to persuade about the need to act deliberately on their evolution, by means of a well-conceived national policy of economic development accompanied by a set of measures of international cooperation, which does not substitute for her, which does not come to supplant the absence of a national development policy, which complements it to accentuate its efficacy. The report's persuasive action is oriented primarily toward Latin America itself, where there are very serious internal obstacles which oppose development. I do not need to convince the Latin American ministers gathered here, that inaction is perhaps the biggest of them all." (The speech appears in the minutes of session 209, of 24 November, IA-ECOSOC 1954, Vol. IV, ESSE-Doc. 145/54, 29 November.)

The first part of the ECLA document contains the contribution made by the Secretariat of ECLA. In six chapters and 84 pages, the document covers the main topics of the agenda. However, in anticipation of the preference expressed by the United States delegation at the Caracas Conference, for private capital and entrepreneurship, the first chapter deals with "international cooperation in a development policy based on private enterprise." It seeks to strike a balance between "private enterprise and state intervention."

The second chapter deals with foreign investment, and the document proposes what was considered one of the most concrete and controversial measures: the agreement on a "foreign investment target." It also identifies domestic and external obstacles to investment and proposes the creation of a "special Fund within the inter-American system."

Productivity and technical assistance are covered in the third chapter, before dealing with trade policy, emphasizing industrialization in peripheral countries and external vulnerability, including a description of anti-cyclical policy in chapters four and five. The document concludes with chapter six on "the essential prerequisites for international cooperation in a policy of economic development."

Therefore, the ECLA contribution covered the main themes of the Quitandinha Conference's agenda, as part of a vision on economic development. It aimed specifically to accomplish the previously mentioned "persuasive effort." In addition, the major objective is to

feed the ongoing process of hemispheric economic negotiations through the channel provided by the recommendations identified by the Preparatory Group of six prominent Latin American experts.

It is essential to examine how the group of experts processed the Secretariat's proposals and transformed them into a set of recommendations to serve as the basis for the negotiations. What makes the document unique is its immediate usefulness as a substantive input for an intergovernmental, hemispheric negotiation.

The second part of the document contains, in five chapters and 58 pages, the "explanatory statement and recommendations of the Preparatory Group appointed by the Commission's Secretariat." This second part contains three sections: a letter of transmittal, an explanatory statement and a set of recommendations.

The letter of transmittal (p. 89) is addressed to the ECLA Executive Secretary and it is signed by the six members of the Preparatory Group. Because the document was prepared in a short period of 25 days, the authors decided to present their "recommendations, without enlarging on considerations of a theoretical nature," as they "substantially share the views" presented in the preceding Secretariat's document, which "constitute an essential background" to their report. The purpose of the Preparatory Group paper is described as "indicating specific objectives that can in practice be attained." The letter of transmittal concludes thanking the support provided by two consultants, then Massachusetts Institute of Technology Professor of Economics Paul Rosenstein-Rodan and a Salvadoran economist, trained at Harvard University, Jorge Sol Castellanos. The group also acknowledges the support received from the ECLA Secretariat.

Under five headings, the "explanatory statement" provides the support for the set of recommendations on the following topics:

- i. Hemisphere development policy and international cooperation;
- ii. International financial cooperation
- iii. Reduction of Latin American external economic vulnerability
- iv. Trade policy and economic development
- v. Technical assistance

The first set of eight recommendations deals with "financing the economic development of Latin America" and some of these recommendations were among the most controversial during the conference. This section begins supporting the ECLA Secretariat proposal of setting a "foreign investment target" of US\$1 billion annually, for a period of not less than ten years, to supplement domestic savings. The next recommendation requests the support of the International Bank for Reconstruction and Development and the Export-Import Bank for "achieving the investment target." Another recommendation proposes the "creation of an Inter-American Fund for Industrial, Agricultural and Mining Development," a precursor of the creation of the future Inter-American Development Bank (IADB).

The next five recommendations address relatively less controversial topics, to encourage the collaboration between foreign private and national enterprises. Also, the adoption of domestic measures is recommended "to create a favorable atmosphere for investments of private foreign

capital in Latin American countries," including sound development projects, public financing and curbing inflation.

The fiscal incentives adopted by the United States Government to facilitate private investment abroad are also supported, together with the creation of a special commission to examine issues such as double taxation and tax collection.

The final recommendations of this section call for the "periodic revision of economic development policy and international cooperation," proposing the "creation of a consultative group on economic development."

The document's next section recommends a set of four measures "to decrease the external economic vulnerability of the Latin American countries." It starts recommending the adoption of internal measures, characterized as a "policy of foresight," linked to "international action." The objective was "to attenuate the effects of variations in prices and in export volume... absorbing international resources in times of prosperity for use in periods of recession."

The next recommendation addresses specifically the "anti-cyclical policies of international credit institutions and the International Monetary Fund." In this case, the concrete measure proposed was "to enlarge the credit quotas of the Latin American countries."

On the reduction of "price fluctuations of primary products," the recommendation acknowledges the creation by the United Nations Economic and Social Council of a Commission on International Commodity Trade (UN-ECOSOC Resolution 557 F (XVIII), approved at the 829th Plenary Session, 5 August 1954, reproduced as an annex in ECLA International Cooperation, pp. 144-147).

Beyond the "measures which may be recommended by that Commission..., Latin American countries could in special cases...in which the hemisphere's consumption or production represents a high proportion of the world total, contribute to averting a price decline by means of cooperative measures."

Specific actions are recommended "to prevent prices of basic products from dropping below critical levels..." by means of the "formation of buffer stocks..."

This section concludes recommending a "consultation procedure for agricultural surpluses." It acknowledges "that the United States Government has decided to liquidate a proportion of its agricultural surplus without provoking disturbances on the world market that would adversely influence other producers. Therefore it recommends "a procedure of consultation between the interested countries which would contribute to greater success in the policy of liquidating agricultural surpluses on the world market in an orderly manner."

The following four recommendations are on "trade policy and economic development." The first one, on "industrial protection and agricultural development," is best characterized as a statement of principles, as follows:

"(a) Industrialization is an inevitable necessity for the economic development of the Latin American countries... to employ in industry and services the potential labor force that export activities cannot advantageously absorb.

(b) Industrialization requires tariff protection... maintained within adequate and reasonable limits and does not deprive export activities... it does not unfavourably affect the volume of world trade.

(c) Combined with industrial development, special consideration should be given to agriculture, so as to avoid troublesome maladjustments of an economic and social nature" (ECLA, 1954).

Another recommendation directly addresses the "trade policy of the United States in regard to Latin America." It makes two points:

"[First,] a reduction of customs duties on primary products in the United States, by causing increased exports from the Latin American countries, leads, either directly or indirectly to an expansion of exports from the United States... in view of this spontaneous reciprocity it is not indispensable that Latin American countries should in turn lower tariffs which might adversely affect their economic development.

[Second,] tariff protection in Latin America—if maintained within reasonable limits—only modifies the composition of imports...while higher customs duties in the large industrial centres unfavourably influence the volume of their trade with the less-developed countries."

This recommendation acknowledges "the special significance of the proposal publicly made by the United States Government to introduce reductions in customs duties, as also of the recent decisions not to raise tariffs in cases that would have adversely affected Latin American exports..." However, it also says "notwithstanding these favourable measures, well-known obstacles exist in the United States which hinder further tariff reductions from reaching a scale sufficient to offer a powerful stimulus for the development of Latin America's economy..." Adding, "the system of flexible tariffs applied to certain mineral imports in the United States causes serious repercussions on the Latin American economy."

Another recommendation is on "strategic raw materials," as follows:

First, "to avoid the expansion of high-cost marginal production in the United States, so as to maintain and enlarge mining activities in Latin America."

Second, "to adopt measures offsetting the unfavourable consequences to Latin America should it be impossible to modify the current system of flexible tariffs..."

Third, "to encourage production in Latin America from unexploited mining sources, or from those at present worked on a very reduced scale..."

The last recommendation on trade policy deals with "liberalization of inter-Latin American trade." It considers "production in the Latin American countries generally requires broader markets than those provided by the domestic economy." It recommends "to liberalize trade between the Latin American countries" while taking "into account the regulations of the General Agreement on Tariffs and Trade."

Finally, the last section on "technical assistance" includes two recommendations, one on "training of highly qualified technical personnel" and the other on "programming technical assistance."

The full report, *International Cooperation in a Latin American Development Policy*, including both the ECLA Secretariat document and the recommendations, was delivered to the IA-ECOSOC on 25 August 1954, and it was released as an ECLA document (E/CN.12/359) with a United Nations sales number (1954. II.G. 2) in September 1954. The presentation of the ECLA document, together with the rest of the documentation prepared by the Pan American Union, culminated the preparatory activities on the Latin American side. As mentioned, the preparations within the United States Government went on until one week before the conference inauguration, culminating with the 224th National Security Council meeting, held in Washington on 15 November 1954. Therefore, United States government agencies had ample time to consider the documentation prepared by the IA-ECOSOC and ECLA.

C. The Quitandinha Conference

The conference was inaugurated on 22 November 1954. The delegations flew into Rio de Janeiro and traveled 40 miles to Petropolis and three miles from there to the conference venue, the Hotel Quitandinha. (The following description of the conference proceedings and resolutions is drawn from United States Department of State 1954. Also from the IA-ECOSOC 1954, Vols. I-IV of conference documents previously cited.)

In all, 21 delegations from the governments of the Americas participated in the Quitandinha Conference, amounting to approximately 250 persons between delegates, alternates, advisers and assistants. As a point of comparison, almost 400 persons participated in the Caracas Conference, held in March 1954.

Also present were representatives from several governments, international organizations and non-governmental entities. The Canadian Government was granted observer status by the OAS and was represented by the Canadian Ambassador to Brazil. The following governments which were not members of the OAS were also represented: Belgium, France, Great Britain, Holland, Italy, Japan, Portugal, Spain and Western Germany.

The conference was inaugurated at the first plenary session, on 22 November 1954, by the President of Brazil Joao Cafe Filho, who had recently assumed the presidency after the death of President Getulio Vargas, on August 24, 1954. The Minister of Finance of Brazil Antonio Gudin was elected President of the conference. The United States delegate Treasury Secretary George H. Humphrey was elected as First Vice President, and the Mexican delegate Finance Secretary Antonio Carrillo Flores as Second Vice-President.

Based on a recommendation from the IA-ECOSOC, the functioning of the conference was structured in three working committees: International Trade; Economic Development and Standards of Economic Cooperation. Following the installation of the working committees, on November 24, each committee elected its own officers and created subcommittees to deal with specific issues. All delegations participated actively in the committees and subcommittees.

In all, in addition to the inaugural and closing ceremonies, there were six plenary sessions. The first three, on 23 and 24 November, were dedicated to the presentations by the heads of delegation, in an order decided by lot and by the representatives of different international organizations. On the morning of 24 November, presentations by the delegates of Chile, Bolivia, Mexico and Guatemala, were followed by one from the United States delegate. Also, as

mentioned, on behalf of the United Nations Secretary General, Raul Prebisch, ECLA Executive Secretary, addressed the second plenary session of 24 November. Three other plenary sessions were held at the end of the conference, between 30 November and 2 December, to approve the resolutions drafted and elevated to the plenary sessions by the three working committees.

On 24 November, after the individual presentations by every delegation, mainly dedicated to describe the economic situation in each country, the working committees began to prepare the resolutions.

However, the day after the start, the conference was shaken by a sensational disclosure ("coup de theatre"). The surprise took place at a press conference granted by two members of the United States Congress, who were both members of the United States delegation. Senator George A. Smathers (Democrat from Florida) was Special Congressional Adviser to the United States delegation and Representative James G. Fulton (Republican from Pennsylvania), was observer for the House Foreign Affairs Committee.

As described in minutes of a Cabinet meeting of 3 December, "In a press conference on November 25, 1954, Representative Fulton, supported by Senator Smathers, criticized United States economic policy developed for the Rio Economic Conference as inadequate to meet the needs of the Latin American countries" (FRUS 1952-1954, Vol. IV, Doc. 96,).

Therefore, if any participant in the Quitandinha Conference was unaware of the fractures which existed within the United States delegation, this press conference made these public in the most straightforward manner.

Two days before, on 23 November, Secretary Humphrey in his address to the plenary session avoided any confrontation. But he emphatically asserted the position supported by the United States Treasury, which in the end became the position adopted by the United States delegation.

For instance, Secretary Humphrey said:

"We all have our own ideas as to how the economic interests of the entire continent could be promoted. We in the United States naturally subscribe to those principles that in our own country have proved effective in raising living standards of the people and promoting the prosperity of the nation. We shall present them here with the same friendly frankness with which we are ready to listen to the opinions of other delegations. No one of us alone has the wisdom and experience necessary to solve all our problems.

The first is our belief that the road which will lead most surely and most directly to the goals which we seek is that of the vigorous free enterprise system... The other is our belief that we as governments should reduce to a minimum the scope and the duration of our own intervention in the fields of commerce and industry" (Humphrey 1965, pp. 464-475).

Secretary Humphrey also addressed the two main topics of the meeting's agenda. First, on

"A strong, healthy economy in the United States... will insure a growing volume of trade with your countries at a steadily increasing level of demand... Our tariffs on imports from Latin America are low. Two thirds of all our imports from this area are in

the free trade list and tariffs on the remaining third are among the lowest in the world. We have also made marked progress in freeing imports into the United States from unnecessary and cumbersome custom requirements" (Ibid.).

However, Secretary Humphrey recognized that "the problem of international trade is closely related to that of prices. We are aware of your intense and very understandable interest in this problem as it relates to the prices of your products sold in world markets. We share that interest, not only because of the importance to you of adequate and stable prices, but also because our own producers suffer when the prices of their exports fluctuate widely" (Ibid.).

To address the price issue Secretary Humphrey said: "Our experience convinces us that if we as governments follow policies which will give our producers everywhere maximum assurance that consumption of their products will enjoy a steady and healthy growth and that their access to international markets will be facilitated, then we will have gone far toward solving this basic problem of prices which so concerns us all" (Ibid.).

On development finance, the other major topic of the agenda, Secretary Humphrey recognized "one of the things which our governments must do to encourage free enterprise is to insure that those projects necessary for economic development, but for which private capital is not reasonably available, are adequately supported by public investment." For this purpose there are "three major financial institutions to help promote economic development," the Export-Import Bank, the International Bank for Reconstruction and Development and the projected International Financial Corporation. In closing, Secretary Humphrey mentioned two additional topics related to taxation and technical cooperation (Ibid.).

The address, "Fiscal Issues in Latin America" by Secretary Humphrey, at the plenary session of 23 November, was the only one on hemispheric economic relations that appears in the collection of speeches, statements and articles he presented during his tenure as Treasury Secretary (Humphrey, 1965).

On the departure of Secretary Humphrey from Quitandinha on 26 November, Under Secretary of State Herbert Hoover, Jr. became Acting Chairman of the United States delegation until the end of the conference.

The contrasting positions of the Latin American delegations and the United States appeared poignantly in the working committees, where the resolutions were drafted. The differences were the subject of intense discussions and were particularly evident in the abstentions cast by the United States delegation on several resolutions.

In all, 48 resolutions were approved by the conference participants. The United States delegation voted in favor of 40 and abstained on eight. However, examined closely, the abstentions by the United States delegation reveal these were on some of the most relevant topics proposed by the Latin American delegations.

Of the 40 resolutions on which the United States delegation cast votes in favor, the least controversial ones were on topics such as transportation, travel and tourism, technical cooperation and some organizational matters. On other topics, some proposals presented by several Latin American delegations were modified in committee to make these acceptable to the United States delegation.

For instance, on specific commodities, two resolutions were presented on coffee and bananas. The Colombian delegation, supported by 14 other producers, proposed a resolution requesting IA-ECOSOC to make a study of the situation and propose an agreement on coffee. The United States delegation objected the need for an agreement because it was "skeptical as to the acceptability... of any form of international price regulation of coffee" and supported the approved resolution when it dealt only with "the international coffee situation" (34/54, the numbers in parentheses correspond to those used in official conference documents to identify the resolutions).

Also, the delegation from Ecuador, supported by other producers, proposed a resolution urging the creation of a banana commission within IA-ECOSOC. Because the objective was modified to carry out a study and organize a conference, the resolution was approved without objection as "Establishment of a special committee on bananas of the Inter-American Economic and Social Council and calling of a specialized Inter-American conference" (34/54).

A comprehensive resolution was approved on "economic development" (43/54), asking the countries of the hemisphere "to reduce restrictions and barriers to trade in important basic products." It also stated that "industrialization was important for a well-balanced economic development" and that "special attention should be paid to the improvement of productivity in agriculture." Recognizing one of the major pillars of the ECLA message, the resolution stated that "industrialization can be aided through customs protection, if such protection is kept within reasonable limits and is consistent with international obligations." The United States delegation voted in favor of this resolution and indicated that "in the existing GATT (General Agreement on Tariffs and Trade) and in the review of the GATT then under way at Geneva, the United States had supported special provisions for the protection of industries in countries in the early stages of development (United States Department of Treasury, 1954, pp. 6-7).

The five Central American countries, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, as members of an economic integration process supported by ECLA, jointly proposed a resolution to provide technical and financial assistance to regional integration groupings. The United States delegation expressed reservations on regional trade preferences, called attention to most favored nation commitments by governments and was against providing technical and financial assistance to such groupings. Even so, the resolution approved with United States support on "liberalization of inter-Latin American trade" (47/54) requests IA-ECOSOC to prepare a study on intensifying intra-regional trade, provided such programs benefit international trade and are kept in harmony with applicable international agreements.

An outstanding modification of a Latin American proposal, to accommodate United States objections, set an annual foreign investment target of US\$1 billion annually, for 10 years, composed of two-thirds of public resources and one-third of private foreign investments. The proposed resolution was submitted by the delegations of Chile, Ecuador and Colombia and was supported in the ECLA document, as the first recommendation proposed by the Preparatory Group of "outstanding Latin Americans."

In the subcommittee discussions, the United States delegation "expressed profound skepticism about the wisdom of theoretical targets, which are apt to lead to disillusionment and disappointment" (United States Department of Treasury, 1954, p. 11). At the suggestion of the Brazilian delegate, a group of eight delegations was formed to find a consensus. Satisfactory

language was found by replacing "target" with "increase" in the resolution supported unanimously on "increase of foreign investments in Latin America" (64/54).

In the same way, several other proposed resolutions were successfully modified through negotiations. However, the eight resolutions on which the United States delegation abstained revealed the distance which remained on several topics. Abstentions did not impede the approval of the resolutions; rejection required casting a negative vote. However, the United States delegation refrained from casting negative votes, responding to the admonition by President Dwight Eisenhower, previously quoted, expressed during the National Security Council meeting of 15 November 1954. President Eisenhower instructed the United States delegation: "There should be no... flat turn-downs, and on such cases the United States delegation should consult with Washington before reaching a decision." There was no need for such consultations because the United States delegation never cast a negative vote against any of the resolutions approved.

The abstentions, however, were revealing. Under the subject of international trade, the United States delegation abstained on three resolutions on commodity prices. The first was titled "establishment of a system of consultation in case of serious economic conditions caused by fluctuations in the prices or markets of basic products" (32/54). The second was "measures to reduce price fluctuations of basic products" (35/54). And the third was on "international trade: prices and markets" (36/54).

On these three resolutions, the United States delegation objected to consultations that were considered too extensive and inflexible. Also, the principle of a critical level of prices was seen as administratively difficult and probably unworkable. Finally, on collaborating with the recently formed United Nations Commission on International Commodity Trade, the United States delegation recalled that it had opposed the creation of such a commission and "had not yet taken a position on whether it would participate in the work of the Commission, although it had been elected to membership" (United States Department of Treasury, 1964, p. 5).

On the subject of commercial policy the United States delegation cast only one abstention on a resolution proposed by the delegation from the Dominican Republic, titled "strengthening of American economic solidarity" (45/54), calling for equal access to markets and the removal of discriminatory practices. The United States delegation explained that "it was fully in accord with the principle of equitable treatment in international trade and the avoidance of discriminatory measures." It had to consider, however, "special commitments recognized by existing multilateral agreements," such as the special preferences accorded to Cuban products, particularly sugar, in the United States market (*Ibid.*, p. 7).

The delegation from Colombia presented a draft resolution titled "preparation of a multilateral agreement for the establishment of an entity to encourage and promote Inter-American cooperation in the fields of industrial technology and productivity" (48/54). The United States delegation abstained because "no new institution is required at this time to carry out the objective" (*Ibid.*, p. 10).

On the topic of development finance, one of the proposals which enjoyed wide support among Latin American delegations was to study the creation of an Inter-American lending institution. The proposal was presented in different forms by the delegations of Chile, Colombia, Cuba, Ecuador and Haiti. It was supported in ECLA's document and was one of the recommendations of the Preparatory Group "of outstanding Latin Americans." In abstaining, the

United States delegation said a new institution was “not needed” and would refrain from “participating in a study directed at its establishment” (Ibid., p. 12). The approved resolution was titled “study of a plan for an Inter-American financial organization” (62/54). It created a committee of experts consisting of representatives of nine central banks and the Secretariat of ECLA to draft such a plan and submit it to the members of the OAS.

Finally, the United States delegation abstained on a resolution titled “consultation and cooperation among the central banks of the American countries in order to deal with temporary difficulties in their balance of payments” (66/54). This resolution was presented by the Delegation of Colombia and also proposed an increase in national quotas at the International Monetary Fund (IMF). The United States delegation abstained because it had to consult the Federal Reserve System and it was not prepared to consider an increase in its IMF quota (Ibid., p. 14).

As previously mentioned, the last three plenary sessions, between 30 November and 2 December were dedicated to the approval of the resolutions elevated by the working committees. The closing session also approved a final declaration which expressed satisfaction about the proceedings and optimism about future meetings. The declaration stated:

“We are convinced that the results of this economic conference justify holding others of the same kind, and furthermore, that the progress which we have here jointly achieved augurs that this Meeting will be the first of a series in which at regular intervals the American Republics meet together to weigh the progress which they have achieved separately and collectively...” (United States Department of Treasury, 1954, p.18).

At the closing ceremony, Mexico’s Secretary of Finance Antonio Carrillo Flores expressed the appreciation of all the delegations to the Government of Brazil for hosting the conference. The Brazilian Finance Minister Eugenio Gudin delivered the closing address.

D. Epilogue

Despite the fact that neither the Latin American delegations nor the United States delegation were able to accomplish all their intended objectives, as mentioned, the Quitandinha Conference concluded with a note of satisfaction and optimism.

All the delegations supported the final declaration, saying “We leave this conference with the satisfaction of having proved that the American nations here represented are in complete agreement as regards their great objectives in the economic field.” This was followed by a recognition of differences, saying “naturally, in analyzing the means for obtaining the goal which we are unanimously seeking there were differing points of view as to the most adequate measures for reaching the common objective...” (United States Department of Treasury, 1954, p. 17).

Perhaps one outstanding feature of the proceedings was that throughout the conference no attempt was made to isolate the United States delegation. As recognized in the United States final Report, “Notwithstanding the inability of the United States Delegation to agree to some of the proposals advanced by the Latin American delegations, there was recognition of the fact that the United States had gone a considerable distance to meet their viewpoint” (Ibid., p. 17).

In this sense, abstentions offered some relief from the pressure to agree on every issue, without hindering the adoption of the decision by those who were in agreement. This contributed to a positive environment, as evidenced in the following dispatch, sent to the Secretary of State in Washington from United States delegate Hoover in Quitandinha, on the conference evolution: "Progress at the Rio conference continues favorable. Comment on United States policies by majority Latin American delegations stresses particularly our cooperative and sympathetic approach to their problems. As we come to closing days of meeting, atmosphere is friendly, appreciative of our position, and has definitively improved throughout conference" (FRUS 1952–1954, Vol. IV, Doc. 94).

Finally, for ECLA the conference provided an outstanding degree of recognition, reflected in its direct involvement in the hemispheric decision-making process on economic issues, giving it a seat at the negotiating table.

Evidence of such recognition was provided, of all sources, by Treasury Secretary Humphrey himself, in the briefing he presented to the Cabinet in Washington on the results of the Quitandinha Conference. In attendance were President Eisenhower, Vice President Nixon, Secretary Dulles, other Cabinet members and representatives from other agencies (FRUS 1952–1954, Vol. IV, Doc. 96).

Secretary Humphrey "pointed out particularly for the benefit of Cabinet members who might have to face the question that the United State effort got off to a bad start by virtue of rumors that the Administration was seriously divided on being generous or restrictive, and by the extremist opinions expressed by Rep Fulton and Sen. Smathers" (FRUS 1952–1954, Vol. 14, Doc. 96; Reference to the press conference granted by both congressmen, on 25 November quoted previously).

In closing, "Secretary Humphrey also pointed out that the proposal made by representatives of the United Nations Economic and Social Council for Latin America (sic) were overly extensive and most upsetting to satisfactory progress of the conference."

Judged by its results, the Quitandinha Conference disappointed those who were aiming at achieving a hemispheric-wide agreement on most of the agenda topics. It fell short from such a comprehensive goal. Rather, it can also be seen as a second act. The Caracas Conference was the first of an ongoing debate on hemispheric economic issues. What the conference revealed, as stated in the final declaration, were the differences which existed about the means to attain agreed objectives. It marked the beginning of a gradual and piecemeal decision-making process, which required profound changes in numerous domestic and regional circumstances, before yielding some of the expected results.

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IV. The road to Buenos Aires, 1955–1956

A. Introduction

The numerous postponements of the 1957 Buenos Aires Economic Conference, throughout a decade, were indicative of the distance which existed between the positions adopted at different meetings about Inter-American economic relations. A decade later, Albert O. Hirschman reviewing this experience, described Inter-American economic relations as “Out of Phase.” This phrase was the title of an essay Hirschman published in a special 1965 edition of the periodical *Encounter*, dedicated to “Rediscovering Latin America” (Hirschman, 1965). He even used the term in Spanish, “desencuentro,” to better characterize the state of those economic relations. Without mincing words, perhaps with a bit of hyperbole, Hirschman said “this permanent orgy of misinterpretation and misunderstanding was heightened by a disparity in thinking about economic development” (Ibid., p. 21).

B. United States preparatory activities

Evidence of this “desencuentro” stood out during early preliminary activities, led by the State Department, particularly at a meeting of the subcommittee charged with preparing the United States Position for the Buenos Aires Economic Conference, which was chaired by Assistant Secretary Holland (FRUS 1955–1957, Vol. VI, Doc. 136).

Participants in the 28 December 1955 meeting were from the Department of Agriculture, Commerce, Defense, Interior and Treasury, joined by representatives from the Export Import Bank, International Cooperation Administration (ICA), the Office of Defense Management (ODM) and the State Department.

After referring to the conference dates and their postponement, among other reasons due to the forthcoming United States elections in the fall of 1956, Chairman Holland urged all subcommittee members to read the "positions taken by the United States and Latin American reaction at the Meeting of Ministers of Finance or Economy, Rio de Janeiro (Quitandinha) November 22–December 2, 1954."

Chairman Holland said: "the positions we took at Rio were developed to counteract growing enthusiasm on the part of the Latin American countries for planned economies and for developing their resources through government assistance rather than through private initiative and private financing." He added,

"The United States program was discussed with other governments in advance of the Rio (Quitandinha) meeting. They were told that the United States was not prepared to encourage economic development by any of the following methods, which the Latin Americans were proposing: (1) large grants, (2) an inter-American Bank, (3) price stabilization schemes, (4) preferential trade arrangements

Instead, we would recommend: (1) expanded trade, (2) stimulation of private investment, (3) increased lending, especially by the Export-Import Bank, (4) consultation with interested governments regarding surplus disposal, and (5) gradual expansion of technical assistance activities" (Ibid.).

The key question was how much was accomplished thus far with the application of these policies. "Mr. Holland said that the results of these policies will be held up for scrutiny at the economic conference in Buenos Aires; if the policies have been successful, the maintenance of United States leadership in the Hemisphere will be promoted. It is therefore important that the Sub-Committee consider whether the policies are being carried out effectively and, if not, what should be done" (Ibid.).

Assistant Secretary Holland then positively described some results verified during his recent travel with representatives from several United States government agencies, from 17 November to 3 December 1955 to six Latin American capitals: Argentina, Bolivia, Chile, Colombia, Ecuador and Peru. One of the main points highlighted in the back-to-office report drafted by Assistant Secretary Holland was on the successful application of United States policies.

"A long term trend toward state controlled economies has been slowed and the private enterprise system enjoys respectability without precedent in my experience. Economists like Dr. Prebisch of the United Nations' Committee for Latin America (sic); government officials like (Carlos) Villaveces, Finance Minister of Colombia, who were in the past aggressive exponents of state socialism, talked to us in the terminology of private enterprise that one would expect from a United States official. Other government officials devoted to the socialistic philosophy like (Jaime) Nebot of Ecuador and (Jorge) Prat of Chile have left the scene" (FRUS 1955–1957, Vol. VI, Doc. 76).

Reviewing this success, at the 28 December 1955 meeting,

"Mr. Holland stated that our performance on trade has been good. We have successfully resisted all attempts to impose tariff or quota restrictions on Latin American products. We have also made substantial progress in stimulating private investment. The record in public lending was very good up to the beginning of this

fiscal year, but since that time has slowed down, and a positive stimulus may be needed. He added that it may be necessary actively to promote loans in Latin America in order to establish a record of satisfactory progress. Failing such progress our Government will be faced with a political problem at Buenos Aires" (FRUS 1955–1957, Vol. VI, Doc. 136).

Nonetheless, the date for the Buenos Aires Conference was postponed again until August 1957. Meanwhile, on the road to the Buenos Aires Economic Conference several changes took place which could be perceived as indicative that the United States position could be modified.

Most of these changes consisted of departures of key personnel, including a few political appointees, who had held quite rigid negotiating stances, described as "restrictive," such as "no general aid programs, no soft loans and no new lending agencies." Instead, private investment was favored as opposed to so-called state socialism alternatives. These personnel changes were premonitory of relatively more transcendent transformations generated by subsequent, more profound events.

By the end of 1956, no new dates had been agreed for holding the Buenos Aires Conference. During this waiting period, on 13 September 1956, Assistant Secretary of State for Inter-American Affairs Henry F. Holland, who was also Chairman of the Subcommittee on the Buenos Aires Economic Conference, tendered his resignation and left the State Department. Unfortunately, in the documentation reviewed no explanation was found for his resignation. His successor and friend R. Richard Rubottom, in his memoirs, provided an explanation for Holland's departure. Rubottom says Holland "simply could not afford financially to remain in government" (Rubottom and Williams, 2011, p. 97). The departure was significant because, since his appointment on 23 January 1953, Mr. Holland was Secretary Foster Dulles right-hand person on inter-American affairs. Furthermore, in the State Department he was one of the main supporters of the restrictive policies which were generating the "desencuentro" with the Latin American governments.

Henry F. Holland's experience in Latin America was influenced by his birth in 1912 at the border city of Brownsville, Texas. Although he graduated from high school at the Sewanee Military Academy, in Sewanee, Tennessee, and attended University of the South, also located in Sewanee, he returned to Austin, where he graduated from the University of Texas School of Law. In 1942, Mr. Holland joined the United States Foreign Service as an auxiliary and was sent to Mexico to serve in the Board of Economic Warfare blacklisting companies involved in business transactions with the Axis Powers. In 1945, the Holland family returned to Texas, where Holland practiced law at the firm Baker Botts, in Houston. In January 1953, President Eisenhower appointed Henry Holland to serve as Assistant Secretary of State for Inter-American Affairs, under Secretary of State John Foster Dulles.

After almost three years at the State Department, on his departure in September 1956, Mr. Holland returned to practicing law in New York City, where he established his own law firm Roberts & Holland and specialized in advising United States corporations on their Latin American activities (*The New York Times*, 1962; *Greenwich Time*, 2016).

For instance, a researcher working on a book on development in Argentina and Brazil found a document in Spanish, authored by Holland, as representative of United States oil companies, titled "Sugerencias para un programa para fomentar inversiones internacionales." The

document was addressed, on April 1958, to incoming Argentine President elect Arturo Frondizi and also contained "a draft text for Frondizi of a speech outlining a more positive policy toward foreign investment and a list of suggestions to encourage international investment" (Sikkink, 1991, p. 95, fn. 69).

Preparations for the postponed economic conference resumed in haste, on 23 May 1957, because 15 August was agreed as the new date for holding the economic conference in Buenos Aires. Now, the Subcommittee on the Economic Conference was presided by the new Acting Assistant Secretary of State for Inter-American Affairs, Roy Rubottom, a career foreign service officer who succeeded Henry Holland. Rubottom was appointed on 15 May 1956 as Deputy Assistant Secretary; four months later, he was promoted to Acting Assistant Secretary on 14 September 1956. Despite his ample experience in Latin America and Spain, he became Assistant Secretary a year later, on 18 June 1957, after 99 pages of intense confirmation proceedings in the United States Senate (United States Congress, Senate Committee on Foreign Relations, 1957).

Rather than substantive issues, a procedural matter initially emerged as one of the main concerns which dominated the preliminary preparations for the Buenos Aires Economic Conference. As it was recalled, the agreement to convene the Conference in Buenos Aires was adopted by the Quitandinha Conference of 1954, where resolution 34 was approved by all the participants, including the United States delegation. The resolution requested from the Inter-American Economic and Social Council (IA-ECOSOC) the preparation of a draft of a General Inter-American Economic Agreement, which now figured prominently as the first item on the Buenos Aires Conference agenda.

Before the start of the preparatory activities, on 23 May 1957 at the request of the Treasury Department, Deputy Under Secretary of State C. Douglas Dillon and Assistant Secretary of State for Inter-American Affairs Roy Rubottom participated in a meeting at the Treasury Department on the Buenos Aires Economic Conference.(FRUS 1955-1957, Vol, VI, Doc. 137).

The meeting was hosted by Treasury Under Secretary for Monetary Affairs, Randolph W. Burgess; other Treasury staff members and a representative from the Department of Commerce were present. The purpose of the meeting was "orienting United States thinking in respect to the upcoming Buenos Aires economic conference and especially the first item on the agenda which has already been approved, viz., Inter-American Economic Agreement." One of the main points raised was that

"the Treasury Department still has very serious doubts as to whether we should undertake to negotiate with the Latin American governments on a text of the kind drafted by the Secretariat of the Pan American Union at the request of the Inter-American Economic and Social Council...It was agreed by all that it would be far easier from the United States point of view if any agreement could take the form of a Declaration rather than a treaty or executive agreement" (Ibid.).

At the meeting's conclusion, Assistant Secretary Rubottom said,

"I made it clear that the United States had already committed itself to take part in negotiations looking toward an agreement in some form and that we intended to approach the upcoming BA Conference with the most positive frame of mind and most constructive program possible, otherwise there was no point in attending the

Conference. I also indicated awareness of strong resistance in some branches of the Executive to this, or any other type of agreement with the Latin American governments while, at the same time, we were not objecting to the European common market and other regional approaches to problems which were just as severe for Latin America as they were for any other area of the world. Therefore, the United States could not adopt a completely negative attitude with respect to discussing, at least, the subject matter included in this draft agreement.

All of those present are aware of the need for giving this matter urgent consideration and I said that I would call a meeting of the CFEP [Council on Foreign Economic Policy] Sub-Committee (on the Buenos Aires Conference) for some time next week" (Ibid.).

The Subcommittee meeting was held on 28 May 1957, with the participation of several agencies. Chaired by Assistant Secretary Rubottom, 21 persons were present at the meeting representing the departments of Agriculture, Commerce, Defense, Interior and Treasury, as well as the Export-Import Bank, the International Cooperation Administration and the Office of Defense Management (FRUS 1955-1957, Vol. VI, Doc. 138).

The first item on the agenda was the proposed General Inter-American Economic Agreement. As described by Chairman Rubottom, "the Council (IA-ECOSOC) was unable to reach accord on a text and turned the work of preparing the draft over to the (OAS) Secretariat." Secretary Rubottom added, "many of the provisions of the present draft are clearly unacceptable to the United States Government and also may not have the support of other governments. At the same time, the United States has a firm commitment to consider an inter-American economic agreement of some sort."

However, as described by Mr. Rubottom, there were

"various forms which an economic agreement might take, and there are at least three possibilities, i.e., (1) an executive agreement, (2) a treaty to be submitted to the Senate for consent to ratification (or it could be an agreement for approval by joint resolution of both Houses of Congress), or (3) a declaration of principles which would have the status merely of recommendations to governments. Decision as to the form which the agreement should take will depend on the type of document which is developed in the course of negotiations" (Ibid.).

Assistant Secretary of State for Economic Affairs Thorsten Kalijarvi

"doubted that the Senate Foreign Relations Committee would give serious consideration to an agreement of the type circulated. It dislikes vague commitments, and the draft would have to be much more concrete and specific if treaty form is to be considered. Also, the agreement is unbalanced. It calls for many concessions from the United States and very little from the Latin American countries. A one-sided proposal is not likely to be approved by the Senate" (Ibid.).

There were also more recent obstacles, "Mr. Kalijarvi added that United States trade policy is likely to come under attack at Buenos Aires. In the past week we have agreed to raise taxes on imports of lead and zinc and imposed restrictive quotas on woolen textiles and linen toweling" (Ibid.).

In addition,

"Mr. Rubottom said the United States was failing to live up to commitments made at the Rio Conference in at least two respects. We had undertaken to keep our markets open to Latin American products, and the new lead-zinc duties would hurt several Latin American countries. Also, we had announced at Rio the establishment of an International Finance Corporation which would help these countries finance their economic development. After two years, not a single loan has been made" (Ibid.).

On tactical matters, "Mr. Rubottom agreed that the United States need not be on the defensive. He thought the United States platform at Buenos Aires should be the same as at Rio—a strong presentation of the benefits of private investment and free private enterprise." However, "if the Council (IA-ECOSOC) does not produce a draft which we regard as suitable for negotiation at Buenos Aires and possible submission to the Senate, the Committee can then recommend that the objective be changed from a treaty to a declaration of principles. The latter could be our second line of defense" (Ibid.).

Even so, internally there was a recognition that the United States delegation could find itself on the defensive in Buenos Aires. Assistant Secretary Rubottom sent an alert about this possibility (FRUS 1955–1957, Vol. VI, Doc. 139).

In a memorandum Mr. Rubottom started saying

"At the Buenos Aires Economic Conference, which begins August 15, 1957, we can, I believe, expect to have a difficult task of negotiations due to the continuing impossibility of our acceding to Latin American demands for money and measures that they say they need for their economic development.

One of the most insistent of these demands is that for more United States public capital. Time and again, for example, the Latin Americans have proposed an inter-American bank. Our position has been and is that the existing international lending institutions are adequate.

At the Rio Economic Conference in 1954 we used our participation in the International Finance Corporation [IFC] as an example, along with the Export-Import Bank and the IBRD, to demonstrate the scope and adequacy of lending institutions already available or to be available to the Latin Americans.

The IFC has not as yet, I understand, taken final action on any of the loan applications which it has received. All of the Latin American countries, except one, are eligible to request IFC loans, and those countries have already submitted some twenty-five applications.

To demonstrate at Buenos Aires the persuasiveness of our position on the adequacy of existing lending institutions, it would be highly desirable for the IFC to take action on at least some of the Latin American applications before the Buenos Aires Conference begins.

We are not advocating favorable action on any particular application or applications. We would simply urge that, because of the Buenos Aires Conference, the IFC now complete as soon as possible its processing of the applications from Latin America so

that any of them which merit favorable action might be announced prior to August 15" (Ibid.).

The memorandum concluded with the following recommendation "Presumably the most effective way of seeking to accomplish this objective would be to discuss the foregoing frankly with Mr. Robert L. Garner, President of the IFC" (Ibid.).

Aware of this vulnerability in the United States position, on 19 June 1957, Assistant Secretary Rubottom sent a memorandum to Secretary of State Dulles recommending that he should plan to visit Buenos Aires during the Economic Conference, "to dramatize the interest in which Latin America is held at the highest level." He also proposed that the trip include brief stopovers in Bolivia, Brazil, Chile, Paraguay and Uruguay, countries which the Secretary had not yet visited, for the purpose of strengthening United States relations with them.

On 22 June, Rubottom sent another memorandum to the Secretary, suggesting an itinerary arranged to enable him "to be in Washington until Congress adjourns and to reach Buenos Aires before the Economic Conference terminates." These memoranda were returned to Rubottom under cover of a note from Joseph N. Green, Jr., of the Executive Secretariat, dated 26 June, which reads: "The Secretary does not feel that he can now plan to make this trip" (FRUS 1955-1957, Vol. VI, Doc. 140. Although no reason was given for the refusal to make the proposed trip, since November 1956, it was known that Secretary Dulles was diagnosed with cancer (https://en.wikipedia.org/wiki/John_Foster_Dulles).

In addition, on 29 May 1957 Treasury Secretary George M. Humphrey submitted his letter of resignation to President Eisenhower, "because of the illness and recent retirement from business of one of my former partners..." The next day, the President accepted the resignation with gratitude for Secretary Humphrey's service and sent to the Senate for confirmation the designation of Robert M. Anderson as successor (Humphrey, 1965, pp. 603-606). Secretary Humphrey's involvement in Latin American affairs was brief but quite relevant. As head of the United States delegation to the 1954 economic conference in Quitandinha, Brazil, he stated clearly the preference for private foreign investment, instead of official lending, favoring what he had characterized as "restrictionist," as opposed to "generous," development assistance policies. In addition to this major contribution, he was also known for his preference for "dictators," in the fight against Communism in Latin America and for the designation of businessmen as ambassadors from the United States to the Latin American governments.

On 29 July 1957, Robert M. Anderson became the new Treasury Secretary until 20 January 1961, the day of the inauguration of President John F. Kennedy. An excerpt from the United States Treasury website illustrates the new Secretary's influential position.

"He was financially conservative, standing behind the Eisenhower Administration's desire to pare down the size of the Government and balance the budget in order to cut inflation and invigorate private enterprise. He believed that the Government could be run more efficiently by adopting the policies and practices of private business. Upon the retirement of Secretary of State John Foster Dulles in 1959, Anderson became the Cabinet "strongman." He fought for a reduction in the United States trade deficit, insisting that the Allies remove their quotas against the importation of American goods and assume a greater share of the cost of defending their territories. Though he left office in 1961 and returned to private business,

Anderson remained an important economic advisor to Presidents John F. Kennedy and Lyndon B. Johnson" (United States Department of Treasury, n.d).

Meanwhile, preparations for the participation in the Buenos Aires Economic Conference continued. On 28 June 1957, a meeting at the State Department dealt with the logistics of United States participation (FRUS 1955–1957, Vol. VI, Doc. 141).

Chaired by the Deputy Under Secretary of State for Economic Affairs C. Douglas Dillon, the meeting participants agreed "it will be decidedly advantageous for Mr. Anderson to attend the Conference, and it would be desirable for him to be there for 4 or 5 working days." However, throughout the conference, "Mr. Dillon said that, at the suggestion of Secretary Dulles, Mr. (Randolph W.) Burgess (Under Secretary of the Treasury for Monetary Affairs) will supervise fiscal and monetary topics, and Mr. Dillon will be responsible for the other subjects." On the final Declaration, the consensus was as follows:

"Since it may not be possible for the Latin Americans and us to reach accord on a General Inter-American Economic Agreement, we may wish to suggest at the Conference that, instead of a treaty, convention, or agreement, the delegates prepare a declaration or resolution. Thus, we should have prepared in advance the text of a resolution to submit to the Conference at the proper time, if necessary. This draft should be prepared promptly in State. Its preparation should not be divulged to other agencies, except Treasury, for every precaution should be taken to guard against the Latin Americans' getting the erroneous impression that we do not intend seriously to negotiate for a General Agreement" (Ibid.).

To conclude, "Mr. Dillon stated that he will leave Washington on August 6, visit Lima and Santiago, and arrive in Buenos Aires on August 13. Mr. Dillon will use these stops partly to discuss Buenos Aires agenda topics with local officials."

On 24 July 1957, in a letter, Assistant Secretary Rubottom informed the Council on Foreign Economic Policy (CFEP) that the Subcommittee on the Buenos Aires Conference "is nearing completion of its deliberations...there is attached for consideration by the Council a brief memorandum about (a) the major issues which we expect to be discussed at the Conference and (b) the suggested position of the United States delegation on each" (FRUS 1955–1957, Vol. VI, Doc. 142).

The following summarizes the main points which appear under the titles and subtitles of the "brief memorandum" mentioned by Rubottom.

"Proposed General Inter-American Economic Agreement

Draft Agreement. A draft has been written in the Secretariat of the Inter-American Economic and Social Council, and, as might be expected, it contains much which is advocated by the consensus of Latin American states but which the United States does not accept. Some of the differences are on the choice of language or relatively minor topics. Some of the differences, however, are on subjects of major importance, such as price stabilization for Latin America's primary exports; price parities between Latin America's exports to and its imports from the US; for surplus disposal international agreements administered by intergovernmental agencies; the complete subjection of private foreign investment to local laws and constitutions (Calvo

Doctrine); taxation of income only in the country in which it is earned; lengthy, detailed stipulations on economic relations during emergencies.

United States Position. In view of the Caracas and Rio Resolutions and because of the importance many of the Latin Americans attach to an Economic Agreement, we plan to discuss the draft earnestly at Buenos Aires. In preparation for such discussions we have already conveyed our tentative views on the entire text to the other American Governments. It is hoped that at the Conference United States-Latin American divergencies may be alleviated and general harmony maintained by accord on a shorter, more general document, possibly in the form of a resolution or declaration. We are drafting such a document (Ibid.).

Economic Development

Financing. Many Latin American officials have long and vigorously demanded a larger share of United States public capital going to foreign countries, and at Buenos Aires they will, no doubt, reiterate past proposals for some kind of inter-American fund or credit institution.

United States Position. Private capital, domestic and foreign, should be the primary source of development financing; the Latin American countries should strive to improve their investment climate by such means as curbing inflation, achieving monetary stability, mobilizing domestic savings, encouraging private enterprise; the United States strongly supports bilateral tax agreements to eliminate tax obstacles to the formation and flow of capital. The United States has a broad and positive policy toward public investment in Latin American economic development. A new institution is not necessary; the Export-Import Bank, the IBRD, and the IFC can meet all demands for ordinary, conventional dollar loans. The Smathers' Fund, PL-480 lending, and the new Development Loan Fund are additional sources of public financing. Because of the limited resources of the Fund, however, it will be generally necessary to relate its loans to the relative priority needs on a world-wide basis (Ibid.).

Foreign Trade

Regional Market. The Latin Americans are expected to suggest, and to ask for United States concurrence in, regional markets, free trade areas, or regional trade agreements as ways of promoting economic development.

United States Position. When specific proposals are made, the United States will examine each on its merits.

Prices and Parities. The Latin Americans will probably renew requests for United States cooperation in schemes (for example, commodity agreements) (a) to "stabilize" prices for primary Latin American exports and (b) to insure a "fair and equitable" relationship between the prices of Latin America's exports and imports.

United States Position. The United States is opposed to such schemes. The United States does not, in general, favor international commodity agreements (wheat and sugar are exceptions) but will consider with other governments commodity problems on an ad hoc basis and will continue to participate in international study groups (such as the existing groups for cotton and rubber) for which there is an established and

continuing need. Means to moderate price instability are diversification of Latin American economies, for which the United States provides technical and financial assistance, and the maintenance of a high and rising level of economic activity in the United States which is United States policy and which facilitates a profitable market for Latin American exports.

Trade Policy. A large number of Latin Americans are painfully aware of United States actions adversely affecting their export sales, and a troublesome issue will be actual or potential United States restrictions on imports (such as wool tops, tung oil, lead and zinc, petroleum).

United States Position. Despite aberrations emphasis can be given to (a) the continued basic liberal trade policy of the United States (reciprocal, gradual, selective reduction of tariffs and other barriers) and (b) low or non-existent United States duties on major Latin American exports.

Surplus Disposal. Latin American countries have complained of United States surplus disposal practices and policies, and this question may arise.

United States Position. The United States continues to seek orderly disposals that do not disrupt normal markets. Encourage delegations of countries that have benefitted from PL-480 transactions to make statements offsetting adverse comments. Point out the good United States record on PL-480 consultations to safeguard usual marketing of other countries, and cite the economic development benefits of PL-480 loans.

Technical Assistance

OAS Program. The Secretariat of the Organization of American States (OAS) has prepared a number of recommendations, perhaps the most important of which call for making the OAS technical assistance program 'permanent' and with 'compulsory' contributions (the United States contributes 70 percent).

United States Position. The United States cannot agree to a 'permanent' program (we consider it a 'continuing' activity) or to compulsory contributions, although we believe the Secretariat's recommendations require further study" (FRUS 1955-1957, Vol. VI, Doc. 142).

Ten days before the start of the conference, scheduled for 15 August, the Secretaries of State and Treasury sent a joint memorandum to the White House describing several details about the United States delegation, some of the most salient issues and expected results (FRUS 1955-1957, Vol. VI, Doc. 144).

Secretaries Anderson and Dulles highlighted several subjects to be discussed at the Conference, as follows:

"One of the most significant and controversial items on the agenda will be discussion of the text of a General Inter-American Economic Agreement, in the form of a treaty. We plan to negotiate for a treaty in good faith, since we are committed to do so by earlier inter-American resolutions. However, because of basic differences between our policy and that of several other Latin American countries on key economic issues, there is serious doubt that agreement on a treaty at Buenos Aires will be possible. In

this case, further negotiation might be scheduled for the next suitable inter-American conference, or agreement might be reached on a non-binding Declaration as a substitute for the treaty. Either result would be satisfactory to the United States, since an economic treaty is not necessary to further our objectives in Latin America.

The Latin American delegations may press us very strongly to endorse the establishment of a new financial institution in the Western Hemisphere in which the United States would participate. Our Delegation would have to oppose any such effort and abstain from any resolution along this line.

With respect to trade, the Delegation will support principles looking toward greater freedom of international trade. However, we must recognize that our announcements regarding restrictions on petroleum and tung oil and our proposals to raise the tariff on lead and zinc will be factors adverse to us on this issue at the Conference" (Ibid.).

Also attached to the memorandum was a summary of the subjects for discussion at the Buenos Aires Economic Conference, which reproduced most of the points presented by Assistant Secretary Rubottom's letter of 24 July to the CFEP, previously quoted, with one exception on the topic of "regional trade."

Secretaries Anderson and Dulles described the United States position in more detail, saying "The key matters on which the United States is likely to find itself in disagreement with Latin American countries are:

(1) Regional trade. The Latin American countries may ask our support for new discriminatory trade arrangements among Latin American areas which do not meet the standards of the "common market" arrangements we have supported in Western Europe. Our position will be that we cannot endorse new blanket exceptions from our established most-favored-nation policies but will consider on their economic merits, as we have in the past, any concrete proposals which may be put forward in the future."

This clarification of the United States position was crucial because, as will be described later, the topic of intraregional trade agreements between the Latin American countries became the subject of specific consultations between the United States delegation and the ECLA Secretariat.

The presentation of this memorandum to President Dwight Eisenhower by the Secretaries of State and Treasury culminated the process of preparation of the United States position for the Buenos Aires Economic Conference.

C. The role of the Economic Commission for Latin America

By contrast with the place among the central protagonists, which ECLA occupied at the Quitandinha Conference of 1954, the Commission's role in the Buenos Aires Economic Conference was less comprehensive and was more focused on the specific issue of economic integration. Instead of providing the basic negotiating document, as it had done in Quitandinha, the pivot for the negotiations in Buenos Aires was provided by the projected General Inter-American Economic Agreement, drafted by the Secretariat of the Inter-American Economic and Social Council (IA-ECOSOC) of the Organization of American States (OAS). Also, the negotiations

concerning the agenda of the Buenos Aires Conference were held by the government delegations at the same IA-ECOSOC Washington venue.

True, the projected Buenos Aires General Agreement contained most of the issues discussed at Quitandinha, but the difference was the economic conference aspired to accomplish the more ambitious objective of a comprehensive agreement on Inter-American economic relations. In this context, while the ECLA Secretariat supported this comprehensive objective, its role was more focused on raising the saliency of intra-regional trade relations.

The subject of economic integration among the Latin American countries was one of the three "main areas" initially identified by Raul Prebisch as the "practical mission" of ECLA. The first two areas were economic development and the identification of regional economic events and trends and the third was international trade, including trade relations with what Prebisch called "the great industrial countries" and intra-regional trade in Latin America. On this last issue, Prebisch asked a key question, "what factors were responsible for the failure" of trade agreements among the Latin American countries and proposed, as one of the Secretariat's tasks, to analyze "the causes which have obstructed and continue to obstruct" intra-regional trade. These areas of work were enumerated in an "oral statement" Prebisch presented to the first meeting of the Commission's Committee of the Whole, held in Santiago, Chile on 11 February 1952. The statement is transcribed verbatim (Prebisch, 1952, pp. 23–29).

Since then, the Secretariat of ECLA had dedicated some efforts to decipher the enigma posed by the "failure" of Latin American intra-regional trade agreements, which contrasted with the relatively sharper focus the Secretariat had placed on the other tasks including national studies, data gathering and trend identification, together with trade relations between Latin America and the industrialized countries. Even so, the Commission's third session, held in Montevideo in June 1950, instructed the Secretariat to carry out studies on how to increase intraregional trade (ECLA, 1950, p. 50).

Nonetheless, rather than waiting for the answer to the enigma of "inter-regional trade," the following year, at the ECLA 1951 fourth session in Mexico City, the decision was adopted to launch what became the process of economic integration among five smaller economies of the Central American Isthmus. Therefore, simultaneously with the studies undertaken by the Secretariat, the search for answers to the enigma started in the field, in the Central American microcosm, under the direction of the recently created ECLA Mexico Office. Central America thus became a testing ground for the ECLA initial proposals on economic integration.

Four years later, at the ECLA sixth session held in Bogota, Colombia in September 1955, the consultations on trade culminated with the presentation to the member governments of the Secretariat preliminary version of a *Study of Interlatinamerican Trade* (ECLA, 1955A, pp. 14–15). The study included statistics on trade and payments, with an annex on maritime transport in South America. This led to the approval of a resolution creating a Trade Committee as a permanent organ of the Commission, with intraregional trade relations at the top of its mandate (ECLA, 1955B).

The resolution adopted by Bogota's sixth session, creating the Trade Committee, on "Intensification of Inter-Latin American Trade and Creation of a Trade Committee," imposed a tight schedule on the functioning of this new organ created within the Commission (ECLA, 1955B). Its purpose was described as

"intensifying inter-Latin American trade –without prejudice to the expansion of trade with other regions and mindful of the fundamental necessity of increasing overall world trade—through a solution of the practical problems which hamper or delay such trade and the preparation of bases to facilitate trade negotiations."

The Commission's Secretariat was instructed to convoke the first meeting of the Trade Committee "as soon as possible" and to provide to the member governments "the agenda and background documents for the meeting not less than 30 days previously." The first meeting was convoked to be held at the Commission's headquarters, in Santiago, Chile, from 19 to 29 November 1956.

As mentioned, the preliminary document for the Trade Committee meeting, the Study of Interlatinamerican Trade, had been presented the previous year to the member governments at the ECLA sixth session, in September 1955 in Bogota.. A summary of the document can be found in the statement made by Executive Secretary Prebisch at the Trade Committee's inaugural meeting, on 19 November 1956 (Prebisch, 1956).

To begin, Prebisch says the Committee's first meeting provides an opportunity to "sum up the basic ideas which ECLA has gradually evolved" on the subject of "foreign trade... envisaged not as an end in itself, but as an efficacious and dynamic instrument for promoting the economic development of the countries of this region" (Ibid., p. 61). The next section refers to what are characterized as "misconceptions relating to foreign trade." The first one is that "there is no incompatibility between thriving foreign trade and industrialization." Neither does "encouraging inter-Latin-American trade conflict with traditional ways of expanding foreign trade."

Development is achieved by "assimilating modern techniques... directed towards an increase in productivity and an improved standard of living." For this purpose, there must be a "dynamic equilibrium between primary production and industrialization." In this context, "there is no conflict between industry... and agriculture... the success of a satisfactory economic policy lies in respecting this balanced relationship." However, both "forced industrialization and inadequate industrialization" should be avoided. If a dynamic equilibrium between them is not achieved, increases in productivity "cannot be retained in the country by means of a rise in wages." If industrialization is not "in line... with the dynamic equilibrium... technical progress in export activities will tend to be reflected in a relative decline in the prices of exports." Therefore, "the terms of trade, and especially relative wages between the countries of the periphery of the world economy—which include those of Latin America—and the great industrial centres, will tend to deteriorate" (Ibid., p. 66).

On the relationship between industrialization and foreign trade,

"In most of the Latin American countries... exports tend to increase less intensively than import requirements. Consequently, without an import substitution policy, no country can hope to attain a rate of development consonant with the growth of its population, its spirit of enterprise and its availabilities of natural resources. [Furthermore,] there is no reason why foreign trade should decrease. There will be no reduction in the volume of Latin America's imports from the industrial centres; there will simply be a change in the composition of these imports (Ibid., p. 67).

[The same applies to] the expansion of inter-Latin-American trade...There are many who fear that if the countries of this region arrive at a satisfactory formula for trade in

industrial products, Latin America's world trade may be unfavourably affected... there is no reason why it should prove detrimental to trade with the great centres; it will be a further factor contributing to the change in the composition, but will not influence the total volume, of foreign trade transactions" (Ibid., p. 68).

This conclusion leads to addressing the rather more controversial issue of "customs protection."

[First,] "it is inconceivable –with few exceptions–that industry in general should be able to develop in these countries (in process of development) without customs protection. If such protection is kept within reasonable bounds, it is not anti-economic, since it enables productive occupation to be found for those who can no longer be employed in primary production and in artisan activity... The success of an economic policy... consists in the selection of those industries where the combination of natural resources with other favorable conditions results in a productivity differing as little as possible from that of industry in the large centres" (Ibid., p. 69).

However, "one of the negative aspects of Latin America's industrialization" is that among the countries of the region

"A series of watertight compartments is being formed... In many cases protective measures, necessary as they are to a reasonable degree, are producing exaggerated effects... Sometimes it goes too far... especially when it takes the form of exchange licenses and import permits which sometimes set up veritable monopolies... In such cases, despite the inadequate size of the market, no strong incentives to the creation of a common market arise" (Ibid., pp. 70–71).

Another question was posed by "bilateral agreements." For instance,

"in the disaster which overtook the world economy in the thirties, at the time of the great depression, the bilateral agreements which came into use among the Latin American countries... frequently achieved their aim of protecting trade from the depressive trends prevailing in international commerce. They are no longer useful when they are employed as an active instrument for economic expansion... are not dynamic instruments, since they are too narrow to meet current needs... (p. 72).

Therefore, if the trend towards industrialization in watertight compartments is to be checked, it will be necessary not only to reconstruct the bilateral agreements on progressively broader basis, in order to extend their sphere of operation to more than two countries, but also to revise customs and exchange policies in their entirety, inasmuch as these have created obstacles to inter-Latin-American trade" (p. 73).

After these contextual remarks, on "the idea of the common market," Prebisch said "broadly conceived devices for the economic rapprochement of the Latin American countries have failed because they were over-ambitious, and aimed at regulating all trade relations between two countries or groups of countries." Therefore, he points to the "possibility of concluding more limited agreements... before seeking a solution for all the problems concerned... an attempt might be made to establish, on the basis of limited schedules, certain formulae for industrial reciprocity... Perhaps the right time has now come to raise the problem of the common market for certain products" (p. 73).

However, there were “serious obstacles” even for this less-ambitious proposal of “concluding more limited agreements” based on “industrial reciprocity.” Among them, Prebisch first mentioned “the problem of convertible currencies... inasmuch as many of the countries of the region are affected by the same basic difficulty—the shortage of convertible foreign exchange.”

Concluding the remarks with a call for “devising new formulae,” Prebisch contrasted the Western European “progressive economic integration” with the Latin American countries “splitting up the fertile field of their economy into a series of industrial microcosms of precarious productivity.”

In fact, the Western European process of economic integration at the time was frequently invoked as an example and sometimes also as a concern. For instance, to culminate a set of activities started in 1952, a few weeks before the first meeting of the Trade Committee, the Commission’s Secretariat organized, with the United Nations Technical Assistance Administration, the Brazilian Government and the Brazilian Association of Metals, an Inter-American Meeting of Experts on the Iron and Steel Making and Transforming Industries, held in Sao Paulo, Brazil, from 15 to 28 October 1956 (ECLA, 1956).

Other hurdles were identified at the start of the discussions on regional integration. Among the most prominent was that not all Latin American countries belonged to the General Agreement on Tariffs and Trade (GATT), which was promoted by the United States as a substitute agreement, after the Havana Conference of 1948 failed to achieve a more comprehensive post-war ambition to regulate world trade.

At the time of the Commission’s sixth session of 1955, in Bogota, only eight out of 20 Latin American governments were members of GATT. Four had signed the original agreement, Brazil, Chile, Cuba and Haiti, while the Dominican Republic, Nicaragua, Peru and Uruguay joined afterwards. At the Bogota meeting, Jean Royer, a representative from GATT, reminded the delegations that members of GATT were bound by the rules on economic integration schemes, contained in Article XXIV of the General Agreement, whereby participation in a process which entails exceptions to the most favored nation principle required the approval of GATT members. He said, “should the Committee adopt the measure of creating a regional commodities market, the matter should be placed before this organization so that the necessary authorization might be obtained, as had been the case of the European Coal and Steel Community and in that of the Free Trade Agreement between El Salvador and Nicaragua” (Royer, 1955, pp. 4–5; 1956, p. 24).

As will be described later, the enforcement of GATT’s Article XXIV became a key issue in the discussions on Latin American economic integration.

These and other issues were described and analyzed in a document prepared by the ECLA Secretariat, as requested by the Commission’s seventh session, held in La Paz, Bolivia, from 15 to 29 May 1957 (ECLA, 1957B). Resolution 117 (VII) said

“For purposes of information, the ECLA secretariat shall transmit to the secretariat of IA-ECOSOC for the aforesaid Economic Conference of the Organization of American States, and, in advance, to the Governments of the countries participating therein, a full report on the studies carried out, under way or scheduled up to that date in relation to the problem of payments and the possibility of creating a regional market

in Latin America, with a view to co-ordinating the efforts of ECLA and IA-ECOSOC and preventing the duplication of their activities."

A month before the Buenos Aires Conference, the document was distributed to the governments (ECLA, 1957B). This document was the subject of a conversation which took place in Buenos Aires between Under Secretary C. Douglas Dillon and Executive Secretary Raul Prebisch at the Alvear Palace Hotel.

Conversation at the Alvear Palace Hotel

As mentioned, Deputy Under Secretary of State for Economic Affairs C. Douglas Dillon departed Washington to Buenos Aires on 6 August with stopovers in Lima and Santiago. While in Santiago, Under Secretary Dillon did not meet with ECLA's Executive Secretary Raul Prebisch, but he did meet with the second in command, Louis Swenson (United States). Arrangements were made for Dillon and Prebisch to meet later in Buenos Aires, one day after the Economic Conference was inaugurated. Dillon and Prebisch met at the Alvear Palace Hotel, where some members of the United States delegation were staying. (The following is based on FRUS 1955-1957, Vol. VI, Doc. 145.)

Under Secretary Dillon was accompanied by John M. Leddy, Adviser to the United States delegation, and Raul Prebisch, identified as Secretary General of ECLA, was accompanied by Alfonso Santa Cruz, noted as Secretary of ECLA.

"[Mr. Dillon:] said that he had read ECLA's recent report entitled 'ECLA Activities Relating to Payments and a Regional Market in Latin America.' He had found the report very interesting and had been particularly pleased to note the stress which had been placed upon private enterprise and competition. He said that there had been some misunderstanding in Washington that the views of the ECLA secretariat with respect to regional trade agreements in Latin America anticipated a considerable degree of monopoly and state planning. In reading the report he had found that this was apparently not the intention.

[Dr. Prebisch:] stated emphatically that the ideas of the secretariat on developing a larger regional market in Latin America were strongly opposed to arrangements which would lead to monopoly. He said that the misunderstanding of which Mr. Dillon had spoken probably arose from the use of the phrase 'division of the market' in describing certain aspects of the proposals. If monopolies were allowed to develop, or regional trade were not fostered on a free enterprise basis, this would ruin the whole concept of the common market.

[Dr. Prebisch:] stated the idea of creating a common market for individual products in the field of capital goods or heavy durable consumer goods would be economically productive only if there were complete freedom of competition between industries in the countries participating in the plan. For example, if a common market were to be established for automobiles and tractors between, say, Brazil, Argentina and Chile, there would be complete freedom of decision by private enterprise to determine where the industries should be located. With respect to state trading, he said that the ECLA secretariat thought that there should be some form of inter-governmental technical assistance to new industry... but that the secretariat was opposed to any extension of state trading, which tended to be highly restrictive.

[Mr. Dillon:] then inquired as to the reason for approaching the common market on a selective commodity basis. He said that the United States believed that for regional arrangements to be truly productive it would probably be necessary to cover all commodities and sectors of the economy. He appreciated that it might not be possible to achieve a complete integration within a few years, but thought that it would be wise if regional arrangements were developed, to be sure that they envisaged full-scale integration as the end result of the process.

[Dr. Prebisch:] said the reason for confining the common market proposals to individual commodities and to capital goods industries which were not now in existence, was essentially political. He said that it would be extremely difficult for the Latin American countries to establish a common market for consumer goods of which there was existing production. On the other hand, if a beginning could be made for non-existing industry it might be possible to widen the arrangements to include existing industry at a later time.

[Dr. Prebisch:] confirmed the impression left by Mr. Swenson in Santiago earlier in the week that for the time being ECLA would be concentrating on progress toward the elimination of bilateral payments arrangements. Bilateral trade balancing agreements were presently the most important factor restricting inter-American trade and it would be necessary to achieve a degree of relaxation in this field before common market proposals could have much effect. He agreed that the multilateralization of inter-American payments would probably have to be accompanied by a greater degree of coordination of internal monetary and fiscal policies in the participating countries.

[Mr. Dillon:] The point was made to Dr. Prebisch that in considering proposals for market integration, the level of the external tariff was an important factor to be looked at, as well as the degree of internal integration contemplated.

[Dr. Prebisch:] said for tractors and automobiles, for example, the ECLA people were thinking that a rate as high as 30 to 40 per cent might be necessary. To the comment that this seemed a fairly stiff tariff, he replied that the Latin American countries already had even higher rates in existence as well as other forms of restriction; and that it would be expected that if a common market for the automotive industry were established, the 30–40 per cent tariff would be the only restriction on imports from the outside" (Ibid.).

The conversation at the Alvear Palace Hotel, as a whole, was fruitful. Some misunderstandings were clarified and differences did not appear insurmountable. How these would be dealt with at the time of applying them in practice remained to be seen.

D. The Buenos Aires Economic Conference, 15 August–3 September 1957

The main issue on the agenda in Buenos Aires was whether a binding, comprehensive agreement in the form of a treaty on Inter-American economic relations, would be approved by the participating delegations. Recognizing that there was a mandate to proceed in that direction,

which the United States delegation did not prefer, other alternatives were kept in store. Among these, the United States delegation had prepared a project of "declaration," which was called "alternative B."

The United States delegation's proposed position on this topic was described by Secretaries Anderson (Treasury) and Dulles (State) in their memorandum to President Eisenhower, previously quoted, as follows:

"We plan to negotiate for a treaty in good faith, since we are committed to do so by earlier inter-American resolutions. However, because of basic differences between our policy and that of several other Latin American countries on key economic issues, there is serious doubt that agreement on a treaty at Buenos Aires will be possible... agreement might be reached on a non-binding Declaration as a substitute for the treaty... result would be satisfactory to the United States, since an economic treaty is not necessary to further our objectives in Latin America" (FRUS 1955–1957, Vol. VI, Doc. 144).

An appraisal made in Washington, while the conference was proceeding in Buenos Aires, recognized the United States "position at the Conference has been made more difficult, first, by recent or imminent actions affecting certain important Latin American exports (petroleum, lead and zinc, tung oil, long staple cotton) and secondly, by the recent House action reducing the Economic Development and Technical Cooperation funds and eliminating the special regional fund for Latin America (Smathers Fund)" (FRUS 1955–1957, Vol. VI, Doc. 148).

Following the presentations of general statements by the delegations, almost a week after the Conference inauguration on 15 August, discussions on specific issues broke into committees; intense discussions on the projected treaty, or declaration, were held in Conference Committee I.

On 21 August, Assistant Secretary Roy Rubottom informed the Steering Committee of the United States delegation "that if we decided to do so, we could assemble enough votes at this time to decide on a resolution as against a treaty. Honduras, for example, does not want a treaty, and Paraguay will go along with us." Deputy Under Secretary Douglas Dillon "pointed out that no one is urging a treaty, and that Uruguay is the only country that might do so." But, "it was pointed out that the press in Buenos Aires and elsewhere (Uruguay) is taking the line that in the absence of a treaty the conference will be a failure" (FRUS 1955–1957, Vol. VI, Doc. 150).

However, it was not that simple. "In conversation with USDel on Wednesday, members of Brazilian delegation expressed strong interest in achievement of economic agreement in treaty form. As a result Dillon and Rubottom called on Brazilian Finance Minister (Jose Maria Alkmin) this afternoon to review situation re economic agreement" (FRUS 1955–1957, Vol. VI, Doc. 151).

The consultation was as follows:

"[Dillon:] outlined the United States views regarding difficulty reaching solid agreement on number of key topics which had been subject of controversy for many years. Welcomed Brazilian draft of July 31 as attempt to shorten and simplify agreement but pointed out it still contained number difficult points on which we felt agreement doubtful. Therefore, we had concluded would be necessary to go to even more general draft or possibly to declaration.

[Alkmin:] replied that Brazil felt there would be serious public reaction if conference was unable to reach agreement on some kind of economic treaty. He indicated Brazil has no strong feelings on content of treaty and would be glad to make it as general as necessary to reach overall agreement.

[Alkmin] further said he considered Mexicans and Uruguayans would be main obstacle to reaching agreement. He suggested United States and Brazilian delegations meet privately to go over new Brazilian draft introduced Tuesday to see if possible reach agreement, in which case he felt there was possibility other delegations might agree. He was particularly concerned that in no event should any responsibility for failure to reach definite agreement fall on Brazil.

[Beaulac:] We have reason believe Argentine delegation actively supporting Brazilian position that economic agreement must be signed here with very little concern as to what it contains. We feel it important to avoid to fullest extent possible reasonable basis for concluding that the United States responsible for failure to reach agreement. The United States has so far not distributed alternative B or shown it to other delegates. Debate in committees and outside discussions have now confirmed our conviction any agreement as ambitious as secretariat approach completely impossible. At same time it is clear that failure reach any agreement at all will be blamed on the United States unless we can demonstrate sincere effort try for agreement along lines alternative B."

Because Treasury Secretary Anderson had left Buenos Aires on 20 August, Deputy Under Secretary of State C. Douglas Dillon became the acting head of the United States delegation. Back in Washington on 23 August, Secretary Anderson presented a brief report on the ongoing Buenos Aires Conference at a Cabinet meeting, chaired by President Dwight Eisenhower (FRUS 1955–1957, Vol. VI, Doc. 152).

"[Secretary Anderson] noted the desire of small countries for some sort of economic treaty. Because of the opposition of larger countries, he believed the outcome would be some form of declaration not requiring Congressional approval. He noted the Latin American feeling of being stepchildren in the activity of the World Bank. Their desire for an Inter-American Bank was not shared by the Secretary, who believed that loans and existing mechanisms should be used. Mr. Anderson reported also the great interest in commodity agreements, a procedure which would be difficult for the United States. Of particular concern to Peru, Mexico, and Chile was our proposed action on lead and zinc, about which a sharp protest—only in small part for the record—would be forthcoming since the action might cause three million workers in Peru to be unemployed."

Back in Buenos Aires, consultations among the delegations continued particularly among the representatives of the bigger economies. On 23 August, the heads of the delegations of Brazil, Mexico and the United States met to discuss if the conference participants would approve a treaty or a declaration, considered "the basic problem facing the Conference" (FRUS 1955–1957, Vol. VI, Doc. 153).

The participants in the conversation were Minister of Finance Jose Maria Alkmin from Brazil, Treasury Secretary Antonio Carrillo Flores from Mexico and Deputy Under Secretary C. Douglas

Dillon from the United States. In this document, the comments from the participants are identified by country, not by name.

"[Brazil] stressed the importance of a treaty, but emphasized that it could not accept the provision with respect to just compensation in the event of expropriation of private property unless it was made clear that the Brazilian constitution was supreme in the matter of determining what constituted just compensation.

[Mexico] was, if anything, even stronger on this point. Both countries recognized that this created grave problems for the United States but Brazil particularly nevertheless hoped that a treaty could be formulated which would omit controversial items such as this one.

[United States] doubted that any agreement omitting an important element in the economic relations among the American States could properly be called a general economic agreement, and foresaw serious problems of ratification of such an instrument by the United States Senate, or indeed, by the legislatures of some other countries represented in the Conference, and would require deep study by Washington.

[Mexico] stated it believed a treaty was impracticable because of the nature of the differences of view on such matters as this one.

[United States] inquired just what was the reason for the belief on the part of some that it was necessary to have a treaty rather than a declaration.

[Brazil] stated, without much force or conviction, that there was a feeling that if a treaty did not emerge the Conference might be deemed to have failed—a declaration was a 'down-grading' of a treaty.

[United States] there was no use in our kidding ourselves. It was extremely difficult if not impossible to negotiate a meaningful treaty in this field... The United States Delegation distributed copies of United States Draft Alternative B, explaining that it represented our effort on the treaty side, and that it could quite easily be made into a declaration. The United States Delegation pointed out that such matters as the just compensation point could be handled, it was believed, satisfactorily to all concerned if it were a declaration rather than a treaty. It was also pointed out that, although the United States Alternative B draft contained no provision dealing with the problem of commodity price fluctuations, we were prepared to consider adding such a provision, which might be a modified form of Articles 11 and 15 of the latest Brazilian draft. (Minister Carrillo Flores knew from earlier discussions that we were thinking of a mild provision)" (Ibid.).

From there on, the memorandum describes the points on which consensus was achieved, as follows:

"There appeared to be general agreement that the practicable solution to the problem was a unanimous declaration of principles, with Brazil stressing the necessity of coming out of the Conference with at least that much. There was also discussion concerning the best way of handling the failure to arrive at a treaty from the public relations point of view. It was stressed by Mexico and Brazil that public statements

from now on should avoid high hopes or expressions of disappointment at the fact that a treaty might not emerge. Rather, it was believed that a failure of a treaty to emerge could be laid to pre-existing impersonal factors such as the constitutions of the various countries making it impossible for them to accept in treaty form certain kinds of commitments, rather than any new difficulties being created by the Conference itself. All acknowledged that the difficulties with which we were faced were of long standing" (Ibid.).

To conclude, the memorandum summarizes the consensus, as follows: "The desirability of close cooperation among the three delegations in Committee I and outside of that Committee, both in the consideration of the treaty draft and in the formulation of a declaration, was stressed by all. Mexico, Brazil and the United States Delegations would consider controversial matters separately for use in a declaration."

After there was agreement between these three major economies, their delegations proceeded to incorporate other delegations, as follows:

"Alkmin (Brazil) called (Adalberto) Krieger Vasena (Argentina, Conference host and chair) and got agreement to have a meeting... Five countries were represented at the meeting. Alvarez Restrepo (Colombia, Chairman of Committee I) reported to Krieger Vasena on Committee I meetings yesterday and today. Alkmin gave Krieger a copy of the draft resolution...Argentina, Brazil, Mexico, Colombia and the United States are to contact the other delegations this morning" (FRUS 1955–1957, Vol. VI, Doc. 158).

Subsequently, the process of obtaining approval from the other delegations proceeded, as follows:

"There will be a meeting of heads of delegations with Krieger Vasena. At that meeting 8 countries will know of the existence of the present United States-Brazilian-Mexican draft. Krieger will express the view that a treaty is not possible. Alkmin and Alvarez Restrepo will make statements. The group will adjourn for lunch and to allow time for the preparation of a draft resolution. The latter will be discussed at a 7:00 p.m. meeting of all the heads of delegations... A key problem is going to be the burial of the concept of a treaty."

On Saturday, 31 August,

"About seven hours were spent in two meetings with other Delegations on the Economic Resolution. Saturday night there was set up a draft committee composed of eight countries (United States, Mexico, Brazil, Argentina, Costa Rica, Ecuador, Bolivia and Uruguay). The drafting committee met for over four hours last night. There was unanimous agreement on the procedures to be followed, except for Uruguay's opposition and Costa Rica's misgivings" (FRUS 1955–1957, Vol. VI, Doc. 163).

The agreed "procedure is to prepare two documents: (1) the Declaration and (2) a Resolution referring the matter of a treaty to the COAS (Council of the Organization of American States). Last night Ecuador made a very helpful contribution in suggesting that the Resolution be a self-contained document, explaining why the treaty question is being referred to the COAS" (Ibid.).

At the same time, Committee I, where the project of treaty was discussed,

"completed its work of reviewing each article of the Secretariat's draft treaty. Mexico opposed four articles. Uruguay opposed one and entered an understanding regarding a second. There was, however, no vote on the document as a whole. The United States has submitted a written statement on each reservation that we had. It will be necessary to see the Committee report to verify that these statements actually appear in Committee's final report" (Ibid.).

In all, the United States delegation voted against nine articles.

On 3 September, the United States delegation informed the State Department by telegram: "the Conference unanimously approved the Economic Declaration of Buenos Aires at the final plenary session." The telegram reads in part:

"Following Mexican-Brazilian-United States agreement text presented heads other delegations over weekend by Argentine as own draft based on observations others. Four delegations plus strong support Colombia, Peru able hold revisions to minimum. Heads delegations also worked out, and approved tonight, resolutions sending articles of general economic agreement to Council of OAS for 'continuation of study' in consultation with IA-ECOSOC (Inter-American Economic and Social Council). Uruguayans, who initially strongly favored emphasis on continued negotiations agreement and opposed declaration, were finally brought around by Argentines and substantial unanimity other delegations. Believe these arrangements will pigeonhole treaty project for indefinite period" (FRUS 1955-1957, Vol. VI, Doc. 164).

On 4 September, President Dwight Eisenhower issued the following statement, from the United States Naval Base, Newport, Rhode Island, "praising the delegates to the Buenos Aires Economic Conference" for "reaching a large measure of agreement on the important economic problems confronting the American States" (FRUS 1955-1957, Vol. VI, Doc. 165).

E. The outcome

The previously mentioned numerous "reservations" and others not mentioned, were indicative of the impossibility of achieving consensus on a treaty. Even so, to avoid the impression that it had been impossible to come to an agreement, on the issue which had been built up as the main expected goal of the Buenos Aires Economic Conference, the solution was to transfer its discussion to the OAS Council.

Nonetheless, the fact that there was agreement on a non-binding declaration of principles and intentions facilitated the attainment of consensus, reducing the level of commitment and therefore the pressure on the delegations to arrive at obligatory agreements. But this outcome also indicated the persistence of those differences which separated the Latin American and the United States delegations, which were present at least four years earlier, since the Caracas, Venezuela and Quitandinha, Brazil conferences, both held in 1954.

A couple of relatively positive assessments of the Conference results were presented by members of the United States delegation when they returned to Washington.

On the day of the Buenos Aires Conference adjournment, a first report was presented to the Secretary of State. Deputy Assistant Secretary William P. Snow started providing some background, saying

"The Buenos Aires Economic Conference, like several of its predecessors in the economic field, was held mainly in response to Latin American initiative and desires. Our Delegation faced the delicate task of resisting a series of unreasonable or unacceptable proposals while avoiding a wholly negative attitude and retaining the confidence and respect of the Latin Americans. Although the Conference did not yield binding commitments or solve any major problems, its resolutions do define the problems and point the way toward their solution" (FRUS 1955–1957, Vol. VI, Doc. 166).

Then the memorandum describes the results achieved on several topics of the Conference Agenda, as follows:

"Financing of Economic Development: to study proposals for regional financing institutions previously put forward by Cuba, Chile and Venezuela... It also requests governments to encourage to the greatest possible extent the flow of private capital and technical skills. A related resolution asks for the continuation of efforts to conclude bilateral tax treaties.

Surplus Disposal: Our Delegation has indicated that it is especially pleased with the resolution on this subject. It recommends orderly procedures which will not unduly disturb prices; the continuation of timely and effective consultation; and continuing attempts to channel production so as to avoid the creation and chronic accumulation of surpluses.

Commodities: Of the two resolutions which emerged on this subject, our Delegation had to vote against one. We were able to agree to the one recommending the creation of a permanent Committee on Basic Products in the IA-ECOSOC... The resolution we voted against—our only negative vote—would have implied recourse to commodity agreements in certain circumstances, and had other objectionable features.

Regional Market: The relevant resolution declared that it is advisable to establish a Latin American regional market, gradually and progressively, and in a multilateral and competitive form. It resolved principally to recommend that the IA-ECOSOC participate with the United Nations Economic Commission for Latin America in studies and activities related to this subject" (Ibid).

A week later, another, more lengthy, report on the Conference outcome was presented at a meeting to what was known as the "E staff" from the Economic Affairs Bureau (FRUS 1955–1957, Vol. VI, Doc. 167).

The meeting was chaired by Assistant Secretary of State for Economic Affairs Thorsten V. Kalijarvi, and 12 staff members from different bureaus were in attendance. The minutes include summaries of oral presentations made by different Buenos Aires Economic Conference participants. One of the first observations was blunt:

"Nothing specific was agreed of any consequence at the conference...these conferences require a great deal more study than has given them with regard to frequency, purpose, timeliness and the United States attitude at the conferences...these countries have hobby horses they ride and things they want from us and we have nothing we want. It is hard to come to terms when we have nothing to bargain for.

The United States should avoid having these meetings except for the five-year ones which are required under the OAS and that, in the interim, we should try to get everything done through IA-ECOSOC or ECLA" (Ibid.).

On development finance, "it was clearly established that the United States thinks a new institution is not necessary but will study financing of economic development. Some people interpreted this as an advance; others felt we hadn't done any more than before and that we will just keep on talking for years" (Ibid.).

Regarding the Economic Declaration,

"The Secretariat had... rendered a real disservice by presenting a draft agreement as the basis for discussion which was hopeless as it was loaded against the US. It also contained some things that were not acceptable to other countries, particularly Mexico. The objective was to force the United States out in the open and have it take the blame for an agreement not being reached. We got it on record, however, that Mexico and others wouldn't accept a lot of the proposals either. A number of countries which wouldn't have agreed to some of the proposals just said nothing because they knew nothing would come of it. There was no country there except Uruguay, which really thought an agreement was possible at Buenos Aires. The United States thought that there should be a general declaration instead of a treaty. That came to pass but not before we had been forced through the paces of the arguments with regard to the agreement and not until the final week of the conference" (Ibid.).

On the United States position, "At Buenos Aires we opposed everything with which we couldn't go along and made short speeches saying why we opposed. That was helpful as it left the resolution a study and nothing more by IA-ECOSOC and had a good deal to do with the 'burial nature' of the final resolution" (Ibid.).

Two committees dealt with trade, one on commodities and the other on intraregional trade.

"In the commodity field one of the principal subjects was surplus disposal (which really concerned the United States PL-480 program, particularly Title I). Both Argentina and Mexico had in mind a resolution referring specifically to PL-480 which would have involved some criticism and set up some things hard for us to meet, such as prior consultation... Certain parts of the Mexican and Argentine resolutions were used which said that the United States was already handling the matter... and this was unanimously approved without discussion. Argentina really went out of the way to be helpful.

On other commodities... several delegations being very exercised about lead and zinc and possible United States action on imports. Chile brought up copper as prices are sliding. The Latin American countries want to have a standing body devoted to

commodity problems. They felt there should be a regional approach to this, and there was no possibility of talking them out of it... Finally all material was put into two resolutions. There will be a committee of IA-ECOSOC to study the basic products but not to include price stabilization... The United States supported this resolution... The other resolution gives to the same committee the function of considering commodity agreements, promoting them when it considers it desirable... The United States voted against this resolution and made a statement in the plenary. All other countries voted in favor of it" (Ibid.).

It should be noted that this was the only resolution on which the United States delegation voted against.

"In the other trade committee the most interesting subject was the common market and a resolution was approved which encourages further study. It doesn't specifically give ECLA the lead by comparison with IA-ECOSOC but that is the intention. Latin American countries want coordination between the two but think they are more likely to have advantages through ECLA. The resolution is in general terms, encouraging studies looking toward multilateral competitive arrangements through gradual integration steps" (Ibid.).

Finally, a review of the Buenos Aires Conference outcome was included in *Current Economic Developments* a "classified periodical prepared for internal use as a background and policy guidance report for policy-level officers of the United States Government serving in the United States and abroad" (FRUS 1955–1957, Vol. VI, Doc. 168).

This review was longer and more detailed, but at times it was also more candid. For instance, "the conference ended successfully from the United States view point in that we avoided commitments which the Latin American desired but which we could not make." Even so, "there is now a feeling in official United States circles concerned with Latin America that it might be better to hold more specialized inter-American conferences to attack specific problems such as trade rather than the general omnibus type of conference held in Buenos Aires" (Ibid.).

Several details are described about the specific resolutions adopted. For instance, "the economic declaration" is "essentially a constructive statement of broad objectives without specific commitments, time limits or details of implementation. Its acceptance enabled us to avoid being confronted with an economic convention which we could not have signed without a whole list of reservations unless it were reduced to pointless generalities" (Ibid.).

Therefore, in Buenos Aires after a decade, the "desencuentro" persisted. This was frankly admitted, "the positions of the countries at this (Buenos Aires) conference were about the same as they were at Bogota" (Ibid.), the OAS Conference held in 1948.

However, as it will be seen, change finally came, but it did not originate in the economic realm, neither was it the outcome of a conference. The profound changes, which led to a turn-around in economic policies, emanated from hemispheric security and domestic political events.

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V. Breakthrough: the primacy of politics, 1956–1958

A. Introduction

The way the United States Department of State came to support the Central American integration process was indicative of more profound changes that were taking place within the United States government policies on hemispheric economic relations. After a decade of fruitless negotiations with the Latin American governments, perceived by some at the State Department as a triumph of “restrictive” policies, the tide slowly changed and when the changes came, they did so in a cascade. Most of the policy changes were the consequence of political factors, again revealing how economic relations were subject to the primacy of politics and security.

The first two were bureaucratic changes, among those people in charge of adopting the decisions leading to the policy changes. As described in Chapter IV, first, the Assistant Secretary of State for Inter-American Affairs, Henry F. Holland resigned in September 1956. Since 1953, Holland, a native of Brownsville, Texas, was Secretary of State John Foster Dulles right-hand person for relations with Latin America. Holland was succeeded as Acting Assistant Secretary by another fellow Texan, Roy R. Rubottom, born in Brownwood, Texas, who was appointed Assistant Secretary on 18 June 1957, after a lengthy Senate confirmation, which lasted from 29 May to 10 June.

Second, and perhaps more relevant, was the departure of Treasury Secretary George M. Humphrey, who, from his influential Cabinet post, had effectively supported “restrictionist” policies toward Latin America. Secretary Humphrey submitted his resignation, for personal reasons related to changes in his business interests in the Midwest, in May 1957. He was succeeded by Robert M. Anderson, another lawyer born in Burses, Texas, who became one of the most influential Cabinet members, particularly because he was perceived as President Eisenhower’s preferred candidate to succeed him.

However, more decisive were the following two political changes, which started, first, with Vice President Richard M. Nixon's "infamous" trip to eight Latin American countries, from 27 April to 15 May 1958. And second, two weeks after the tense conclusion of Vice President Nixon's trip, the President of Brazil, Juscelino Kubitschek, in a letter to President Dwight Eisenhower, subsequently proposed the adoption of a plan to overcome underdevelopment in the hemisphere, which he called "Operation Pan America." Finally, on January 1959, General Fulgencio Batista was overthrown in Cuba by a guerilla army commanded by Fidel Castro.

B. Vice President Richard Nixon's visit to South America

On 6 March, 1958, Secretary of State Dulles wrote to Vice President Nixon reminding him "the other day you mentioned that you might be free to make a visit to South America this spring. I want to confirm that we would be very happy if you could see your way to doing so." Secretary Dulles went a step further and included a possible itinerary and specific justifications to visit at least Argentina, Bolivia, Uruguay and Venezuela. Argentina was justified because of the transition the country was going through and to meet the new President-elect Arturo Frondizi. Bolivia was recommended because of "the unique and important Bolivian economic development and social reform program to which the United States is heavily committed and which President Siles is courageously seeking to carry out." Venezuela was proposed because of "the recent revolution and change of government in that country and also because of the special economic and strategic interests that we have there." Finally, in Uruguay "your visit would be very helpful in demonstrating the importance that we accord to that country. Our relations with Uruguay are among the most difficult that we have in the hemisphere." In general, Secretary Dulles concluded "your trip would be of great benefit in the conduct of our relations with all countries of the area," and several other capital cities were added to the itinerary: Asuncion, Paraguay; Bogota, Colombia; Lima, Peru and Quito, Ecuador (FRUS, 1958-1960, Vol. V, Doc. 42). No declassified record was found of anyone anticipating what eventually happened during Nixon's visit.

The Vice President and Mrs. Nixon departed Washington on 27 April and were accompanied by Assistant Secretary Roy R. Rubottom, Director of South American Affairs Maurice Bernbaum, Exim Bank President Samuel Waugh and members of the Vice President's staff. After visiting the first five countries in the following order, Uruguay, Argentina, Paraguay, Bolivia and Peru, the delegation arrived in Quito, Ecuador, on 9 May. Acting Assistant Secretary for Inter-American Affairs William P. Snow updated the Secretary of State on the Vice President's trip progression, saying: "the Vice President's tour has thus far been well received by the government, the responsible press, and by the great majority of people in each country." Snow mentioned only two exceptions of incidents in Buenos Aires and Lima (FRUS 1958-1960, Vol. V, Doc. 44).

In Buenos Aires, the Vice President's arrival to the inauguration of Argentine President Arturo Frondizi was delayed, according to Snow, because "the Vice President was detained outside the building by crowds through which even the police could not make passage for him quickly. The incident caused little comment in Buenos Aires." The second incident was described by Snow as "most dramatic and widely publicized." On 9 May Snow said there was an "anti-United States demonstration in Lima presumably organized by a Communist minority. The Vice President was grazed, but unhurt, by a stone. The United States flag, depicted in flowers in a floral arrangement which the Vice President had placed on the statue of San Martin, was torn apart." However, "the Vice President stated publicly in Lima that official Peruvian regrets had been

expressed and that, as far as he was concerned, no United States protest was necessary. The Department informed the press through Mr. White on May 9 of the official Peruvian regrets and stated that the people of Peru may be assured that the United States does not intend to let the Communist-inspired incident impair the friendly relations between the two countries." Even so, Snow concluded with the following cautionary note, "the incident in Lima may inspire similar ones in Quito, Bogotá, or Caracas. Before the Vice President reached Lima, there had been small demonstrations, also inspired by Communists, in Montevideo and Buenos Aires."

From Lima, Peru, the vice-presidential delegation went to Quito, Ecuador, and while there President Eisenhower sent the following message to Vice President Nixon, "Dear Dick: Your courage, patience and calmness in the demonstration directed against you by radical agitators have brought you new respect and admiration in our country. I am certain that the vast majorities of citizens both in Peru and in the United States deplore the incident caused by a few" (FRUS 1958-1960, Vol. V, Doc. 45).

From Quito the vice-presidential delegation went to Bogota, Colombia, where everything proceeded as scheduled, with some, but no major, incidents. The last leg of the trip was Caracas, Venezuela, with arrival scheduled on 13 May and return to Washington on 15 May. As anticipated, the incident in Lima was a prelude to more perilous events. A description of the sequence of these events, which started with the arrival of the vice-presidential delegation to the Caracas airport, was transmitted by phone from the United States Embassy to the State Department, as follows:

13 May, 2:00 p.m.

"A large and unfriendly crowd met the Vice President and his party at the airport. There were hisses and boos and no friendly applause. The automobile trip on the highway to Caracas was uneventful.

The party was to proceed through the city, lay a wreath on the tomb of Bolivar and proceed to the Embassy residence. In the city a short distance from the tomb the cars were stopped by a roadblock and a mob of some 4, 000 people. The mob was made up of ruffians and riffraff and it was in an ugly mood.

The mob closed in on the vehicles in which the Vice President and his party were traveling, and the Venezuelan police escort ran.

The windows were broken out of the cars in which the Vice President and Mrs. Nixon were riding. Neither of them was hurt. Colonel Walters, who is the Vice President's interpreter and who was in the same car with the Vice President, was cut around the mouth, and the Foreign Minister Oscar Garcia Velatini who was in the same car, was cut on the arm. The Embassy's naval attaché Captain Robert E. Huse, who was carrying the wreath, was attacked by the mob, roughed up, and the wreath was destroyed.

The cars with the Vice President's party managed to get through and away from the mob due to the arrival of a few troops who with drawn bayonets opened a way for them. The Vice President and his party proceeded to the Embassy residence and will remain there.

[Assistant Secretary Rubottom came to the phone] and said: 'The highest authorities in Washington should be made aware that the situation in which the Vice President finds himself is critical. Everything will be subordinated to his and Mrs. Nixon's

personal security. There has thus far been a serious lack of protection afforded the Vice President and his party. The Government of Venezuela is reluctant to take a firm stand in the face of mob action. Undoubtedly the attack on the Vice President was organized by the Communists. That attack may have profound consequences on the domestic political scene in Venezuela, but it is difficult to foresee what may develop" (FRUS 1958–1960, Vol. V, Doc. 46).

13 May, 3 p.m.

Meanwhile in Washington, Secretary of State Dulles informed President Eisenhower about a conversation he had with the Venezuelan Chargé d'Affaires, Eduardo Acosta.

"The Sec said he talked with the Chargé but he knows nothing and the Sec said he spoke on the Pres' behalf and his own to say we expected the Govt to do everything possible to protect the VP of the United States and his wife who were the invited guests of the Venezuelan Govt and that if they did not have the will or capacity to do so we would want to know it in a hurry to concert on further measures on it" (FRUS, 1958–1960, Vol. V, Doc. 47).

At the same time, the United States Navy contacted the State Department with an urgent request.

"Captain Kefauver called to say that he has orders from Admiral Burke to dispatch 500 airborne marines from Cherry Point, South [North] Carolina, immediately to Caracas, Venezuela to assure the protection of Vice President Nixon and his party. The marines are standing by, ready to leave, and only the clearance of the Department of State is required. I asked the Captain who had originated the order. He replied that, so far as he knew, it had come directly from Admiral Burke, who was at the moment in a meeting of the Joint Chiefs of Staff. I told the Captain that I would relay to the Acting Assistant Secretary of Inter-American Affairs the information he had conveyed, that any clearance by the Department should have to come from the highest levels, and that we call him back" (FRUS 1958–1960, Vol. V, Doc. 48).

The response from "the highest levels" came almost immediately. "Dulles instructed Snow to notify Kefauver that Admiral Burke should refrain from despatching Marines at that time and to tell Kefauver that Marines should not land in Venezuela without the knowledge and consent of the Venezuelan Government" (Ibid.).

13 May, 4:30 p.m.

The next report by telephone on the situation in Caracas said, "things seem to have quieted down."

"Mr. Snow inquired about the present situation and was informed by Mr. Rubottom that the situation was bad but that the complete party was in the Embassy Residence, where they will remain until departure.

Mr. Snow inquired about the guard... Mr. Rubottom said he thought it was adequate, based on the judgment of the Secret Service...there were armored cars and tanks at the front door.

Mr. Snow inquired about crowds and was informed that the crowds mentioned in the previous phone call had dispersed and that although they had heard rumors that crowds were going to move in that direction from the center of town, so far they had not materialized.

Mr. Snow asked what the Nixon party's plans were... Mr. Rubottom replied that they would not be going outside to any meetings... Mr. Rubottom reported that the Junta was due to arrive at any moment. They were going to call on the Vice President at the Residence rather than have the Vice President call on them at the Palace.

Mr. Rubottom reported that the Vice President today had given a luncheon at the Residence, attended by 25 to 30 important opinion leaders. The Vice President gave a rousing anti-communist speech which seemed to sink in and Mr. Rubottom said he thinks we have gotten back to a much better posture.

Mr. Snow asked if he could now tell the White House and the Secretary that Mr. Rubottom considers the protection adequate. Mr. Rubottom said they have army units and armored cars and tanks at the Residence so the party can be evacuated if necessary... The party will stay at the Embassy Residence and will leave the country on schedule.

Mr. Snow told Mr. Rubottom that he had shortly before had a call from someone who wanted to send in 500 of General Shepherd's friends and Mr. Snow said that the Department's answer was no, and especially not without the prior knowledge and permission of the host country. Mr. Rubottom said he did not think it necessary.

Mr. Rubottom said the party will stay at the Embassy Residence and will leave the country on schedule, although plans have been made to leave earlier at any time it may be necessary. Adequate plans have been made to provide means of getting the party to the aircraft if need be... Mr. Snow inquired whether the aircraft was o.k. and Mr. Rubottom said yes. Mr. Snow mentioned that there is an alternate airport only a few miles away. Mr. Rubottom knew about it. Mr. Snow asked if there was a guard on the plane. Mr. Rubottom said that he was sure there was; there always had been and he thought it may have been doubled. Mr. Snow said he had all the information he needed for the time being and asked Mr. Rubottom to keep in touch" (FRUS 1958–1960, Vol. V, Doc. 49).

13 May, 5:14 p.m.

However, despite the last report informing that "things have quieted down," back in Washington there were additional concerns.

"The Sec [Dulles] said we have just finished talking with Rubottom at the Emb and the situation is improved. The Sec is inclined to think we should go ahead with at least some part of the troop movement. You can't tell what will happen although he thinks the danger is over. He does not think it does harm for us to react in this way. H [Hagerty] agreed. It is healthy to have it known we have the will and capacity...The Sec said we should make a statement—that it is being done as a precautionary move. We don't think it will be necessary to land them but in view of the instability of the situation it seems appropriate for us to do this" (FRUS 1958–1960, Vol. V, Doc. 50).

13 May, 9:15 p.m.

Meanwhile, news arrived in Caracas about troop movements.

"Mr. Rubottom called to say that the Vice President's press conference went well... they were getting reports through the AP and UP about military units being sent down their way, and asked for confirmation. Mr. Snow said this was so, Mr. Rubottom said that action should not have been taken without consultation with them, that the Vice President definitely did not want anything like that done, and it had caused the Venezuelan Government some embarrassment.

Mr. Snow explained that the units were not being sent to Venezuela, only to nearer locations in the Caribbean and would not be moved from there unless requested by the host (i.e., Venezuelan) government. He then read the text of the Defense Department press release for a stenographer at the Embassy to take down" (FRUS 1958-1960, Vol. V, Doc. 51).

This reference is to a "Department of Defense press release announcing the fact that the United States was moving several companies of airborne infantry and Marines to American bases in the Caribbean area to provide assistance to the Government of Venezuela if such aid was requested" (Ibid.).

"Mr. Rubottom then said that the Junta has been meeting with political leaders for the last hour or so. They are reported to be having trouble down town at this time. He promised to call Mr. Snow again later this evening at home to report further" (Ibid.).

13 May, 10:55 p.m.

News arrived at the Embassy in Caracas, by Associated Press (AP) wire, indicating that "a Naval vessel was on its way to Venezuela and that the Venezuelan Government, which is rather shaky, was filled with consternation and thought this might cause the overthrow of the Government if it were true" (FRUS 1958-1960, Vol. V, Doc. 52).

"Mr. Snow said he needed to know if a Naval vessel was on its way to Venezuela; that he had to send a message down there and was hoping that he would be able to say that no such vessel had been despatched.

Admiral Miller returned Mr. Snow's call at 11:15 p.m. Admiral Miller said that Naval vessels had been despatched from Guantanamo but that technically the answer was no, since no Naval vessel was on its way 'to Venezuela.' Their orders were not to go within sight of land so that their movements would not be known.

In his telegram to Rubottom, Snow stated that the source of press reports that one or more United States Navy ships had departed from Guantanamo for Venezuela was unknown, but that Naval vessels had departed from Guantanamo for the coast of Venezuela in response to an evacuation alert transmitted that afternoon. Since the ships had orders to avoid cruising within sight of land, it was technically correct, in Snow's view, to claim that no United States Navy ships had been dispatched to Venezuela. If the evacuation plan had to be implemented, however, the vessels would be in position to act" (Ibid.).

The vice-presidential party returned to Washington as scheduled, on 15 May; they were received at the airport by President Eisenhower.

Evaluations

Two evaluations of the journey were presented by Vice President Richard Nixon, one to a meeting of the Cabinet the next day, 16 May 1958, and the other, a week later, to a meeting of the National Security Council. In addition, the State Department did its own evaluation which was submitted to the Secretary of State on 15 May, the day the Vice President and his party returned to Washington.

The presentation to the Cabinet by Vice President Richard Nixon (FRUS 1958–1960, Vol. V, Doc. 55) was brief and singled out some of his conclusions about the causes of what were described as “the South American riots” which happened during his trip.

The Vice President “emphasized that Communist inspiration was evident from the similarity of placards, slogans and techniques in all the areas in question. Particular items of American policy bearing on individual countries could not be considered the major cause.” Rather, “The Vice President believed that the political complaint against the United States for harboring refugee dictators was more important than various economic complaints such as the price of coffee, tariffs, and proposed legislation on lead, zinc, copper, etc. He did not, however, wish to underestimate at all the significance of the latter” (Ibid.).

Specifically, Vice-President Nixon

“stressed the advent recently of the lower classes into the political scene and the ensuing requirement that American ambassadors and other officials must begin now to broaden their contacts beyond the traditional elite to include university leaders, communications people, group leaders, etc. The United States must not, he said, do anything that would support an impression that it is helping to protect the privileges of a few; instead, we must be dedicated to raising the standard of living of the masses” (Ibid.).

Secretary State Foster Dulles agreed with this assessment but he “pointed to the difficulty of dealing with it since democracy as we know it will not be instituted by the lower classes as they gain power—rather they will bring in more of a dictatorship of the masses” (Ibid.).

To conclude, Vice-President Nixon “thought his trip would have effect in dissipating naiveté to Communist influence in these countries. He then stressed the importance of educational exchanges and his hope that our exchange programs could be at least doubled” (Ibid.).

In the other evaluation of the trip, presented to the National Security Council, Vice President Nixon was admittedly more candid, warning that “what he was about to say was intended only for the ears of those in this room” (FRUS 1958–1960, Vol. V, Doc. 56).

“First of all, continued the Vice President, we should all get clearly in mind that the threat of Communism in Latin America was greater today than ever before in history. Why was this so? ...The southern continent was certainly evolving toward a democratic form of government. Normally we would hail such a development, but we should realize that such a development may not always be in each country the best

of all possible courses, particularly in those Latin American countries which are completely lacking in political maturity" (Ibid.).

The Vice President described the situation as follows:

"In country after country in Latin America we have seen the end of dictatorships. These dictatorial leaders are nearly everywhere being replaced by completely new political types, like Frondizi in Argentina... The significant thing about them as a group is, with the exception of Prado in Peru, that there is not one who represents the old upper-class, wealthy politicians of the past. Instead, these new leaders are drawn from the middle class and from the evolving intelligentsia. While they are honest men, they are certainly oriented in the direction of Marxist thinking, even though they realize at the same time the necessity of getting along with the United States in order to secure its economic assistance. Being the kind of men they are, they are very naive about the nature and threat of Communism, so much so that their attitude is frightening. They regard the Communists as nothing more than a duly-constituted political party. This is understandable because in many instances the Communists have assisted these new leaders in overthrowing the old dictatorships. Moreover, the Communist leaders are playing a very clever game in Latin America, using, for instance, the familiar Popular Front line" (Ibid.).

On a different point, the Vice President said,

"he had noted that, with the exception of Stroessner in Paraguay, all of them would say, in effect, we would like to adopt policies which would invite into our country private capital from abroad and which would support the private enterprise system. Nevertheless, Frondizi and the others had added that they simply could not get the support of their public for such policies. Moreover, our own Ambassadors generally agreed with this point of view" (Ibid.).

Returning to the issue of Communism, the Vice President said,

"Frondizi and the other new leaders had not only stated that the Communist problem was not serious, but went further and said that when it came to dealing harshly with the Communists they would again fail to secure public support. This stemmed from the fact that the people of most of these countries were so weary of dictatorships that they felt that the danger of the old-fashioned dictatorship was much more to be feared than any danger from Communism" (Ibid.).

The case of Uruguay was described by the Vice President "as the country which was in greatest real danger of a Communist take-over. Yet Uruguay was the most democratic country in the Western Hemisphere after the United States and Canada. It was just impossible to convince the Uruguayans of the dangers of Communism while they were facing such severe economic problems as now confronted them." Another example was Venezuela "as the country in Latin America which had made the greatest economic progress and where private enterprise was the strongest. But here again the Communist danger was almost as great as that which faced Uruguay" (Ibid.).

"To sum up, what seemed to the Vice President the important point, he emphasized that while we are thus witnessing the development of democracy in Latin America, we are at the same

time witnessing the development of a serious Communist threat. There could be no doubt that International Communism was making a major effort throughout Latin America" (Ibid.).

"As to his conclusions, the Vice President pointed out initially that there existed a Latin American deficit of US\$1 billion annually in trade with the United States, a deficit which we in one way or another are obliged to make up. How were we to deal with this and with other problems facing us in Latin America? The Vice President said he felt that the answer was certainly not just better publicity for our policies and our actions in Latin America" (Ibid.).

Several comments were made by other participants in the meeting, such as the director of the United States Information Agency, the Director of Central Intelligence and the Secretary of State. President Eisenhower commented that he had

"two specific points that he thought we should keep thinking of. The use of the term 'capitalism,' which means one thing to us, clearly meant to much of the rest of the world something synonymous with imperialism. We should try to coin a new phrase to represent our own modern brand of capitalism. On the negative side, continued the President, why don't our people in Latin America talk more about Hungary as an example of the fine fruits of Communism? We should stress this example to show what happens to a country under Communist dictatorship (Ibid.).

[The Vice President] expressed his belief that we should frame our arguments in the following context: We should base our position on the understanding that dictatorship now constitutes the most emotional issue in Latin America. From this premise we should accordingly in Latin America attack Communism not as Marxist economic thought but as a dictatorship and, worse than that from the Latin American point of view, a foreign-controlled dictatorship. In so doing we could combine and exploit the two chief hatreds of Latin America—namely, dictatorship and foreign control. Hungary exemplified both" (Ibid.).

An economic issue was raised by the Director of the United States Information Agency, George Allen.

"Mr. Allen then said he had one more suggestion to make with respect to the problem of trade with Latin America. We have been for some time promoting the development of a Common Market in Europe. Why could we not make a similar effort on behalf of a Common Market for Latin America? Secretary Dulles commented that while the idea had much to recommend it, he was not sure that the Latin American states would want a Common Market with the United States a member of it. Secretary Anderson in turn pointed out that at the Buenos Aires meeting the Treasury people had strongly supported the idea of developing a Common Market in Latin America, although they had pointed out that the United States itself would not join such a Common Market. One of the great difficulties was that the countries of Latin America were in many cases geographically so far apart and with very poor transportation between them. This was quite unlike the compact area of Western Europe, where a Common Market would not meet such severe geographical obstacles (Ibid.).

Secretary Dulles indicated that there was yet another difficult aspect of the plan for a Common Market. If there were a Common Market in Latin America and the United States were to be a member of it, the effect would be to perpetuate the status of the Latin American states as producers of agricultural and raw materials and the United States as the manufacturer of the finished products. What the countries of Latin America really want and really need was, rather, a diversification of their economies" (Ibid.).

This ended the discussion at the National Security Council of the Vice President's presentation on his trip to South America. As previously mentioned, the State Department presented its own preliminary evaluation on 15 May. The State Department evaluation includes a reminder of the trip's purposes and attempts an assessment of their achievement. It also identifies "Communist inspiration and direction" in the incidents which happened in the cities visited, including some of the factors which "combined in Latin America to provide a fertile background which the Communists exploit" (FRUS 1958-1960, Vol. V, Doc. 54).

The trip's purposes were described by Assistant Secretary Snow as follows:

"The initial purpose... was to provide high level official United States representation at the important presidential inauguration in Argentina on May 1. The Vice President had attended the inauguration of President Kubitschek in Brazil in 1954 with success.

Another purpose was good will visits to various countries as a means of expressing United States interest in the area, to discuss problems of mutual concern with officials and other leaders, and to achieve the favorable public impact which we considered to be characteristic of the Vice President's travels in foreign countries, including his trip to the Caribbean area in 1955.

These purposes were achieved except possibly in Venezuela. The visits in Uruguay, Argentina, Paraguay, Bolivia, Ecuador and Colombia can be clearly labeled as successful. Even in the case of Peru, where there were a few hours of ugly demonstrations, there were fruitful discussions with government officials and on the whole a fairly good public reception" (FRUS 1958-1960, Vol. V, Doc. 54).

A disclaimer follows stating

"Neither the Department nor our Embassies found adequate reason to recommend against the Vice President's visit to any of the eight countries. In those instances in which there were reports of possible troubles, especially in Peru, Colombia and Venezuela, the governments gave assurances of adequate security measures. For example, up to and including the day before the Vice President's arrival in Caracas, our Embassy reported that the Venezuelan Government was taking the necessary security precautions" (Ibid.).

The following conclusion is drawn:

"The pattern of organization and of slogans in all cases points to Communist inspiration and direction, as do certain of the intelligence reports. [This is followed by the explanation that] a number of factors have combined in Latin America to provide a fertile background which the Communists exploit. Economic instability, for example, has been intensified by declining export receipts (due in part to the United States recession). Political instability and weak governments characterize the countries

emerging from dictatorships (Peru and Venezuela). There are numerous alleged or real grievances against the United States. Most of these are currently in the economic field, such as tariffs, quotas, surplus disposals, and the magnitude of financial assistance. Some of them are political, particularly the issue of United States relations, both past and present, with dictatorships in the area and United States policy on granting visas to political exiles (such as ex-Venezuelan dictator Perez Jimenez)" (Ibid.).

Given these contributing factors, the report concludes, "the Communist bloc has intensified its efforts in the economic, political, and cultural fields in Latin America in the past few years. Soviet technological successes (particularly the earth satellites) have raised widespread doubts about United States scientific superiority. The preponderance of the United States influence in Latin America is being challenged" (Ibid.).

However, this may have a positive outcome, because "the hostile acts against the Vice President in Peru and Venezuela, as unfortunate as they are, may well serve the useful purpose of dramatizing the internal Communist menace, which the Latin Americans and their governments have too often ignored" (Ibid.).

"The events will also influence United States policy. Any implications for United States policy can, of course, be deduced from the Vice President's experiences. For example, the fact that the Communist agitators used students for the demonstrations suggests the desirability of our concentrating even more than we already are on students and other intellectual groups in our cultural and information programs. Also, since many of the issues which the Communists exploit are economic and derive from United States trade policies, the effect in Latin America of measures taken largely for domestic reasons in the United States should be given every possible consideration" (Ibid.).

These conclusions presage imminent policy changes. "Our basic policies... are believed to be essentially sound, but the Nixon trip, once we have had an opportunity to evaluate it fully, may lead us to recommend modifications, changes in emphasis, and more effective methods of implementation" (Ibid.).

In effect, the vice-presidential trip precipitated a set of significant changes in United States policy towards Latin America. Also, these policy changes became more urgent because of their domestic political consequences, which pushed Latin American affairs to the forefront of the approaching 1960 presidential campaign and election. Some observers concluded, "for the first time since the Spanish American War, Latin America was an election issue in the United States" (Levinson and de Onis, 1970, p. 51).

The Democratic opposition in Congress had constantly criticized the Eisenhower Administration for neglecting Latin America. Vice President Nixon's trip to South America was envisaged as useful to counter this accusation of neglect. It was also seen as contributing to the international credentials of Vice-President Richard Nixon, who was known to aspire to the nomination of presidential candidate of the Republican Party in the forthcoming election. However, the hostile manifestations against the Vice-Presidential party in South America were seen as confirmation of the Republican Administration's negligence.

Also, influential senators from the opposition often promoted initiatives sponsoring changes in United States policy towards the region. For instance, as early as 1956, the prominent

Democratic Senator George Smathers from Florida, in contrast to the preference for private sector funding by the Administration, promoted the approval of a fund to finance development projects in Latin America (FRUS 1955–1957, Vol. VI, Doc. 89).

Another example of questioning the Administration's policy in Latin America was evident from the lengthy confirmation hearings, led by Oregon Democratic Senator Wayne Morse, of Assistant Secretary of State for Inter-American Affairs Roy Rubottom. Among the topics subject to scrutiny during the hearings were the links which allegedly existed between Mr. Rubottom's predecessor, Henry Holland, law practice and big oil corporations (United States Senate, 1957).

Additionally, actively involved in opposing Administration policies in Latin America was the junior Senator from Massachusetts John F. Kennedy, who aspiring to the nomination of presidential candidate of the Democratic Party, contributed to making policies towards Latin America a prominent campaign issue.

Together with these domestic factors there was pressure from abroad, most significantly from Brazil.

C. Operation Pan America

Two weeks after the rioting incidents in Caracas, on 28 May 1958, Brazil's President Juscelino Kubitschek wrote a letter to President Dwight Eisenhower in which he said: "we cannot hide the fact that, in the world's opinion, the idea of pan American unity is seriously undermined. Negative events, which we deplore, leave the impression that we do not live fraternally in the Americas. Corrective action... needs to be taken. We must truly examine our conscience toward pan-Americanism and determine if we are on the right track" (Herrera, 1988, p. 89).

The response to the letter was prompt, in the form of a letter from President Eisenhower dated 5 June 1958, hand delivered to President Kubitschek in Rio de Janeiro on 10 June, by Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom. In the letter President Eisenhower "suggested consultations between the two governments before they approached the other American Republics on matters affecting common interests and welfare" (FRUS 1958–1960, Vol. V, Doc. 244).

Assistant Secretary Rubottom was received by President Kubitschek in his residence (Laranjeiras). According to a memorandum drafted by Rubottom, after an exchange of courtesies, "The President did not take time to examine the letter when I handed it to him, stating that he had already read the copy which we had given to the Foreign Minister yesterday afternoon" (FRUS 1958–1960, Vol. V, Doc. 245). Excerpts from the conversation as described by Roy R. Rubottom follow:

"[Rubottom:] "I told Dr. Kubitschek that President Eisenhower had been delighted with his letter and that I considered my mission in delivering it to be a most important one.

[Kubitschek:] stressed his desire to have our consultation on the highest and broadest possible basis, aimed at correcting any misimpression in the world that the relations between the United States and Latin America were any less close and less vital than before Vice President Nixon's trip. He had no desire to discuss any United States–

Brazilian problems... and did not want to engage in any talks on this or any other matters pending between his country and the United States. The outward evidence to the world of United States–Latin American relations was the terrible treatment given Vice President Nixon on his recent tour.

[Rubottom:] I was able to reassure him as to the positive and constructive results of the Vice President's trip, pointing to his own initiative and President Eisenhower's reply as one example of a beneficial result. I was struck by the President's reiterated concern that the United States not interpret his initiative as bearing on any United States–Brazilian problem, but rather as one designed to strengthen the United States position in the eyes of the world. He seemed quite sincere in this approach, and did not overplay his hand. His entire presentation was on a very statesmanlike plane.

[Kubitschek:] said that he had had prepared for delivery to me a memorandum outlining some of his ideas as to the next steps to be taken in these discussions. He read from one section of the memorandum a suggestion, in the event subsequent talks made it propitious, that a meeting of Presidents be held.

[Rubottom:] I told the President that, without being able to react on behalf of President Eisenhower or Secretary Dulles, I nevertheless would respond in the same frank vein which he had urged earlier. Much preparatory work would have to be carried out before the American Presidents could meet.

[Kubitschek:] quickly read again from the same section of the memorandum to underline his point that any such meeting would take place only after preliminary discussions and detailed preparation.

[Rubottom:] suggested that a meeting of Foreign Ministers, an idea which already seemed to have some acceptance in the Americas, might serve a very useful purpose.

[Kubitschek:] said that the only way to dramatize American solidarity in the way he felt necessary was by a meeting of Presidents who would solemnly declare their unity as well as announcing certain steps which would make clear their unanimous approach to solutions to the practical economic and other problems of the hemisphere. He stressed that President Eisenhower's importance and prestige in the world was so great that a meeting in which he would take part would be the best assurance of succeeding in the high purpose which he envisaged.

[Rubottom:] the President implied that I had expressed opposition to the Presidents' meeting at which point I politely reminded him that I had not attempted to react to his proposal on behalf of the President or the Secretary of State who would have to examine his suggestion carefully in the light of the others included in the memorandum and specifically requested that he not place any interpretation on my questions or my statements regarding the proposed Foreign Ministers' meeting except as they were designed to obtain additional information or to contribute constructively to his overall plan.

[Kubitschek:] inquired of me the next step following the delivery of the memorandum and consultation on points made by him in it. He alluded to the delicacy of

maintaining our normal consultative position with other countries of the Americas, just as important to Brazil as to the United States.

[Rubottom:] I would have to read the memorandum first and that we would then proceed through normal diplomatic channels to consult further with his Government and with the other American governments.

[Kubitschek:] had found considerable pent-up feeling against the State Department in his travels to neighboring South American countries. He said that he had great respect for Secretary Dulles but had the feeling that the Secretary rarely if ever became interested in Latin American affairs. He declared that President Eisenhower's prompt reply to his letter had certainly done much to overcome this feeling... The President lapsed into a discussion of the communist problem, describing himself as the only real bulwark against communism in Brazil (Ibid.).

[Rubottom:] I agreed with the President's analysis of the communist threat. I expressed approval of his positive approach to the communist problem as being the right one but said that we must maintain a consistent alert to prevent their moving in by force, and offered United States cooperation in any way to meet this menace... I enumerated some of the discussions now under way in Washington which were demonstrable proof of the United States sympathetic attitude toward Latin America's economic problems both in the trade field and in the field of financing for economic development. I pointed out what we were doing in the matter of coffee and to help the metals producing countries.

[Kubitschek:] The President, apparently serious, acknowledged these steps and suggested that perhaps by the time the consultations had proceeded a while it would become apparent that the United States had taken most of the constructive steps that it needed to take.

[Rubottom:] I reminded him of the necessity that every country develop to the maximum extent possible its own material and human resources" (Ibid.).

On 20 June 1958, Secretary of State Foster Dulles informed President Eisenhower of Assistant Secretary Rubottom's conversation with President Kubitschek (FRUS 1958-1960, Vol. V, Doc. 247). Secretary Dulles said:

"In his conversation with Mr. Rubottom, President Kubitschek stressed his belief that the problem of underdevelopment will have to be solved if Latin American nations are to be able more effectively to resist subversion and serve the Western cause. He proposed a meeting of the Heads of the American States to consider this problem, and handed Mr. Rubottom an aide-mémoire setting forth his ideas in more detail. A summary of this aide-mémoire is enclosed for your information.

[Secretary Dulles added] I believe that President Kubitschek's aide-mémoire should be answered promptly, through normal diplomatic channels, as a means of retaining the initiative on this matter, buoying up Brazilian enthusiasm and preventing harmful speculation. I have accordingly instructed Ambassador Briggs to respond to President Kubitschek in a way which would encourage continued bilateral consultations with Brazil" (FRUS 1958-1960, Vol. V, Doc. 247).

In addition, Secretary Dulles said he would visit Brazil in August and concluded, "We also suggest that the question of a meeting of the Heads of State be held in abeyance pending further discussions and particularly pending consideration, along with the other American Republics, of a meeting of Foreign Ministers" (Ibid.).

One of the most intriguing aspects of President Kubitschek's proposed Operation Pan America was the requirement that its discussion should be kept separate from ongoing bilateral negotiations on security and economic issues between Brazil and the United States. President Kubitschek stated this requirement in the conversation with Assistant Secretary Rubottom, and it was explicitly mentioned in the "enclosure," titled "Summary Of President Kubitschek's Aide-Mémoire," attached to the previously cited memorandum from Secretary Dulles to President Eisenhower, as follows: "Asserts that United States-Brazilian bi-lateral interests and their financial and economic negotiations will continue to be handled normally without relation to the efforts to strengthen Pan-Americanism contemplated in his letter to President Eisenhower" (Ibid.).

At the time, intense negotiations on economic issues were underway between the United States and Brazil to respond to a request for balance of payments support, required because of an abrupt fall in the price of coffee, Brazil's main export. These negotiations were being conducted with a sense of urgency, as the United States Embassy explained in the following telegram of 25 February 1958. "During conversation with President Kubitschek on other matters he made point that in difficult economic situation facing Brazil particularly surplus of coffee, administration is under great and growing pressure to deal with Soviet bloc. He said his government's ability to resist that pressure might be affected by extent to which the United States is able to assist Brazil to meet current economic crisis" (FRUS 1958-1960, Vol. V, Doc. 233).

The governments of Brazil and the United States were engaged in negotiations on economic and military affairs. The economic negotiations were to determine the conditions under which Brazil could receive balance of payments support from the United States, even without recurring first to the International Monetary Fund. (A detailed summary of the negotiations' evolution and alternative outcomes is in FRUS 1958-1960, Vol. V, Doc. 274). In addition, Brazil's government required support at the General Agreement on Tariffs and Trade (GATT) to impose higher tariffs temporarily, which was approved with United States support, on 16 November 1956 (FRUS 1958-1960, Vol. V, Doc. 260).

The military negotiations were about the renewal of an existing agreement, whereby Brazil had authorized the establishment of a United States Air Force missiles tracking facility on the Island of Fernando de Noronha. The negotiations were for the renewal of the agreement, scheduled to expire in January 1962 (FRUS 1958-1960, Vol. V, Doc. 276; also, FRUS 1958-1960, Vol. V, Doc. 259).

In the context provided by this set of ongoing bilateral economic and military negotiations, between the governments of Brazil and the United States, the response from the United States to the proposal to launch Operation Pan America consisted of four basic points. These were summarized by Secretary of State Foster Dulles, in the message informing President Eisenhower about the visit by Assistant Secretary Rubottom to Rio de Janeiro, to hand deliver President Eisenhower's letter to President Kubitschek, quoted previously (FRUS 1958-1960, Vol. VI, Doc. 247).

Secretary Dulles said President's Kubitschek's message "should be answered promptly... as a means of retaining the initiative."

Also “buoying up Brazilian enthusiasm and preventing harmful speculation.”

Meanwhile, “encourage continued bilateral consultations with Brazil.”

With the proposed “meeting of the Heads of State... held in abeyance pending further discussions and particularly pending consideration, along with the other American Republics, of a meeting of Foreign Ministers” (Ibid.).

These and other matters were discussed during the official visit Secretary of State Foster Dulles made to Brazil, on 4–6 August 1958. Two meetings were held during Secretary Dulles stay in Rio de Janeiro. On 5 August, at the Foreign Office, known as Itamarati, Secretary Dulles was received by Foreign Affairs Minister Francisco Negro de Lima and by Finance Minister Lucas Lopes, who made a presentation on Brazil’s development goals and principal problems, summarized as: coffee, EximBank loans, other assistance programs and petroleum development. Secretary Dulles said “he was not prepared to take concrete decisions on certain economic subjects because this would involve other departments and agencies in addition to the State Department. However, the Secretary expressed willingness to discuss problems in concrete terms” and made positive observations about the “prospects of Brazil’s vast opportunities.” To conclude, a draft press release was approved by both parties “which merely stated that various specific problems would be examined and analyzed by mixed groups during the visit” (FRUS 1958–1960, Vol. V, Doc. 253).

The other meeting was the highlight of the visit and took place later, the same morning of 5 August, when Secretary Dulles was received by President Kubitschek, at his residence, Laranjeiras Palace (FRUS 1958–1960, Vol. V, Doc. 254).

The participants from the United States were Secretary John Foster Dulles, Ambassador to Brazil Ellis O. Briggs, Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom, Assistant Secretary of State for Economic Affairs Thomas C. Mann and an interpreter.

The participants from Brazil were President Juscelino Kubitschek, Foreign Minister Francisco Negro de Lima, Ambassador to the United States Erani do Amaral Peixoto, Finance Minister Lucas Lopes and Dr. Roberto Campos as interpreter.

“[President Kubitschek:] After welcoming the Secretary to Brazil, began reading an excerpt from a letter written by Thomas Jefferson in 1787 to the effect that Brazil and the United States, as the two greatest powers of the New World, should always stand together. Taking this as his general thesis, the President proceeded to outline ‘Operation Pan-America,’ with the anticipated emphasis on underdevelopment as the root of all evil and its cure as the most important problem facing the American Republics, both individually and in their relationship with each other. He had been impelled by Vice President Nixon’s experience to write to President Eisenhower and had been greatly encouraged by the latter’s response.

[The President’s] plan is set forth in a memorandum describing proposed ‘methodology’ which the President said he believes would be a useful document for basic study. Should this document be agreeable to the United States, Kubitschek offered to have it circulated to the other 19 Republics with a view to setting up under OAS auspices in the second half of September a ‘Committee of 21’ which would make an intensive study of the problems of underdevelopment and their solution. This study

would be preliminary to a meeting either of Foreign Ministers or of Chiefs of State (Kubitschek still prefers the latter) at which, following appropriate studies of economic and other problems, a 'Declaration of Heads of State' would be proclaimed (Ibid.).

[Secretary Dulles:] welcomed the opportunity to discuss these important problems and that he interpreted the President's proposals as a call for action in both political and economic field. However, he believed it is an oversimplification to say that the communist problem can be solved by solving the problem of underdevelopment. Communism must be opposed 'on all fronts and by all means.' The strongest element is faith: the creative power of free men. The spiritual values of free men should be stressed (Ibid.).

[Regarding] procedures, the United States is in general accord with the philosophy underlying the Brazilian suggestions but believes careful study and preparation on the diplomatic level should take place. This preparation might include a meeting of Foreign Ministers, and should a Chief of State meeting take place the Secretary agreed it should represent the culmination of activities. However, our efforts should not be limited to economic problems but should also include those in the political field (Ibid.).

[President Kubitschek:] 'expressed agreement with the Secretary's thesis that underdevelopment is not the only factor facilitating communist penetration.'

[Secretary Dulles:] referred to the sound ideas of Finance Minister Lucas Lopes and to the necessity of taking steps in the economic field which would make government economic collaboration effective. He warned against the pitfalls of inflation, unbalanced budgets, etc., and then, referring to the development of the United States in the last century, pointed out that development of resources is primarily a job for private capital. A government can help and the American Government desires to continue to do so. Brazil holds a special place in our interest and attention, and he assured the President that the views he had expressed and the draft documents submitted would receive our urgent attention. In this connection the Secretary referred to the desirability of maintaining the momentum thus far generated by President Kubitschek's initiative so as to guarantee our ability to move forward (Ibid.).

[President Kubitschek:] restated his remarks about 'two stages':

(1) which would include discussion with the other American Republics prior to the proposed establishment of the 'Committee of 21' during which matters under discussion would be primarily economic, and

(2) the political aspects of the inter-American relationship culminating in the proposed presidential declaration. The President also declared that he believed Brazil should be associated with the United States in presenting a collective viewpoint for discussion by the other Republics (Ibid.).

[Secretary Dulles]: we are prepared to move 'along those lines' but meantime he and his associates would wish to study the papers presented and to consider the suggestions embodied therein. We will undertake this study as quickly as possible.

However, it would not be desirable for Brazil and the United States to appear to be getting too far ahead of the other members of the American family" (Ibid.).

The next day, 6 August 1958, both governments issued the "Declaration of Brasilia." Most of the objectives described by Secretary Dulles to President Eisenhower, before his visit to Brazil, were accomplished. This was described quite candidly in a memorandum describing the visit, dated 26 January 1959. (FRUS 1958-1960, Vol. V, Doc. 261). Assistant Secretary Mann started by describing the following:

"Problem: Brazil is attempting through Operation Pan-America to obtain the assurance of continuing large-scale financial assistance from the United States Government for a general program of economic development in Latin America. The program would set a series of goals and support levels, and the United States would be expected to underwrite the attainment of the support levels. The United States cannot accept the Brazilian proposals, and the problem is to resolve the issue constructively, with as little discord as possible (Ibid.).

Discussion: ... Brazil is pushing its proposals aggressively. Its tactics, if continued, may leave Brazil in an advanced and isolated position from which it will be hard to retreat. It would seem advisable, therefore, for the United States to seek an immediate understanding with Brazil as to the accomplishments to be expected from Operation Pan-America. Once bilateral agreement is reached on this matter, the cooperation of others can be sought and the work of those engaged in Operation Pan-America can be directed toward an agreed objective" (Ibid.).

From this description of the problem and discussion Assistant Secretary Mann proceeded to make the following "Recommendations."

- "1. Tell the Brazilian representative that the United States Government will gladly participate in a coordinated program of development for Latin America but that it cannot undertake a commitment, explicit or other, to underwrite the attainment of specified general economic goals.
2. Review orally with the Brazilian representative the enclosed outline as a preliminary skeleton draft of a general declaration or Resolution setting forth a program of action for Operation Pan-America.
3. The attached outline is tentative and, of course, subject to modification. Additional proposals which Brazil, the United States, and others may advance in the course of current discussions may also be taken into account in formulating a final version" (Ibid.).

Therefore, under these conditions, the Brazilian initiative would be supported by the United States, without elevating it to the summit of heads of state level, as intended by the original Brazilian proposal. Instead, the outcome in the form of a general resolution would be discussed within the Committee of 21, which started meeting in Washington, from 17 November to 12 December 1958. One of the reasons for channeling the discussion to the Committee of 21 was because the United States delegation was preparing a major policy statement which, in effect, would encompass specific aspects of the Brazilian initiative.

D. Epilogue

Both the shocking results of Vice President Richard Nixon's South America trip and the justification they provided to the Brazilian initiative, Operation Pan America in 1958, were premonitory of profound changes in hemispheric economic relations. In fact, a "narrative summary" (FRUS 1958–1960, Vol. V, Doc. 41) describes how United States regional economic policies expeditiously evolved, during that year.

Early in 1958, Secretary of State Foster Dulles requested "a reexamination of United States policies in the light of economic trends in the area... He was concerned by declining Latin American exports to the United States, falling prices of some important commodities produced in Latin America, and efforts by the Soviet Union to expand its trade and influence in the area."

In a 19 January 1958 memorandum to Under Secretary of State Christian A. Herter and other officials, Secretary Dulles said "United States economic policies in relation to Latin America were 'too negative,' that United States policy concerning trade between Latin America and the Soviet bloc was too restrictive, and that there should be a reexamination of the United States policy of opposing quota arrangements on commodities." Secretary Dulles closed with a somber conclusion, "I doubt that we are in a good position to withstand in that part of the world a Soviet economic offensive at a time when the demand for raw materials is down and prices are very low" (Ibid.).

In response to Secretary Dulles request "an interbureau task force" was set up, under Assistant Secretary for Economic Affairs Thomas C. Mann and Assistant Secretary for Inter-American Affairs Roy R. Rubottom. In a 10 April 1958 memorandum to Secretary Dulles, the task force summarized its conclusions, calling for "policy adjustments but no major initiatives" (Ibid.).

Thus, within the State Department, Secretary Foster Dulles provided the initial impetus for the change in Inter-American economic policies. However, he was unable to see where it all would end because, stricken with cancer, he submitted his resignation to President Dwight Eisenhower the following year, on 15 April 1959 (*United States Department of State Bulletin*, 1959, pp. 619–620).

However, pressure for change intensified as new appointments were made in the upper echelons of the State Department. One of the most decisive was the recall of C. Douglas Dillon, a political appointee, from the post of United States Ambassador to France, in January 1957. As described by Secretary Dillon, "when I came back from France, the title was sort of pulled out of the air—Dulles created a "Deputy Under Secretary for Economic Affairs," and that made me senior to the Assistant Secretary for Economic Affairs who was a competent run of the mill fellow. He was good but not much imagination." Dillon was also asked by Secretary Dulles to deal with foreign economic assistance, then managed by what was known as the International Cooperation Administration (ICA) (Schulzinger, 1987).

C. Douglas Dillon joined the State Department from Wall Street. His father founded the successful investment firm Dillon, Read & Co. which his son C. Douglas joined in 1938, as Vice-President. In 1946, after serving during World War II in the United States Navy in the Pacific, C. Douglas became chairman of Dillon, Read & Co. He was also an active member of the Republican Party and participated, together with John Foster Dulles, in the presidential campaigns of Republican candidates Thomas Dewey in 1948 and Dwight Eisenhower in 1952. President Eisenhower appointed C. Douglas Dillon United States Ambassador to France in 1953.

Later in the interview previously quoted, Secretary Dillon describes his perception of the state of Inter-American economic relations and how he became involved, as follows:

"There were trade problems, and they were constantly coming up with individual countries. I became sort of an expert on Latin America, because that was one of the big problems. I knew nothing about that when I arrived in the Department. I couldn't speak Spanish, but I was sent down in the early fall of '57 to a big economic conference in Buenos Aires. The head of the delegation was the new Secretary of the Treasury Robert Anderson and he had no intention of staying down there for any length of time. He went down and made a speech on the opening day and then left. So the number two fellow was me, and so therefore, I became the head of the delegation... I learned an awful lot. I found out that Latin American resentments were very great and had been building up in the previous years, when economic policy had been run by (former Treasury Secretary) Humphrey" (Schulzinger, 1987, p. 32).

Secretary Dillon reiterated, "They had problems, we were giving all this money everywhere else in the world except in Latin America. So we had to find a way to be more friendly" (Ibid.).

In an essay, Secretary Dillon described the two main decisions adopted after the Buenos Aires economic conference, which were major departures from policies previously supported by the United States. He said,

"The conference was a revelation to me. I was much impressed by the arguments put forward by other heads of delegations, particularly the delegates from Mexico and Brazil. All of them called for a more active and forthcoming policy on the part of the United States. I, for one, was convinced. Although my instructions prevented any major agreements, I was able to commit the United States to restudying the need for both a coffee agreement and a new development bank for the Americas. As a result the conference ended in a note of hope" (Dillon, 1988, p. 63).

The first decision consisted in accepting to participate in the United Nations Commission on International Commodity Trade (UNCICT), to which the United States was invited to become a permanent member, since its creation in the spring of 1954. One of the main objections by the United States to the terms of reference of the UNCICT was its goal of achieving just and equitable relations between the prices of raw materials and manufactured goods. In the fall of 1957, Assistant Secretary of State for Economic Affairs Thomas C. Mann became the United States Representative on the Commission.

The participation of the United States in the UNCICT was explained by Assistant Secretary Mann, in a statement presented to the 7th session of the UNCICT, in New York on 16 March 1959, as follows:

"The United States shares in the general concern over problems of commodity trade for the further reason that it is itself one of the world's largest producers and traders of primary products. As exporter or importer, we account for more than one-third of world trade in the leading primary commodities. We supply in some years more than half of the world's exports of coal and corn and between a third and a half of the world's exports of wheat, cotton, and tobacco. We are also the largest single market for many commodities. We must import all of our requirements of some

commodities and a large and generally increasing share of our requirements of others. Thus, the United States has, in the recent past, been the destination for over half of the world's exports of coffee and tin and for between a third and a half of the world's exports of lead, zinc, cocoa, and bananas" (Mann, 1959, p. 648).

The participation of the United States in UNCICT was translated into immediate action with the opening of negotiations to set up what became the International Coffee Agreement, signed in 1962 for a duration of five years. This reflected the preference of the United States for those commodity agreements which included both producers and consumers and the utilization of export quotas to stabilize prices. The agreement also reflected the acceptance by the Brazilian government of a "commodity-by-commodity" approach, instead of a universal agreement, as the most viable in the prevailing circumstances.

The second major decision was to support the creation of a regional institution dedicated to development finance, which later became the Inter-American Development Bank. At Quitandinha, Brazil, in the economic conference of December 1954, the Latin American delegations proposed a resolution creating a committee of experts, composed of representatives of nine central banks and the Secretariat of ECLA, to draft a plan to set up a regional financial institution. The United States delegation abstained, but it offered to contribute to the study through consultations, or by providing technical information.

As recalled by Secretary Dillon, the decision to support the creation of the regional development bank

"was a bit more difficult, as it involved a major shift in United States policy... This change in policy was only possible because Treasury Secretary Anderson was a native Texan who fully understood the importance of Latin America, and Mexico in particular, to the United States. Anderson was an early supporter of the Bank, having been encouraged to take this position by his Assistant Secretary for International Affairs, T. Graydon Upton" (Dillon, 1988, p. 64).

Even so, the adoption of the decision was triggered by a specific event. As described in an essay by Assistant Secretary of the Treasury T. Graydon Upton:

"The final decision for the creation of such a bank was made practically overnight in Washington, for purely diplomatic reasons. At a meeting on August 11, 1958 with President Eisenhower and Secretary of State Christian Herter, Treasury Secretary Robert Anderson learned that the United States planned to submit a proposal for the creation of a Middle Eastern development bank to the United Nations two days later. Anderson immediately sensed that a new crisis in inter-American relations could only be averted by a prior announcement of United States support for a development bank for Latin America, and so persuaded the President... A telephone call to Assistant Secretary Richard Rubottom prompted the drafting of a declaration which was cleared immediately, paving the way for the historic statement by Douglas Dillon the next day, August 12. At a hastily called meeting of the Inter-American Economic and Social Council, Dillon announced that the United States was prepared to support the formation of an inter-American financial institution" (Upton, 1988, p. 139).

Afterwards, Secretary Dillon recalled, "one of the most gratifying moments of my four years in the State Department came when I was able to announce to the delegates to the Inter-American Council assembled in Washington that the United States was prepared to work with our Latin friends to create an inter-American development bank (Dillon, 1988, p. 64).

Therefore, after a decade of intense and protracted negotiations, two major points were agreed: first, the negotiation of commodity agreements and second, the creation of a regional development finance institution. More would follow, mainly because the state of hemispheric relations became one of the topics in the forthcoming elections to succeed President Dwight Eisenhower.

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VI. Inter-Latin American payments and trade, 1958–1960

A. Introduction

The results of the Buenos Aires Economic Conference, held from 15 August to 3 September 1957, basically confirmed the differences which persisted between the positions adopted by the United States and the Latin American delegations. As described by several members of the United States delegation in their back-to-office reports, this outcome almost indefinitely precluded the possibility of reaching a general agreement on hemispheric economic relations. Priorities were therefore geared towards more specific issues, such as trade and payments.

B. Payments and trade

As mentioned, on these more specific topics ECLA had gained some headway through the creation of the Trade Committee at its Bogota session in September 1955, with the purpose of "intensifying inter-Latin American trade." The title of adopted Resolution 101 was "Intensification of Inter-Latin American Trade and Creation of a Trade Committee" (ECLA, 1955). The Committee met in Santiago, Chile, at the Commission's headquarters from 19 to 29 November 1956 (ECLA, 1956).

The proceedings and resolutions adopted by the first session of the Trade Committee consisted of a set of priorities agreed by the governments based on the documentation prepared by the Secretariat. The approach was two pronged, as revealed by the creation of two subcommittees: the first on payments and agreements and the second on products and the regional market. Both subcommittees were set up by adopting four resolutions at the Trade Committee's plenary session, on 28 November 1956 (Ibid., pp. 35–44):

- Gradual Establishment of a Multilateral Payments Regime in Latin America (E/CN.12/C.1/8)
- Preliminary Studies for the Creation of a Regional Market (E/CN.12/C.1/9)
- Procedures for the Creation of a Regional Market (E/CN.12/C.1/10)
- Trade in Traditional Products (E/CN.12/C.1/11).

Another procedural resolution was approved concerning the location and date of the Trade Committee's second session, to be held in La Paz, Bolivia, simultaneously with the 1957 Commission's seventh session, from 15 to 29 May, two months before the Buenos Aires Economic Conference.

The activities resulting from the implementation of these resolutions were transmitted, through the Inter-American Economic Council (IA-ECOSOC), to the Buenos Aires Economic Conference in a document, "Activities Relating to Payments and a Regional Market in Latin America: Report by the Secretariat," describing several actions carried out on what the ECLA Secretariat characterized as "the urgent need to promote inter-Latin American trade" (ECLA 1957A).

At the forefront of the report appeared a description of the activities on what was called a "payments system." This ordering was not randomly set. As it was described to Deputy Under Secretary Douglas Dillon, both by the ECLA Deputy Executive Secretary Louis Swenson in Santiago and confirmed by Executive Secretary Raul Prebisch in Buenos Aires, the activities initially would be concentrated on achieving progress in eliminating bilateral payments agreements and replacing them with a multilateral payments system.

In fact during the conversation with Under Secretary Dillon at the Alvear Palace Hotel, quoted previously in Chapter IV, Prebisch said these "bilateral trade balancing agreements were presently the most important factor restricting inter-American trade and it would be necessary to achieve a degree of relaxation in this field before common market proposals could have much effect" (FRUS 1955–1957, Vol. VI, Doc. 145).

Given the perceived essentiality of intraregional payments, the Secretariat moved rapidly to implement Resolution I, quoted previously, adopted by the first session of the Trade Committee, recommending setting up a Central Banks Working Group on a Multilateral Payments System. The resolution asked those Latin American countries that maintained bilateral agreements among themselves, to set up "a Working Group which would study the possibilities of gradually establishing a multilateral payments regime and would suggest the measures best calculated to achieve that end" (ECLA, 1957A, pp. 12–15).

The first session of the Working Group was held in Montevideo from 29 April to 10 May 1957 and was attended by representatives of eight central banks from Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay and Uruguay; all of these were countries where bilateral payments agreements were in force.

The Working Group recognized "the introduction of multilateralism in inter-Latin American trade is impeded by payments difficulties, of which the most serious is the shortage of convertible currency in the region. This problem can be largely solved by the establishment of a multilateral clearing mechanism" (ECLA, 1957A, p. 10). The Group agreed its "essential task" was "the

progressive co-ordination of the bilateral clearing systems, as a transitional step towards a multilateral payments regime.”

For this purpose, several “practical measures” were agreed, as follows:

- A standard payments agreement, to serve as model for the uniformity of existing instruments, was approved.
- As a supplement, a standard banking procedure for clearing accounts was agreed.
- The exchange of comparable data, enabling the monitoring of current balances and the short-term evolution of each account, was also agreed. The operation of these information exchanges started in the second half of 1957, with the ECLA Secretariat acting as a clearinghouse of the data transmitted monthly by each central bank, while the compensations were subject to direct negotiations among the central banks themselves.
- Finally, the Secretariat was asked to prepare a study on the establishment of a multilateral payments system, which should include the lessons drawn from the most recently acquired experience.

Because the central banks were the International Monetary Fund’s (IMF) main constituency, at the ECLA seventh session in La Paz the governments decided the same data, which the banks would transmit to the ECLA Secretariat, should also be sent to the IMF.

The activities of the second subcommittee on “products and the regional market” were moving less rapidly because of the priority given to intra-regional payments, which were perceived almost as a prerequisite to move on what was then called “inter-Latin American trade.”

The first phase of activities on the regional market was described as “entirely preparatory and pre-eminently technical” (p. 21). It consisted in requesting the Secretariat to carry out a set of studies on “those industrial sectors eligible for inclusion in the regional market” (p. 21), which “should be confined to industrial products —capital goods in the main—which are not yet or are only beginning to be manufactured” (p. 19). For this purpose, the Secretariat decided to convene an Expert Group during the second half of 1957. The ultimate objective of the Expert Group was to identify “a specific regional market formula... together with the appropriate mechanisms for its operation, or else several alternative formulae on which direct negotiations among the Governments concerned may be based” (p. 21). Therefore, the second phase would be the negotiations themselves (ECLA, 1957A, pp. 19–21).

However, in anticipation of potential objections, several observations were made. First, the Expert Group would seek the collaboration of “experts attached to certain international agencies which have had experience in the field of economic integration, like GATT” (ECLA, 1957A, p. 21).

Second, at the ECLA seventh session in La Paz, the delegations approved a resolution welcoming “any cooperation that the secretariat of IA-ECOSOC might extend to the ECLA secretariat in proceeding with the studies on inter-Latin American trade.” The objective was described as “coordinating the efforts of ECLA and IA-ECOSOC and preventing the duplication of their activities” (ECLA, 1957B).

According to a participant from the United States delegation, the Buenos Aires Economic Conference approved a resolution on economic integration “which encourages further study. It

doesn't specifically give ECLA the lead by comparison with IA-ECOSOC but that is the intention. Latin American countries want coordination between the two but think they are more likely to have advantages through ECLA" (FRUS 1955–1957, Vol. VI, Doc. 167).

Third, in anticipation of the concern about the promotion of monopolies, according to ECLA, the regional market was conceived as "confined to industrial products—capital goods in the main—which are not yet or are only beginning to be manufactured" and would be "developed on a basis of competition with identical activities ultimately to be established in the other countries of the region." Consequently, "there would be no room for the setting up of monopolies in each individual industry to the benefit of this or that particular country" (ECLA, 1957A, pp. 19–20).

Almost all these activities were preliminary. But launching this initiative, on regional integration in Latin America, caught the attention of several interested parties. As mentioned, the discussions and data gathering on regional payments among the central banks alerted the staff of the IMF about these activities, which involved its main constituency. The same was the case with the discussions of alternatives on intraregional trade expansion, which alerted the staff of the General Agreement on Tariffs and Trade (GATT), because eight Latin American governments were members of the organization and had to comply with the requirements on the creation of free trade areas and customs unions. In addition, the concern about the promotion of monopolies, as mentioned, was one of the main topics of the conversation between Under Secretary of State Douglas Dillon and ECLA Executive Secretary Raul Prebisch at the Buenos Aires Economic Conference.

The degree of interest in Latin American integration was evident from the extraordinary number of delegations and observers who participated in ECLA seventh session, held in La Paz, from 15 to 29 May 1957. In addition to the delegations from the members of the Commission, representatives from other members of the United Nations participated: Bulgaria, Canada, Czechoslovakia, Hungary, Italy, Japan, Rumania, Spain, the USSR and Yugoslavia, also from non-members such as the German Federal Republic. Representatives from the following specialized institutions were present: Food and Agricultural Organization, International Labor Organization, International Monetary Fund, United Nations Educational, Scientific and Cultural Organization, World Health Organization and the World Bank. Also present were representatives of intergovernmental organizations such as the Committee for European Migrations, the General Agreement on Tariffs and Trade, the Inter-American Economic and Social Council and the Organization of American States. Finally, there were several representatives from non-governmental organizations, among them the International Chamber of Commerce, the International Confederation of Free Trade Unions, the Inter-American Council of Commerce and Production, the International Federation of Christian Unions, the World Federation of Trade Unions and the World Jewish Congress (ECLA, 1957B, pp. 51–52).

Beyond these mostly preliminary activities, concrete actions to promote economic integration were simultaneously implemented by ECLA on the ground among the relatively smaller economies of the Central American Isthmus.

C. The Central American microcosm

After his appointment as ECLA's Research Director, in July 1949 and following his initial briefing in New York, on his way back to Santiago, Chile headquarters, Raul Prebisch stopped in Washington, D.C., and Mexico City, to set up offices of the Commission.

The Washington Office was initially staffed with two professionals. As described by Prebisch, afterwards, its purpose was "to have a foothold" in Washington, besides serving as liaison with the OAS, with other international organizations headquartered in the nation's capital and of course to maintain contact with the United States Government.

The Mexico City Office was also small initially; it was staffed by a single professional and housed in Mexico's central bank. But it did not remain small for long because in May 1951 the Mexican government was scheduled to host the Commission's fourth session, which would decide if the ECLA could become permanent (ECLA, 1952A).

The fourth session was also decisive for several other objectives. For instance, it approved resolution 30 (IV) formally establishing ECLA's Mexico City Office "to carry out more effectively the work of the Commission in the northern Latin-American countries, viz., Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama" (ECLA, 1952A, p. 8). Another main justification for the creation of the Mexico City Office was the meeting's approval of Resolution 9 (IV), responding to a request from the Central American governments to support a program of economic integration in the Isthmus.

Resolution 9 (IV) authorized the Secretariat to study the measures required to implement an economic integration program; it also created a Committee of Economic Cooperation, where the Central American Ministers of Economy would meet to adopt the measures identified and proposed by the Secretariat (ECLA, 1952A).

How the promotion of economic integration in Central America could be carried out was almost inconceivable because the Isthmus, at the time, was the most politically volatile region of the Western Hemisphere. After World War II, several dictatorships which had emerged, mostly as consequence of the Great Depression, were overthrown and replaced with democratically elected, civilian governments. However, in Central America, there was an exception in the government of General Anastasio Somoza Garcia of Nicaragua, whose survival became one of the main sources of regional political tension.

Between 1948 and 1959, several confrontations between the Central American governments demanded the attention of regional and universal mechanisms of conflict resolution. For instance, of the six times in which the mechanism provided by the Inter-American Treaty of Reciprocal Assistance was applied in the whole hemisphere, during the decade, five were to deal with conflicts in Central America and the government of Nicaragua was involved in all five "cases" (IIEJI, 1966, pp. 473–479).

In one of these cases, on 4 February 1955, more than 100 armed men supported by the Nicaraguan Government invaded Costa Rica and attacked the village of Los Chiles, located in the north, close to the Nicaraguan border. The OAS and the United States Department of State immediately intervened and promptly achieved a cessation of hostilities, but the incident only

deepened the personal antagonism that existed between Nicaraguan President Anastasio Somoza Garcia and Costa Rican President Jose Figueres (FRUS 1955–1957, Vol. VI, Doc. 191).

Reconciliation between Figueres and Somoza was personally attempted by Vice President Richard Nixon and Assistant Secretary of State for Inter-American Affairs Henry Holland, during a visit to 11 countries of Central America and the Caribbean, between 6 February and 5 March 1955. In the report on the trip to the National Security Council, Vice-President Nixon said

“he could hardly fail to make some mention of the affair between Nicaragua and Costa Rica, which was essentially a rather ridiculous business. What was involved in this dispute was no clash between the interests of the populations of the two countries, but essentially a personal feud between two men, neither of whom was quite big enough to run his own country and both of whom were ambitious to run all the other countries in the Caribbean area. The Vice President illustrated this generalization with anecdotes concerning Figueres and Somoza. The Vice President then went on to describe briefly his efforts to get these two gentlemen together to patch up their quarrels. This had not worked out completely, since Figueres had said that under no circumstance and at no time would he agree to meet with Somoza and bury the hatchet. After two literally night-long sessions with Somoza and Figueres, he [Vice-President Nixon] had finally induced them to issue public statements to the effect that neither would try to overthrow the other, and that both would work for peace in Central America. The Vice President earnestly hoped that this would be realized. In any event, he was inclined to rely a little more on Somoza than on Figueres, for the good and sufficient reason that Somoza really desires to do what the United States wants him to do. Figueres, on the other hand, merely wants to do what he thinks most advantageous for himself” (FRUS 1955–1957, Vol. VI, Doc. 195).

How the ECLA Mexico City Office was able to promote a process of economic integration in such a convulsive region deserves explanation. First, the political changes of the post-war years in several Central American countries led to the participation in government of a generation of economists, some of them trained in the United States, to manage new government activities, such as central banks and development agencies.

This specific constituency allowed for another contributing factor, which consisted in the separation of economic integration from the more controversial political realm. In fact, this separation was reflected in the formation of two institutions, an Organization of Central American States (ODECA for its acronym in Spanish) created by the Ministers of Foreign Affairs to deal with the politics of intra-regional relations. The second factor, mentioned previously, was the creation of the Committee of Economic Cooperation, an organ of ECLA, to deal with economic integration.

In addition, the economic process was projected to be gradual and low cost. Initially, it required relatively small contributions from the participating governments because the bulk of the basic studies required was financed with technical cooperation funds provided by the United Nations Technical Assistance Administration (UNTAAs).

In these conditions, in 1951, the Secretariat moved promptly to respond to the request from the Central American governments. First, staffing the Mexico City subregional headquarters started with the appointment of Eugenio Castillo (Cuba) as Director, in July 1951. Previously, Castillo had been transferred to Mexico from Santiago ECLA headquarters to coordinate with the

Mexican government the preparatory activities for ECLA's fourth session, scheduled for May–June 1951. Prior to that time, together with Louis Swenson (United States), Castillo had run daily activities at the Santiago headquarters.

As new director of the subregional office, Castillo started by recruiting other experts. Among them was Victor Urquidi, a young Mexican economist, who studied at the London School of Economics. While working at the Mexican central bank, in 1944, Urquidi served as liaison to Raul Prebisch, who was invited to present a set of lectures to personnel from the central bank and other financial agencies. In October 1951, Prebisch hired Urquidi as Director of Studies of the newly created subregional headquarters. In addition, Jose Antonio Mayobre (Venezuela), exiled in Mexico, was recruited to work at the sub-regional office, as well as Cristobal Lara, a Spanish economist hired to work on industrial policy.

The preliminary Central American studies were focused on trade, infrastructure and productive activities, such as the standardization of customs tariff nomenclatures and trade statistics, intraregional transport, with emphasis on the completion of the Pan American Highway throughout the Isthmus, power generation, technology and training. The core of the proposals was the analysis of productive sectors and industrialization, development finance and technical assistance.

In March 1952, Prebisch, accompanied by Castillo, Urquidi and Mayobre, travelled to the region to present a set of preliminary proposals and visited the six Central American countries, including Panama. The purpose was to carry out consultations with the governments in anticipation of the first meeting of the Committee of Economic Cooperation, to be held in Tegucigalpa, Honduras, in August 1952. According to Urquidi, the consultations were successful. However, a major surprise was that, at the end of the mission in Panama, Eugenio Castillo informed Prebisch he had accepted the offer from Cuban President Fulgencio Batista to become Vice-President of the Cuban central bank. As a result, Prebisch appointed Urquidi as Acting Director of ECLA Mexico City subregional office (Urquidi, 1998, pp. 259–267).

Under Urquidi's direction, activities at the Mexico City Office were concentrated on drafting the main proposals for submission to the first meeting of the Economic Cooperation Committee in Tegucigalpa. The proposals were presented in a document titled "Informe Preliminar del Secretario Ejecutivo de la Comisión Económica para América Latina sobre Integración y Reciprocidad Económica en Centroamérica" (ECLA, 1952B).

The objective was clear, in Latin America, Prebisch had said "industrialization has become the most important means of expansion," but in Central America this objective confronted an additional limitation derived from the smallness of the individual markets. This obstacle Prebisch added, "far from being insurmountable, however, it is a factor which could be removed by a wise policy of economic interdependence" (ECLA, 1952B, p. 7).

Therefore, economic integration was proposed as an instrument to overcome those and other limitations to the industrialization of the economies of the Central American Isthmus. In addition, other supportive and constraining factors were identified. Among the latter, together with the smallness of the individual markets, there were demographic "paradoxes" and weak rates of capitalization generated by traditional, agricultural commodity exports. Among the supportive factors there was an improvement in the balance of payments, derived from relatively high commodity prices, which was supporting the start of development promotion and planning, generating the possibility of coordinating such plans (ECLA, 1952B, p. 37).

Even so, circumstances were perceived as unfavorable to aim immediately at the creation of an economic union, not even generalized intraregional free trade. Two main reasons were invoked to dismiss either one of these comprehensive objectives. The first reason was the effects of free trade on existing, inefficient industrial activities, and the second was the reduction of government revenue which would cause the dismantling of tariffs.

These were some of the reasons which led to the proposal of what ECLA called "gradual and limited integration accompanied by a policy of commercial and industrial reciprocity." This concept contains the essence of the vision sponsored by ECLA on economic integration in Central America. Gradual and limited integration meant "a policy that leads to the optimal location of some important economic activities... with the purpose of establishing productive units of adequate size, that utilize the region's raw materials and are able to supply the Central American markets as a whole, at the lowest cost of production." Additionally, the requisite of reciprocity had two major elements. First, a plan to locate the selected industries among the member countries and second, a guarantee that those industries, for a limited number of years, would be granted the benefit of supplying the expanded market through free trade (ECLA, 1952B, pp. 39–40).

In the meeting at Tegucigalpa, the five governments approved a set of resolutions authorizing the Secretariat to carry out studies and activities aimed at implementing the policy of "trade and industrial reciprocity." The Mexico City Office moved promptly at a technical level, setting up a trade subcommittee to deal with the unification of tariff nomenclatures, trade statistics and drafting a common customs code. Road transport bottlenecks were identified throughout the Inter-American Highway and two regional institutions were created: a school of public administration to train civil servants and an institute of industrial technology. These activities led to requests, from the governments to the Secretariat, to evaluate the feasibility of approving a multilateral free trade agreement. Also, because trade was perceived as an instrument for industrialization, the Secretariat was asked to identify a list of industrial projects, which came to be known as "integration industries."

As a result of the activities previously described, five years later, by 1956, the movement towards economic integration in Central America was progressing decisively, and it attracted the attention of the United States Department of Commerce, which hired a consulting firm to explore investment opportunities in the region.

1. A guidebook for United States investors

The consulting firm hired by the Department of Commerce was based in Bogota, Colombia, and was named after its two partners, Albert O. Hirschman and George Kalmanoff Economic Consultants. Both consultants found themselves in Colombia for similar reasons. (The following is based on Adelman, 2013, pp. 284–294.)

In 1951, Hirschman was working at the Federal Reserve, from where he had been assigned to the United States Treasury Department Economic Cooperation Administration (ECA) to support the implementation of the European Recovery Program (ERP), better known as the Marshall Plan. At the time, Hirschman was seeking a permanent transfer to the Treasury Department, to work directly in ECA. His request was sent to the Loyal Review Board of the Civil Service Commission, created by President Truman in 1947 to respond to congressional allegations, led by Wisconsin Senator Joseph McCarthy, that the executive branch was infested with Communists.

Hirschman's request for a transfer was denied for security reasons, and he was also privately advised that it was better if he left the government. An opportunity opened at the World Bank which was starting one of its first technical cooperation projects in Latin America to support the preparation of a development plan for Colombia. Hirschman was hired by the Colombian government and the World Bank, to start in 1952, as an economic advisor to a council of planners housed in Bogota, at the central bank, the Banco de la República.

George Kalmanoff came to Bogota later, after working for the recently created ECLA Washington Office from 1951 to 1953. During World War II, between 1942 and 1945, Kalmanoff worked as an economist in the United States Office of Price Administration and was Chief of the American Republics Division, at the Department of Commerce, from 1945 until he joined ECLA Washington Office. In Bogota, he was sent by the World Bank to join the planning council as an advisor.

In 1954, at the expiration of their contracts with the Colombian government, Hirschman's in April and Kalmanoff's in November, they set up the consulting firm hired by the United States Department of Commerce, by the end of the year, to draft a Central American guidebook for United States investors (US Department of Commerce, 1956).

The guidebook prepared by Hirschman and Kalmanoff was extensive and detailed, including statistical tables and descriptions of different sectors of the Central American economies, together with specific instructions on how to do business in the region. The report portrays the transformations these economies were undergoing, at a time when they were turning away from outward-looking development, with their backs turned towards each other. Gradually, the report said, they were moving away from exporting a few agricultural export products, without replacing them, towards a relatively more diversified, inward-looking orientation supported by the process of economic integration.

The report included detailed descriptions of general geographic, economic and financial conditions, concluding that the region offered a positive investment climate and welcomed foreign investment, with the United States as the dominant trading partner and main investment source. Several reasons were offered "to deal jointly with these five countries... the relatively small size of each... their geographical proximity and historical ties, and the similarity of their economic structure." Another factor was "the movement toward economic cooperation, and integration among the five countries," which had "made progress in the past few years and which would substantially increase the attractiveness of the area to potential investors" (Ibid., p. 346).

A specific chapter in the report was dedicated to the process of economic integration, recognizing that "the smallness of the markets of the individual Central American countries has been a definite factor in retarding the economic progress of these countries and specifically explains why the development of this area has lagged behind other larger Latin American countries, such as Brazil, Mexico and Colombia" (Ibid., p. 393).

On the liberalization of intraregional trade, the report noted recent increases in reciprocal trade, supported by a network of bilateral agreements, based on lists of products, underlining the leadership of the government of El Salvador in the promotion of these bilateral agreements. The report said

"El Salvador has taken the lead in this field since it has been looking to industrialization as a means of absorbing some of its surplus population and since it

has realized that its industries, to be vigorous, need a larger market than that contained within its own boundaries. On the other hand, El Salvador is the only Central American country with a chronic food deficit so that it has been able to offer the other countries a stable market for some of their surplus produce" (Ibid., p. 395).

The report also highlighted the existence of bilateral free trade agreements among the five countries, based on limited lists of products, which were generating "a stimulating effect on the volume of trade between El Salvador and the other Central American countries." It also noted that negotiations were under way at the Economic Cooperation Committee to approve a multilateral free trade agreement, with the support of the ECLA Mexico Office, as Secretariat to the Committee. Also, the conclusion was drawn that "the gradual creation of a free trade area in Central America would be consistent with United States as well as GATT (General Agreement on Tariffs and Trade) policies" (Ibid., p. 396).

In fact, the government of Nicaragua had kept the GATT's Executive Secretary informed on the evolution of bilateral trade agreements it had signed with other Central American governments and on its intention to negotiate a multilateral trade agreement. The reason for this was because the Nicaraguan government, as the only Central American member of GATT, was under the obligation to comply with GATT rules, particularly those contained in Article XXIV on free trade areas, as permitted exceptions to the most favored nation clause. An example of these consultations can be found in the exchange of letters, dated 22 January and 11 February, 1953, between J.J. Sanchez, Minister for Economic Affairs of Nicaragua and E. Windham White, GATT's Executive Secretary (Ibid., pp. 364-369).

In addition, the report by consultants Hirschman and Kalmanoff positively described how the Central American governments, with the support of ECLA Mexico City, were proceeding to identify industrial projects to be installed, according to an agreed plan, among the five countries. Hirschman and Kalmanoff described how the identification of these projects was proceeding and some of the initial decisions about allocating them among the countries, as follows: "since Honduras is the site for the projected pulp and paper mill, other industrial projects ought to be located in the remaining countries, in the interest of distributing equitably the gains that will be derived from economic integration" (Ibid., p. 398).

The consultants did not foresee potential disagreements with the United States Government about some of the topics raised by economic integration activities, basically on compliance with GATT trade liberalization regulations and the concern about the creation of monopolies to promote industrialization. Far from that, the conclusions drawn by the consultants were quite positive. For instance, on the Economic Cooperation Committee, "established under the auspices of the United Nations Economic Commission for Latin America (ECLA)... it has an able secretariat and staff at the ECLA office in Mexico City." Also, on the process of economic integration, the report said

"despite the fact that political unification is out of the question for the time being and that a complete customs union is not envisioned for the immediate future, the prospects of future progress toward economic cooperation and integration among the five countries are promising. Such progress should considerably increase the opportunities for investment in Central America" (Ibid., p. 398).

On Central American industrialization, the consultants noted how the Economic Cooperation Committee, supported by ECLA, "has given particular attention... to discovering industries that might be established as regional projects." They added a note of scepticism recognizing "the planning, and actual carrying out, of such a project is not an easy task. In one field, however, the [Cooperation] Committee has already achieved a measure of success. During its session in San Salvador in 1955, it decided that a complete study should be made of the location, development and financing of a pulp and paper mill to be established in Honduras..." Several other industries also had been identified and "since Honduras is the site for the projected pulp and paper mill, other industrial projects ought to be located in the remaining countries, in the interest of distributing equitably the gains that will be derived from economic integration" (*Ibid.*, pp. 397–398).

This positive assessment was soon afterwards challenged by several events. As the participating governments formalized some of their joint decisions, through the signature of several treaties, indicators of reluctance to advance emerged among some of them. By 1958, the five Central American governments had signed two treaties, drafted with the support of ECLA Mexico City Office, first, a Multilateral Free trade Agreement, granting free trade to limited lists of products and second, the Regime of Integration Industries containing a set of principles to regulate the planned distribution of industrial activities, known as "integration Industries." However, instead of proceeding to the distribution of these industrial projects, the governments decided to do it through the signature and approval of additional "protocols" (in fact, other treaties). Another indicator of progress was the signature, the following year, of another treaty by the five governments establishing a procedure to agree on a common external tariff, known as the Central American Treaty of Tariff Equalization. As mentioned, two additional regional institutions were functioning, a Public Administration Institute, in San Jose, Costa Rica, and another Institute for Science and Industrial Technology in Guatemala City.

Even so, the most proactive member governments started complaining because the more reticent partners were slowing down the process. For instance, the governments of Costa Rica and Honduras had not ratified either the Multilateral Free Trade Agreement or the Regime of Integration Industries. In fact, one of the founding members of the Economic Cooperation Committee, the former Minister of Economy of El Salvador Jorge Sol, considered both agreements "tiny, in the sense that, as instruments of integration, they fall short of the goal" (Sol Castellanos, 1959, p. 70). In addition, the government of Nicaragua questioned the feasibility study which had assigned the pulp and paper mill to Honduras.

Urquidi, the head of ECLA Mexico City Office, was also questioning some of the results, to the point that in 1957 at ECLA's La Paz seventh session, he submitted his resignation. In an autobiographical essay, Urquidi recognized he had started "doubting the possibilities of success" of the Central American integration program. Together with his disappointment was the refusal by Prebisch to release a major study on the Mexican economy. These two reasons led to his separation from ECLA (Urquidi, 1998, p. 266).

However, at this point, when such questions and doubts were openly raised, the integration program in Central America underwent profound changes with the active participation of the United States Government.

2. Qualitative jump

The disenchantment with the results of the integration process motivated the El Salvador government to seek a breakthrough to overcome the deadlock through deepening its bilateral trade relations with Honduras, which were regulated by a free trade agreement, in force since 1918. This agreement was modified through a protocol approved in 1954, but there were frictions originating in protected interests in both countries which led to the signature of a new bilateral trade agreement, which came into force on April 1957.

Nonetheless, the frictions persisted, mainly generated by strong resistance from protected sectors. For instance, the Minister of Economy of El Salvador identified the Standard Fruit Company among the opponents to free trade with Honduras (United States Department of Commerce, 1956, pp. 379–382).

To overcome the stalemate, the government of El Salvador sought the support of the United States during a state visit to Washington by Salvadoran President, Colonel Jose Maria Lemus, from 9 to 21 March 1959. Economic integration in Central America was one of the most prominent topics discussed during the visit, and a detailed mention of it appears in the statement issued after President Lemus was received by President Eisenhower. The statement said both presidents agreed to

“The establishment of an economically sound system for the integration of the Central American Republics and for a common market comprising those nations would be beneficial and would receive the support of El Salvador and the United States... This subject will receive continued study by the two governments with a view of taking appropriate action to carry on those sound plans already contemplated” (United States Department of State, 1959B, pp. 478–479).

A summary on relations between El Salvador and the United States describes them as “without serious difficulties during most of the 1958–1960 period” (FRUS 1958–1960, Vol. V, Doc. 307).

The statement by Presidents Lemus and Eisenhower was clear and emphatic: an “economically sound system” was required and “appropriate action” would be based on “sound plans already contemplated.” Those plans consisted of a set of recommendations, identified by two State Department officials, Harry R. Turkel and Isaiah Frank, who were sent on a mission to Central America in preparation of President Lemus’ visit to Washington. Unfortunately, their back-to-office report could not be found, but their recommendations were included in a memorandum describing the discussions between the State Department officials and the members of President Lemus’ team, who accompanied him during the visit to Washington (United States Department of State, 1959A).

The participants and the content of this “conversation,” deserve a detailed description, because both reveal how the Central American integration process changed to meet specific conditions, which were required to obtain United States support. Furthermore, some of these conditions were later extended to the rest of Latin America when the United States supported regional integration throughout the hemisphere.

The participants of both delegations are listed in the memorandum as follows:

- El Salvador delegation
 - His Excellency Dr. Alfredo Ortiz Mancia, Minister of Foreign Relations
 - His Excellency Dr. Hector David Castro, Ambassador to the United States
 - His Excellency Dr. Alfonso Rochac, Minister of Economy
 - His Excellency Roberto A. Parker, Minister of Public Works
 - His Excellency Rafael Meza Ayau, President of the Salvadoran Association of Manufacturers and former Minister of Economy
 - Dr. Tomas Regalado, President of the Salvadoran Coffee Company and of the Executive Commission of the Port of Acajutla
 - Mr. Francisco De Sola, President of the Federation of Farm Credit Banks
 - Dr. Jorge Sol Castellanos, Advisor to President Lemus
- United States delegation
 - Ambassador to El Salvador Thorsten V. Kalijarvi
 - Edward F. Beale, Bureau of Economic Affairs
 - Herbert F. Propps, Office of International Trade, Trade and Agreements Division
 - Harry R. Turkel, Department of State
 - Isaiah Frank, Department of State

The Salvadoran delegation included both public and private sector members. Three Ministers represented the public sector, while the three private sector representatives included prominent members of the “fourteen families,” who belonged to the highest echelons of Salvadoran society. They were members of what the State Department described as “the oligarchic triarchy (army, landed gentry and church) which has ruled this country for decades” (FRUS 1958–1960, Vol. V, Doc. 307).

The Salvadoran delegation included one “technocrat,” Jorge Sol Castellanos, identified as Advisor to President Lemus. Dr. Sol was an economist, with a PhD from Harvard University, he was one the main promoters of the economic integration project. For instance, when the project was launched in Tegucigalpa in 1952, as Minister of Economy of El Salvador, he was one of the founders of the ECLA Committee of Economic Cooperation of the Central American Isthmus. Dr. Sol also had ample international experience; he worked for the International Monetary Fund, and as a consultant to several international organizations, such as advisor to the group of eminent persons who reviewed and supported the ECLA proposals presented to the OAS Economic Conference, held in Quitandinha, Brazil in 1954. An obituary written by Victor Urquidi, the former Director of the ECLA Mexico City office, said Jorge Sol was “the statesman of the integration” of Central America (Urquidi, 1988, pp. 3–10).

The United States delegation was smaller and more technical; it was led by Ambassador to El Salvador Thorsten V. Kalijarvi, previously Assistant Secretary of State for Economic Affairs, who was therefore personally acquainted with the members of the Salvadoran delegation. Also present

was Edward F. Beale from the Bureau of Economic Affairs, then led by Assistant Secretary for Economic Affairs Thomas C. Mann, who was not present in the meeting but was also well acquainted with the participants because he was the previous United States Ambassador to El Salvador. Also present in the conversation was Herbert F. Propps, from the Office of International Trade, Trade and Agreements Division, Bureau of Economic Affairs. The other two persons from the State Department present at the meeting were Harry R. Turkel and Isaiah Frank, who participated in the preparatory mission to Central America prior to President Lemus Washington visit (United States Department of State, 1959A).

Some of the highlights of the meeting, as described in the memorandum previously quoted, are presented here.

"[Mr. De Sola] said that as a result of the Frank-Turkel visit El Salvador saw the possibility of accelerating integration with Honduras by forming a customs union and using a common fund.

[Dr. Sol] said El Salvador had in mind the points mentioned by Messrs. Frank and Turkel. The Minister of Economy of Honduras had also expressed agreement. President Lemus had a telegram from the President of Honduras authorizing the former to speak for them both in Washington.

[Mr. Frank] recalled that Nicaragua wanted to be in the new customs union from the beginning.

[Ambassador Kalijarvi] said it was important not to alienate people who had done a great deal to prepare the present integration plan.

[Dr. Sol] said that although Nicaragua wants to participate from the outset, it doesn't want to be relegated to the role of raw material producer and wants some guarantee of industry.

[Mr. Frank] said he and Mr. Turkel had made clear to the President of Nicaragua and to (Minister of Economy) Delgado that industry guarantees were out, and they had agreed.

[Mr. Turkel] referred to Somoza's circular letter calling for a special meeting of Ministers of Economy and wondered whether this meeting might not be postponed until June.

[Dr. Mancía] said this was a very delicate problem which would be discussed thoroughly. He would like later to give a joint Honduran-El Salvadoran answer.

[Mr. Frank] suggested that in the meanwhile officials of the Department of State might prepare a draft statement or agreement, along the lines of the principles explained earlier, for a customs union between Honduras and El Salvador.

[Mr. Beale and Mr. Frank] emphasized the need for avoiding publicity at this stage.

[Dr. Mancía] agreed.

[Dr. Rochac] then referred again to the letter from the President of Nicaragua suggesting an early meeting of the Ministers of Economy of the five Central American republics and United States representatives to discuss Central American integration.

He said that such a meeting would lead to long speeches, resolutions, etc., which might prove embarrassing. He therefore suggested that El Salvador might reply that the idea of a conference is interesting, but that the time is inopportune. An annual meeting of the Ministers is due to be held in San Jose in June. ECLA activities and the economic report for the year are to be discussed. He suggested it might be wise to keep ECLA activities and the proposed customs union plan separate.

[Mr. Beale and Mr. Frank] agreed.

[Mr. Turkel] said we would do all we could to help" (United States Department of State, 1959A).

However, the bilateral draft agreement became a tripartite treaty because the Guatemalan Government was able to obtain its inclusion in the bilateral negotiations. Urquidi, in his Central American memoir, says the Turkel-Frank mission visited him in Mexico City, "on February 1959 and they described the different approach on which would be based the projected bilateral integration agreement between El Salvador and Honduras" (Urquidi, 1998, p. 265). Turkel and Frank also informed Urquidi that in Guatemala they were going to meet with Alberto Fuentes Mohr, who was Director of the Office for Central American Integration, in the government of his uncle, General Miguel Ydigoras Fuentes. Urquidi was personally acquainted with Fuentes Mohr, because he had hired Alberto to work on international trade in ECLA Mexico City, between 1957 and 1958. In his memoir, Urquidi says that he "alerted Alberto in time" about the purpose of the Turkel-Frank mission, to draft a bilateral free trade agreement between El Salvador and Honduras (Urquidi, 1998, p. 265). One year later, in February 1960, the Tripartite Integration Treaty was signed in Guatemala City by the representatives of El Salvador, Guatemala and Honduras.

The Tripartite Agreement included most of the elements required by the United States to support the integration process. First, free trade was granted to almost all products originating in the member countries, with a few exceptions, subject to further negotiations. Thereby, free trade became the norm and the limited number of excluded products became the exception. Allowing generalized free trade, therefore, eliminated the major incentive for the creation of "integration industries," which were intended to enjoy privileged access to the regional market for some time. Instead, the Tripartite Agreement mandated the creation of a "development fund" to finance infrastructure and new industries. This preference for financing projects replaced the method of selecting industries, which would result from compromises among the governments. Urquidi tells an anecdote of a conversation about how to "pick winners and losers" with President Luis Somoza of Nicaragua, who had succeeded his father, assassinated on 29 September 1956. On the allocation of industrial investments, President Luis Somoza told Urquidi, "Look Victor, bring me here the main Central American industrial investors, we will tell them where they can locate their plants and the matter will be solved" (Urquidi, 1998, p. 266).

However, the story did not end with the signature of the Tripartite Treaty, which after all excluded two of the original members of the integration process, Nicaragua and Costa Rica. The Nicaraguan government protested vehemently against its exclusion by the United States, its closest ally, while the isolationist government of President Mario Echandi in Costa Rica stood aside. More negotiations led to a decision to request ECLA Mexico City Office, which had also been excluded from the tripartite negotiations, to draft a new agreement based on the principles contained in the Tripartite Treaty. These negotiations culminated in December 1960 at a meeting

in Managua of the ECLA Economic Cooperation Committee, with the signature of a new General Treaty of Central American Economic Integration, by four members except Costa Rica, which later joined the General Treaty, in 1962. In addition, at the Managua meeting, the five member governments agreed to create the Central American Bank for Economic Integration (CABEI), with a contribution of US\$4 million each, complemented by a contribution of US\$10 million from the United States, US\$7 million upon the establishment of the Bank and US\$3 million in the next fiscal year (United States Department of State, 1960, pp. 782–783).

Henceforth, the Central American integration process, now supported by the United States, experienced a qualitative transformation which led to increasing levels of intraregional interdependence. For instance, as a result of the across the board decision to liberalize almost all the common tariff nomenclature, intraregional trade underwent spectacular increases, from US\$21.7 million in 1960 to US\$260 million in 1968, representing 6.4 per cent in 1960 of the five countries' total imports and 17 per cent in 1966. Also outstanding was that by 1965 almost 60 per cent of intraregional trade was in manufactured goods, which increased from 40 per cent in 1962.

These and other indicators of the Central American process successful transformation were highlighted in 1967 by the United Nations Conference on Trade and Development (UNCTAD), then led by Raul Prebisch. UNCTAD said, the Central American Common Market (CACM) was "the most clearly successful integration effort that has been undertaken by independent developing countries which previously constituted separate national markets" (UNCTAD, 1967, p. 15).

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VII. Culmination, 1960–1963

A. Introduction

Many decisions and actions carried out by the United States Government, in 1958, revealed altogether that there was “a reexamination of United States policies” on Inter-American economic affairs (FRUS 1958–1960, Vol. V, Doc. 41).

These changes, for example, led to the agreement to start negotiations for the creation of an Inter-American development finance institution; to initiate exploratory conversations on commodity agreements; or to the support of the process of Central American economic integration. Significant as they were, these changes were only premonitory of a succession of several other events that pushed the Republican Administration of President Eisenhower to promote even more profound changes in hemispheric policies.

Quite significantly, 1959 started with the overthrow of the Cuban regime of General Fulgencio Batista by a guerrilla army, which entered Havana on New Year’s Day, commanded by Fidel Castro. A week later, on 9 January, 21 delegations from the hemisphere started negotiations, at OAS headquarters in Washington, within the Specialized Committee for Negotiating and Drafting the Charter of the future Inter-American Development Bank. These negotiations moved quickly, culminating with the signature of the agreement to create the Inter-American Development Bank (IADB), on 8 April 1959.

To signal these policy changes, on 28 February, the United States Department of State circulated among the members of the OAS Committee of 21 a comprehensive statement describing the United States Government “approach it believes could be employed most effectively in promoting economic development in the Americas” (United States Department of State, 1959A, pp. 479–482).

As the year progressed, the relations between the Eisenhower Administration and the new Cuban revolutionary government became confrontational. In fact, the initial “honeymoon” was brief and soon security concerns overwhelmed all the other aspects of the interdependence between both governments.

Also, ahead of the November 1960 elections in the United States, the positions of both major political parties became more clearly defined and the state of hemispheric relations turned into a major issue of the approaching political campaign. As judged by observers quoted previously, in Chapter V, “for the first time, since the Spanish American War, Latin America was an election issue in the United States” (Levinson and de Onís, 1970, p. 51).

B. The Inter-American Development Bank negotiations

As mentioned previously, the negotiations to approve the creation of what would be the constitutive charter of the IADB started in January and ended in April with the signature of the agreement. The short duration of the negotiations revealed the degree of consensus which existed, when the United States government decided it was time to proceed with the creation of the bank. The following description is based on an essay on reminiscences about the negotiations, published by the head of the United States delegation (Upton, 1988, pp. 139–147).

As described previously, negotiations started in the Specialized Committee on 9 January 1959, in the Columbus Room of the Pan American Union Building, including 86 delegates, alternates and advisors from the 21 delegations present. As described by Upton, “on the first working day of the conference, the United States presented a complete draft of a charter as well as a substantive memorandum outlining what the still unnamed bank should be and do” (Ibid., pp. 140–141).

Among the numerous financial issues that were negotiated, the crucial point which unleashed the discussion of all the others was the amount of the contributions each government would make to the bank’s initial capital. Upton says “the discussion over capital lasted many weeks. One of the thornier issues was the amount that the United States would contribute. The initial United States proposal was for a total capitalization of US\$850 million, including dollars and local currencies... of this total, the United States would contribute US\$400 million. This was countered by a Brazilian proposal of US\$5 billion, a Chilean proposal of US\$1.25 billion and a Cuban proposal for a total capitalization of US\$200 million.” After intense negotiations, “in the end, the United States agreed to a total capitalization of US\$1 billion” (Ibid., p. 141).

Many other issues were successfully negotiated, such as the location of the bank’s headquarters in Washington and the election of Felipe Herrera, head of the Chilean delegation, as president of the bank. It was also agreed that a Latin American would be elected bank president, while a United States citizen would become executive vice-president to manage day-to-day operations. In addition, the number of executive directors was decided to achieve a fair degree of representation among the largest and smaller members.

Despite this impressive degree of consensus, the first issue which split the Latin Americans from the United States delegation was procedural and had to do with ECLA. Upton calls this issue “the first skirmish” of the negotiations and his description deserves full quotation:

"The first skirmish, after the formation of all the necessary committees, was the struggle over whether or not observers would be admitted to the meetings—a fairly common practice in international meetings. The United States took the view that a negotiation of a bank was not an ordinary meeting and that the presence of observers was not appropriate. The Latin Americans felt otherwise" (Ibid., p. 140).

In these terms, the "skirmish" can be seen as simple and procedural, which could be easily solved. However, Upton provides the following candid explanation:

"Actually, only one observer was at issue, and his name was never mentioned. He was Raul Prebisch, the head of the United Nations Economic and Social Committee (sic) on Latin America (ECLA), who had been an influential personality at earlier meetings where the concept of the bank had been debated and was a figure of towering intellect and great oratorical capacity, greatly admired throughout Latin America."

Furthermore, Upton provides an explanation of why this single observer was excluded from the negotiations, as follows: "The Treasury staff feared Prebisch as a left-wing economist with ideas about Latin American development that would be very costly to the United States. They were apprehensive that even as an observer, Prebisch would dominate the negotiations and considerably increase the United States ante to the bank." Therefore, Upton concludes, "Eventually Treasury won the skirmish and no observers were invited" (Ibid., p. 140). Thus, figuratively, Prebisch did not "enter the promised land," a fact which decisively influenced the future performance of ECLA in subsequent negotiations.

After this "first skirmish" was resolved, the negotiations proceeded swiftly. As mentioned, in only three months, on 8 April 1959, the agreement to create the bank was signed in Washington. A Preparatory Committee was then established to deal with the logistics of setting up the bank and worked for the remainder of the year. Among these tasks, to start operations, it was essential to obtain the ratification of the agreement by the signatories, to comply with the requirement that 85 per cent of the voting members had to deposit the instruments of ratification, before 31 December 1959. By that date, 87 per cent of the members had ratified the agreement, with one exception.

As described by Upton,

"Cuba was a special case. Its delegates had participated in the Negotiating Committee and Foreign Minister Raul Roa had signed the agreement. But when Jorge Hazera (Costa Rica) visited Havana to obtain the ratification documents, it was another story. Felipe Pazos had been replaced as president of the central bank by Che Guevara, and when Jorge met with Che at 7:00 one morning, Che denounced the bank, said the United States was getting off too easily, the capital was inadequate, and that Cuba would not join" (Ibid., p. 145).

With the required ratifications in place, on 4 February 1960, the government of El Salvador hosted the first meeting of the board of governors of the Inter-American Development Bank, which elected Felipe Herrera (Chile) as the bank's first president. The bank started operations eight months later, in September 1960. Including President Herrera, who had been head of the Chilean delegation to the negotiations that created the bank, several other members of the different delegations became high-ranking executives of the bank. For instance, the head of the United States delegation, T. Graydon Upton, became Executive Vice-President, while the heads of

the delegations from Argentina, Mario Mendivil; Brazil, Cleanto Paiva Leite; Panama, Julio Huertematte; and Colombia, Ignacio Copete, all became members of the board of directors.

C. Suggestions to promote economic development

While the bank negotiations were proceeding rapidly, concurrently, major revisions of United States policy towards Latin America were approved. First, the National Security Council, based on extensive preparatory activities carried out the previous year, discussed and approved by President Eisenhower, on 16 February 1959, a new "Statement of United States Policy Toward Latin America NSC 5902/1" (FRUS 1958-1960, Vol. V, Doc. 11).

This new policy statement superseded the previous one, NSC 5432/1, approved by President Eisenhower on 3 September 1954 (FRUS 1952-1954, Vol. IV, Doc. 12).

Second, based on this new policy statement, on 28 February, the State Department circulated among the members of the OAS Committee of 21 a set of "suggestions for promoting the economic development of the Americas." Two weeks later, this set of proposals was made public (United States Department of State, 1959A, pp. 479-483).

This hemispheric economic policy statement is one of the first comprehensive revisions approved and made public to respond to domestic political pressures, emanating from Democratic Party legislators, and to support the Brazilian initiative known as Operation Pan America. In fact, the statement closes mentioning specifically that the set of proposals "constitute an integral part" of Operation Pan America. The paragraph deserves full quotation:

"The Government of the United States takes this opportunity to reiterate its support of Operation Pan America, so well stated by President Juscelino Kubitschek. In fact, the United States has doubly welcomed President Kubitschek's initiative, which it believes restates a fundamental attitude inherent to but transcending our current deliberations. It has been within this concept that the United States has already taken significant initiatives, some involving major policy changes. As these are directed toward the objectives expressed in Operation Pan America, they do, constitute an integral part of the operation itself" (Ibid., p. 482).

The statement contains general and specific considerations, which are summarized here.

Between 1950 and 1957 the average annual rate of growth of Latin America was 4.5 per cent, "a rate which substantially exceeded the rate of growth in the United States and most, if not all other areas of the free world." However, to increase income "per capita it is necessary to take into account the rate of population growth... Only half century ago all of Latin America had 61 million inhabitants. Today the figure stands at approximately 185 million. Forty years from now, if the present rate continues, population will treble again, and by then turn of the century stand at almost 600 million. The United States and Canada, by comparison, will have, according to these estimates, only 312 million inhabitants at the turn of the century" (Ibid., p. 479).

The conclusion drawn from this statement marks a significant departure from previous policies: "the task of increasing per capita income is, in view of the projected rapid increase in population, so formidable that it must be attacked on all fronts by all American states. Not only must account be taken of the private capital and technical know-how required to create

employment... In addition very large additional amounts of public funds will be required for facilities which only governments can provide; for example, highways, sanitation facilities, hospitals and schools" (Ibid., pp. 479–480).

This recognition of the need for public finance to complement private capital is emphasized by placing it at the top of the list of these specific actions.

"Increasing the Flow of Public Funds into Economic Development Projects. The United States in recent months has, within the spirit of Operation Pan America, undertaken to increase in very substantial amounts its public funds available for economic development assistance to Latin American countries... The magnitude of such amounts is indicated by the following specific actions of the Government of the United States:

- (a) Current negotiations for the formation of an inter-American financial institution, the total capital of which should initially approximate US\$1 billion, a substantial proportion to be contributed by the United States;
- (b) A recent increase of US\$2 billion in the lending authority of the Export-Import Bank, which conducts close to one-half of its total operations in Latin America;
- (c) President Eisenhower's request of February 12, 1959 for Congressional authorization to increase the United States contribution to the International Monetary Fund by US\$1,375,000,000. This will facilitate increased quotas for Latin America and would thus materially assist countries in balance-of-payments difficulties.
- (d) President Eisenhower's request of February 12, 1959 for Congressional authority to increase by US\$3,175,000,000 the contingent liability of the United States to facilitate the doubling of the lending facilities of the International Bank for Reconstruction and Development. A substantial proportion of this increase may be expected to be utilized in Latin America.
- (e) Increased resources for the Development Loan Fund. Requests have been made to the United States Congress for a supplementary US\$225 million for fiscal year 1959 and US\$700 million for fiscal year 1960."

This section concludes stating: "We agree that even larger amounts of public funds from all American Governments will be required for economic development in the future" (Ibid., p. 480).

"(b) Increasing the Flow of Private Funds Into Economic Development Projects. The ability of all American Governments to provide funds through taxation for economic development is limited. The magnitude of the task, rather than doctrinaire reasons, requires, therefore, that new efforts be made to attract larger and larger amounts of private capital to supplement public funds.

(c) The Need for Better Planning of Economic Development. The Government of the United States shares the view that there is an urgent need for better development planning... We have three specific suggestions in this regard:

First, a draft proposal has been submitted for certain economic studies to be undertaken by the Secretariat of the Inter-American Economic and Social Council on a country-by-country basis.

Second, there should be created within the new inter-American banking institution a technical assistance department, staffed with the best technicians available, for the purpose of advising with governments concerned on the formulation of economic development policies and plans, assigning priorities among projects and assisting in the preparation of projects for both public and private financing.

Third, the United States has suggested an annual high-level meeting of economic experts to exchange, on an informal basis, information and views on current economic problems, particularly as they relate to economic development."

On trade, the statement supports the ECLA promotion of economic integration in Latin America, as follows:

"(d) Increased Trade as a Means of Promoting Economic Development. The United States considers that increased trade between Latin America and the free world is indispensable to rapid economic development. Although conscious that under the democratic system which we all cherish and defend occasional setbacks will be suffered, we have and will continue to cooperate, within the framework of the GATT [General Agreement on Tariffs and Trade], to remove barriers to international trade, including especially barriers to the sale of Latin American primary products. Within this principle of increased international trade, the United States also supports the efforts of Latin American Governments to create, in cooperation with ECLA [Economic Commission for Latin America], one or more regional markets designed to increase trade within the area, to provide larger international markets, and to improve efficiency of production through competition so that more goods may be made available to the public at cheaper prices.

(e) Search for Means To Prevent Excessive Fluctuations in the Prices of Primary Products as a Means of Promoting Economic Development. The Governments of the American states are already aware of the cooperation of the United States in facilitating international arrangements by exporting countries to stabilize the coffee market. While we do not believe that commodity agreements, in general, serve the objective of obtaining more efficient production and distribution, we recognize that they may serve temporarily to avert severe economic dislocations and to furnish time for governments to remove basic causes of imbalances and we have therefore also cooperated in the search for ways of bringing world production of lead and zinc into better balance and stand ready to examine other problems on a commodity by commodity basis.

(f) IA-ECOSOC Consultation. Some American Governments have suggested from time to time that inter-American consultations and understanding on economic problems of hemisphere interest would be facilitated by the constitution of the IA-ECOSOC [Inter-American Economic and Social Council] as the OAS forum for this purpose.

(g) Sound Economic Policies. An indispensable aspect of the problem of economic development is the continuous application of sound monetary and fiscal policies. In recent years, progress has been made in obtaining a better public understanding of this problem, and some governments are already taking courageous measures to restore confidence in their currency and to put into effect policies which facilitate

sound and rapid development. The Government of the United States continues to offer its cooperation in programs designed to accomplish this objective. The increased financial resources which have been made available to the Export-Import Bank and which are to be made available to the International Monetary Fund under current United States policies should make this cooperation even more effective.

(h) Need for Low Cost Housing. Convinced through experience that private investment offers the most promising source for housing development, the United States is recommending specific technical and other assistance designed to aid in development of savings and loan institutions in order to mobilize savings which can be utilized under appropriate Government guidance and insurance, both of savings and of mortgages. Of similar importance is the need of technical assistance to the housing construction and building materials industries.

(i) Support for Increased Agricultural Cooperation. Reaffirmation of the need to strengthen the activities of the OAS in the agricultural field is highly desirable, as is also recommendation for the fullest possible support and participation of all member states in the Inter-American Institute of Agricultural Sciences" (Ibid., p. 482-483).

This new economic policy stance included major changes on several controversial topics, which for a long time had generated major differences between the Latin American and the United States governments. Therefore, the changes justified expectations that hemispheric economic relations were entering into a more positive phase. However, precisely at this point the relations between the new Cuban and the United States governments started deteriorating, into what would end up becoming a major episode of the ongoing Cold War.

At the National Security Council meeting, held in Washington on 14 January 1960, Special Assistant to the President for National Security Affairs Gordon Gray said "the Department of State was prepared to give an oral briefing on United States policy towards Cuba; accordingly, he called on (Under Secretary of State for Political Affairs) Mr. (Livingston T.) Merchant."

"Mr. Merchant said he would make a few remarks before asking Assistant Secretary (for Inter-American Affairs) Rubottom to give a detailed briefing. Mr. Merchant characterized the Cuban problem as the most difficult and dangerous in all the history of our relations with Latin America, possibly in all our foreign relations... Our present objective was to adjust all our actions in such a way as to accelerate the development of an opposition in Cuba which would bring about a change in the Cuban Government, resulting in a new government favorable to United States interests. Mr. Merchant then called on Mr. Rubottom.

Mr. Rubottom then summarized United States-Cuban relations since January (1959). He said the period from January to March might be characterized as the honeymoon period of the Castro Government. In April a downward trend in United States-Cuban relations had been evident, partly because of the preparation by Cuba of filibustering expeditions against the Dominican Republic, Nicaragua, and Panama. In June we had reached the decision that it was not possible to achieve our objectives with Castro in power and had agreed to undertake the program referred to by Mr. Merchant" (FRUS 1958-1960, Vol. VI, Doc. 423).

Even so, at the same time, there were attempts at finding common ground on economic issues. For instance, economic relations with the new Cuban government were discussed at a National Security Council meeting, held on 12 February 1959 (FRUS 1958–1960, Vol. V, Doc. 10).

Treasury Secretary Robert Anderson said

“A group of officials from the new Cuban Government were coming to the Treasury Department this afternoon to talk with him about a stabilization fund. These officials apparently wanted US\$100 million for this purpose from the United States. Secretary Anderson said that he and his associates merely proposed to listen to the Cuban delegation at this afternoon’s meeting but he pointed out that a decision would have to be made in the next few days as to how far the United States Government was going to go in support of the Castro Government.”

Also, at the same meeting, CIA Director Allen Dulles offered the following paternal suggestion on how to deal with the new Cuban Government: “Mr. Allen Dulles pointed out that the new Cuban officials had to be treated more or less like children. They had to be led rather than rebuffed. If they were rebuffed, like children, they were capable of doing almost anything.” (FRUS 1958–1960, Vol. V, Doc. 10). Evidently, those still were the days of the so-called honeymoon period.

In the same context should be placed the visit by then Prime Minister Fidel Castro to Washington, on 16–20 April, 1959, accompanied by, among others, the Ministers of Finance Rufo Lopez Fresquet, of Economy Regino Boti and the head of the central bank Felipe Pazos. Given the composition of the Cuban delegation, a briefing prepared by Assistant Secretary Roy Rubottom, for Acting Secretary of State Christian Herter, assumed “the principal substantive topics which he (Prime Minister Castro) may raise are the Cuban sugar quota and the possibility of securing financial aid from the United States” (FRUS 1958–1960, Vol. VI, Doc. 280).

During the visit, Acting Secretary of State Herter offered a luncheon at the State Department for Prime Minister Castro and his party, during which economic issues were discussed informally. Also, because President Eisenhower was at the Augusta National Golf Club, in Georgia, Vice-President Richard Nixon met Prime Minister Fidel Castro, on 19 April, at his office in the Capitol. In a draft summary of their conversation, Vice-President Nixon offered the following personal impression: “The one fact we can be sure of is that he has those indefinable qualities which make him a leader of men. Whatever we may think of him he is going to be a great factor in the development of Cuba and very possibly in Latin American affairs generally” (FRUS 1958–1960, Vol. VI, Doc. 287).

Contrary to previously mentioned expectations, an analysis of the results of the visit, prepared at the State Department, does not specifically mention topics of potential economic cooperation among both governments (FRUS 1958–1960, Vol. VI, Doc. 292).

Another opportunity to discuss hemispheric economic issues was provided by the meeting of the Committee of 21, held in Buenos Aires 29 April–2 May 1960, convoked to formulate new measures for hemispheric economic cooperation, which surprisingly Prime Minister Fidel Castro decided to attend. At the meeting, on 2 May, Castro said, to support the economic development of Latin America, the United States should “launch a program of US\$30 billion over a 10-year period” (FRUS 1958–1960, Vol. VI, Doc. 301).

The atmosphere during the session was described by Levinson and de Onis, who had reported for many years from Latin America for *The New York Times*:

"Castro's presence provoked great curiosity... The room was hushed as the bearded leader rose, in his green fatigue uniform, to address the meeting... He stated that the chronic potential instability of the Latin American governments of the period was the result, not the cause, of economic underdevelopment... He agreed with the United States that the Soviet threat should not be the basis of Latin American requests for aid. "We do not want to be a battlefield of political conflicts... The evil is not in ourselves, but in our economic conditions... What we are proposing here will not adversely affect the United States. It will benefit future generations, since with a developed Latin America the United States will have more commerce, just as it has more commerce with a developed Canada... If we solve the economic problems now, we will lay the base for a humanist democracy" (Levinson and de Onis, 1970, p. 46).

Prime Minister Castro's proposal was not acted upon, but there was a sequel in private, in what retrospectively appears as one of the last attempts at personal, conciliatory diplomacy. Assistant Secretary Rubottom in the memorandum quoted previously, dated 2 May, described how he had requested to meet Prime Minister Castro:

"During the plane trip from Washington to Buenos Aires, I told Ambassador Enrique Perez Cisneros, Cuban Representative to IA-ECOSOC, that Mr. (Thomas) Mann and I would like to take Fidel Castro to lunch or dinner or have an opportunity in some way to talk with him when we were in Buenos Aires. He said he would inform Minister of Economy (Regino) Boti, head of the Cuban Delegation to the Committee of 21 Meeting" (FRUS 1958-1960, Vol. VI, Doc. 301).

On the evening of 2 May, the day of Prime Minister Castro's speech, Assistant Secretary Rubottom says:

"During the Venezuelan reception tonight (May 2), Dr. Boti brought Fidel Castro, and a coterie of followers, to the place where I was standing... Dr. Castro and I conversed for two or three minutes while photographers were taking pictures from in front of us and on both sides of us, and while several people were leaning over the heads of the crowd to try to overhear what we were saying. After I had bid the Prime Minister good-bye, Dr. Boti came back to me to say that the Prime Minister wanted to talk to me alone... at the Alvear Palace, saying that they would meet me there in five minutes. Drs. Castro and Boti arrived on time" (Ibid.).

Among the conversation highlights, Assistant Secretary Rubottom says he

"made a statement along the following lines...The United States desires to be friendly with the new Cuban Government, in keeping with its traditional friendship with the Cuban people. The United States has an understanding of some of the revolutionary objectives of the Castro Government, and applauds their efforts to bring about honesty in government and to restore to the people their voice in the affairs of government. Friendship and cooperation between governments and peoples must be a two-way street. If the Cuban Government wants the good will of the United States Government, the United States will not be found lacking... I had heard with

great interest several of the declarations made by the Prime Minister while he was in the United States. I had heard his speech before the Committee of 21 today. I agreed with several of the points that he had made, but felt that he had been unduly critical of the United States. The United States can supply only a small part of what is needed for the economic development of a country... The United States stands ready to offer its part to Cuba... The United States takes strong exception to his statement that foreign investment creates problems for the host governments. Many years ago there were cases of irresponsible investors, but hard lessons have been learned through the years, and practically all of the companies operating abroad today recognize that they must be responsible citizens of the host countries" (Ibid.).

Assistant Secretary Rubottom describes what Prime Minister Castro said:

"Castro listened carefully, with Boti nodding over his shoulder most of the time, and he interrupted only occasionally. He seemed to be slightly injured that I interpreted his speech as critical of the United States, saying that he had striven mightily to avoid criticizing the United States. He declared that frankness was called for, and I fully agreed. I said that some of our policies could very well be criticized, and that we hoped that the criticisms would be constructive. I said that we would probably find grounds to criticize some of the things done in Cuba, and might make a statement during this conference, replying to some of his own. Boti said that he was sure that we would be able to find mutually agreeable solutions to our problems, although there might be some cat-and-dog fights in the search for them" (Ibid.).

After discussing the situation in Panama and Argentina, the conversation ended cordially. "Dr. Castro asked me when I was coming to Cuba. I said that I hoped to come some time during the next few months but that I had no definite plans. He expressed the hope that I come, so that we could continue our conversation" (Ibid.).

ECLA provided technical cooperation to the new Cuban government, in response to a request for support from then Minister of Economy Regino Boti, mainly for training in planning techniques and advisory services. As Minister Boti was about to leave, leading the Cuban delegation to the ECLA eighth session in Panama, an advisory mission from ECLA arrived in Havana on 10 May 1959. (What follows is mostly based on Burger, 1998, pp. 171–174.)

As previously mentioned in Chapter II, Minister Regino Boti was trained in economics at Harvard University and after graduate school, in 1949, he joined the ECLA Development Division, in Santiago, Chile, under Celso Furtado. The person designated to lead the ECLA Advisory Group in Havana was the Mexican economist Juan Noyola, who had also worked with Boti at the ECLA Development Division in Santiago. In addition, to supervise the ECLA advisory group and to support the training program in planning techniques in Havana, was the Chilean economist Jorge Ahumada.

Burger quotes a response to an inquiry, dated October 1959, from the United States Mission to the United Nations, about the ECLA Havana group. The Commissioner for Technical Assistance of the United Nations, Robert Hourtematte, said the group would operate "on a technical level" and it was "far removed from any policy-making level" (Burger, 1998, p. 172, fn. 94).

Among the concrete results achieved initially by the ECLA group in Havana was the training of 66 Cuban officials from different government agencies, who would form part of a future

planning effort. However, the mission was short lived, in large measure because of the divergent approaches sponsored by Ahumada and Noyola. In November 1960, the United Nations Secretary General terminated the mission, and Noyola decided to stay in Cuba, where he supported the creation of the Central Planning Board and became Director of Programming and Investments. He died in an airplane accident, in the outskirts of Lima, Peru, returning with the Cuban delegation from a meeting in Brazil. He was 40 years old (Gonzalez Rubi, 2001).

After the end of the Cuban mission, Ahumada also left ECLA and moved to Caracas in 1961, where he became director of the newly created Center for Development Studies (CENDES, for its title in Spanish), at the Universidad Central de Venezuela. From that position, in 1964, he was also economic advisor, in Chile, to the successful presidential campaign of Christian Democratic candidate Eduardo Frei. After the election, without official title, Ahumada became a close and influential advisor to the new Chilean government, with an office in La Moneda, the presidential palace. In November 1965, Ahumada died of a heart attack in Caracas; he was 48 years old (Burger, 1998, p. 184–185).

D. President Eisenhower's trip to South America

As 1959 was coming to a close, there were indications that Inter-American relations were in flux, and evolving events were challenging several accepted premises. Despite the policy changes previously described, for instance, after an auspicious start related to the launching of Operation Pan America by President Juscelino Kubitschek, relations with Brazil had soured. In addition, the confrontation with the Cuban revolutionary government intensified throughout the year. Finally, as the start of an election year approached in the United States, opposition in the United States Congress, based on accusations of neglect in hemispheric affairs, was increasing.

To deal with some of these difficulties, following a recommendation made by his brother Milton Eisenhower after he returned from a trip to Latin America in December 1958, President Eisenhower authorized the creation of a National Advisory Committee on Inter-American Affairs. The Committee was created to advise the Secretary of State and was characterized as "tangible evidence of the importance which the United States attaches to relations with the other American Republics" (United States Department of State, 1959B, p. 823).

Receiving the members of the Committee at the White House, on 3 December 1959, President Eisenhower said "he was concerned that some of our Latin American friends were resentful of the fact that he had not made a trip to their countries." Encouraged by several participants in the meeting, "the President told the group that he would be willing to consider a short trip of six or seven days to Brazil, Uruguay, Argentina and Chile, possibly around the first of February. The Secretary indicated that he would look into this prospect and make a recommendation to the President" (FRUS 1958–1960, Vol. V, Doc. 68).

A White House press release, on 6 January 1960, stated the President is "partially fulfilling his long-held desire personally to travel in South America, to meet the people and to renew friendships with the leaders of the nations so closely allied with the United States in the Organization of American States." The President and his party left Washington on 22 February and visited, in this order, Brazil, Argentina, Chile and Uruguay. They returned to Washington on 7 March (FRUS 1958–1960, Vol. V, Doc. 74).

In addition, this instruction sent to all embassies in Latin America contained a confidential section, in which the objectives of the presidential trip were specified, as follows:

"Begin CONFIDENTIAL. There has been some criticism in this country and in Latin America that the United States has given a higher priority to other parts of the world and has paid too little attention to the needs and desires of its close neighbors. The forthcoming trip should do much to dispel that belief and to provide a dramatic stimulus to establish closer United States relations with the countries to be visited and other countries of Latin America."

The trip's objectives were also described by country:

"Brazil: relations with Brazil cooled in 1959, the visit to Brazil has special significance... United States relations with Brazil suffered a setback in mid-1959, due largely to Brazilian insistence upon large-scale United States balance of payments assistance to Brazil on her terms, a demand to which we could not accede. However, they have improved in recent months. Brazil believes that the United States has demonstrated only a lukewarm interest in the initiative sponsored by President Kubitschek, called Operation Pan America, for a multilateral approach to the economic development of Latin America. The Government of Brazil continues in the belief that Brazil will soon become a world power and ought to be consulted by the United States in important United States foreign policy matters not directly related to United States-Brazilian relations.

Argentina: The United States Government and private United States banks are assisting in the economic stabilization program which the present democratic Argentine Government is carrying on against formidable difficulties, and in the success of which the United States Government has a distinct policy interest. The visit to Argentina is also designed to point up the present warmth of Argentine-United States relations, as contrasted with the often strained and even hostile relations which existed during the Peron regime.

Chile: our relations with Chile are friendly and there exist few outstanding important differences. The Alessandri Administration is committed to a democratic, free enterprise system and has placed itself firmly on the side of the West.

Uruguay: the present Government of Uruguay, the first elected by the Nationalist Party in almost 100 years, has consistently sought the closest possible co-operation with the United States, reversing a trend toward coolness displayed by the previous Government. At the request of the Uruguayan Government, that country was placed at the end of the itinerary, since under the collegial executive a new President, Benito Nardone, will take office on March 1" (Ibid.).

An evaluation of the results of the trip concluded that it was successful "as a demonstration of renewed interest in Latin America by the United States and greater importance placed by the United States in its relations with the area."

E. Special fund for social development

However, soon the conclusion emerged that more concrete steps were required both for domestic and external factors. As described in a summary of subsequent events, (FRUS 1958–1960, Vol. V, Doc. 41).

“by mid-1960... before the (Inter-American Development) bank could begin operations, United States policymakers were concluding that more must be done to increase the flow of development capital to Latin America. The leftward trend of Fidel Castro’s government in Cuba reinforced this conclusion. At an NSC meeting on June 30, President Eisenhower expressed concern about social unrest and instability in Latin America and urged consideration of possible policy changes” (FRUS 1958–1960, Vol. V, Doc. 41).

The response from the State Department was almost immediate. A 5 July memorandum, from Assistant Secretary of State for Policy Planning Gerard C. Smith to Under Secretary C. Douglas Dillon, proposed “an initiative to provide funds for social programs in the region in order to support moderate political leaders and lessen adverse reaction ‘if we are forced to move against Castro.’” Without providing many details, the summary of events says, “In a July 11 statement, Eisenhower affirmed United States sympathy with Latin American aspirations for social and economic progress and declared his intention to seek funds from Congress to assist the countries of Latin America to develop their nations and achieve better lives” (Ibid.).

Under Secretary of State C. Douglas Dillon is more explicit and candid on how this departure from so-called “restrictionist” policies was achieved. He recalls that the Committee of 21 was scheduled to meet at a ministerial level in Bogota, by early September 1960, “to consider the Brazilian proposal (Operation Pan America) and other economic matters” (Dillon, 1988, p. 64). Dillon adds, “we in the State Department decided in late spring of 1960 that the time had come for another, even more radical change in United States policy. We formulated a plan calling for a US\$600 million fund for grants to promote social justice in Latin America. This was not too different in principle from the concept of Operation Pan America, though far more modest in size” (Ibid.).

Even so Dillon adds, this change “represented... a complete reversal of our long-standing policy of not making development grants to the countries of Latin America.” Furthermore, Dillon offers a rarely found explanation of the reasons behind the “restrictionist” policy practiced until then in Latin America by the United States, for more than a decade, as follows: “United States economic policy toward Latin America was based on the premise that the countries of Latin America had prospered during the war and, with the sole exception of technical assistance, needed no economic aid” (Ibid. p. 63).

In a 1 August memorandum to the President, “Dillon urged that the United States should ‘press forward with a broad program for Latin America.’” Adequate funds were available for sound economic development projects, he stated, but there was an immediate need for funds for social development projects, such as land settlement, improved land use, pilot and self-help housing, basic community facilities, and vocational training, and if such programs were not initiated promptly, “unrest with violent political consequences is likely in a number of Latin American countries.” Dillon proposed the creation of the Special Fund of US\$600 million (including US\$100

million in disaster assistance for Chile) to be used exclusively in Latin America to provide grants or loans, primarily through the Inter-American Development Bank (FRUS 1958–1960, Vol. V. Doc. 41).

But several hurdles existed. In the essay quoted previously, Dillon adds,

"Obtaining approval of this idea prior the Bogota Conference, first from the President and then from Congress, became our objective. But this time the Treasury Department opposed us, maintaining the stance that no grant aid was needed in Latin America. Thus, the matter went to President Eisenhower for decision... I well remember the occasion. It was early July and there had been a routine National Security Council meeting at Eisenhower's summer White House in Newport, Rhode Island. Secretary Anderson and I stayed afterward to meet with the President and obtain his decision... At the end of our meeting, the President approved the State Department proposal, and we were half-way home... I felt that Secretary Anderson's opposition to our social justice fund for the Americas was more in the nature of pro forma support of earlier Treasury positions than of deep-seated opposition" (Dillon, 1988, pp. 64–65).

Even so, another major hurdle remained. In an interview granted in April 1987, C. Douglas Dillon described how, in August 1960, the last hurdle was overcome (Schulzinger, 1987).

"[Dillon:] there's a very interesting story in my relations on that with Senator John F. Kennedy. We'd come up with this idea before the conference in Bogota of all the economic leaders and ministers of the hemisphere. We were looking to get something going, the then president of Brazil had a big proposal called Operation Pan-America, which was supposed to lift everybody up by their bootstraps, but the main lift was going to be billions of dollars from the United States, and we'd been scared of that. We decided, in the State Department, that we had to make another step, and I was able to convince President Eisenhower after a slight disagreement with the Treasury, that this was something which we should do. He agreed to ask for US\$600 million for this 'social justice' program, which I would put forth at this conference in Bogota.... To get back to the fund for 'social justice' in Latin America. After President Eisenhower came to the decision to let us do this, which was early in July, it took a while to get the legislation ready, and it didn't get to the Congress until August, which was after the nominating convention, and Senator Kennedy had meanwhile been nominated (as presidential candidate) by the Democrats. I was informed that no legislation would be considered in the Senate during this last period before they adjourned for the elections, unless he approved of it. So I had to go up and see him.

[Q]: What law was this?

[Dillon:] This was the legislation to create the Social Justice program for Latin America. So I did go and see him. He had meanwhile come out in favor of what later became the Alliance for Progress. I don't know if he invented the name, he may have, but he obviously was preparing to make a big thing of his interest in Latin America, and here we were coming up with a similar program, to do something considerably more modest, but in the very same direction. So that was not very pleasing, obviously, to him politically. It took some of the credit for the idea away from him. But he was very good

when I spoke to him, and he said he recognized the problem— there was this conference. We had to have something. Okay —we made a compromise. He said he would approve and work for passage of the law authorizing this program provided we did not ask for any appropriation until the following year. An appropriation would be made the following year so, if he was elected President, he could take the credit for the appropriation and could make the figure whatever he wanted. So that was fine, and that was my first business connection with Senator Kennedy” (Ibid., pp. 33–35).

“Congress authorized the money in legislation signed into law on September 8. Dillon presented a United States proposal for an inter-American program for social development at the September meeting in Bogotá of the OAS Special Committee to Study the Formulation of New Measures for Economic Cooperation, or the Committee of 21. The Committee approved the major features of the United States proposal with some additions and modifications; it was approved as the Act of Bogotá on September 13, with only Cuba voting against it; the OAS Council approved it on October 11” (FRUS 1958–1960, Vol. V, Doc. 41).

Upon his arrival in Bogota as head of the United States delegation, on 3 September 1960, Under Secretary of State C. Douglas Dillon made a statement thanking the host country and its government and mentioning briefly, at the end, the additional financing requested by President Eisenhower from the United States Congress to support the acceleration of social progress throughout the hemisphere. A longer and more substantive statement was made by Under Secretary Dillon, at the meeting on 6 September, outlining the elements of an Inter-American program for social development, which were incorporated into the final document approved, on 13 September, as the Act of Bogota. (Both statements and the Act of Bogota were published by the United States Department of State, 1960.)

In the 6 September statement, Under Secretary Dillon started saying the objective was

“to consider how we may best intensify our effort to further the lofty objectives of Operation Pan America, given to us by the eminent President of Brazil, Juscelino Kubitschek... This third meeting of the Committee of 21 has before it an unprecedented opportunity. By our decisions we can, if we will, launch a far-reaching attack on the poverty, ignorance, and lack of social justice which, even in this 20th-century world of miraculous technical progress, still oppress so many of our fellow citizens in Latin America” (Ibid., p. 533).

Dillon described as “the great imperative of our time... the acute need to rescue the underprivileged from their life of misery,” then returned to praise Operation Pan America, because “it has helped us all to address ourselves with great vision and dedication to the task of speeding up the economic growth of the developing nations of Latin America” (Ibid., p. 534).

Under the heading “new sources of capital for development,” Under Secretary Dillon enumerated the creation of the Inter-American Development Bank; the new International Development Association affiliated to the World Bank; increases in the quotas of both the International Monetary Fund and the World Bank; the Development Assistance Group of 10 capital-lending countries; the Export-Import Bank; and finally the continued investment of private capital.

However, the objective was "expanding social development." For this purpose, Under Secretary Dillon announced

"the Government of the United States is prepared to devote over the years ahead large additional resources to the inauguration and carrying forward of a broad new social development program for Latin America, dedicated to supporting the self-help efforts of the governments and peoples of Latin America. As a first step President Eisenhower has recommended, and our Congress has authorized, the appropriation of US\$500 million for this purpose. The appropriation itself will be requested at the next session of our Congress in 1961" (Ibid., p. 535).

To accomplish these objectives, the United States delegation had previously presented to the participants "a draft agreement for the establishment of an inter-American program of social development," which

"First, envisages an overall attack on social problems through improvement in the conditions of rural life, through better use of agricultural land, through better housing and community facilities, and through the modernization and improvement of education... Secondly, the agreement looks toward the establishment of an inter-American fund for social development to be financed by the United States but to be administered primarily by the Inter-American Development Bank... Finally, as one of the ways of strengthening the Inter-American Economic and Social Council, the proposed agreement would authorize it to carry out annual reviews of the progress achieved in the field of economic and social development as a whole and to outline the areas in which future progress should be sought. The United States believes that it is of the greatest importance to build up and fortify the economic institutions of the OAS [Organization of American States] and to assure that they discharge effectively their vital responsibilities" (Ibid., p. 536).

The leading role on hemispheric economic activities was assigned to the IA-ECOSOC, requiring it "to assure effective coordination" with ECLA, the IADB, the United Nations and its specialized agencies and other agencies "offering technical advice and services in the Western Hemisphere" (Ibid., p. 537). This is the only mention to ECLA that appears in the Act of Bogota, approved on 13 September and by the OAS Council on 11 October 1960.

By the end of 1960, hemispheric economic policies had undergone significant change in the United States. These changes were substantive, mainly consisting of an acceptance of several policies proposed in Latin America, such as the need for complementing private sector investment with new public development funds to promote social progress, to support regional economic integration and commodity stabilization agreements, and the overall need for development planning. These substantive measures were accompanied by changes in the institutional framework to carry them out, requiring the OAS economic agencies to assume the leading role and requesting other regional entities, such as the new Inter-American Development Bank and ECLA, to support the effort.

At the start of 1960, with the intensification of the political campaign in the United States, the opposing Democratic presidential candidate was proposing even more profound changes in hemispheric policies, making relations with Latin America a campaign issue. This conjunction of

domestic and external pressure led to what still is the most ambitious program for security, political and economic change ever proposed by the United States in the hemisphere.

F. The Alliance for Progress

Senator John F. Kennedy, the Democratic candidate for President of the United States, mentioned critically the relations with Latin America several times during the campaign. As described by the historian Arthur Schlesinger, Jr., one of Senator Kennedy's closest advisors, the Alliance was not "a Yankee idea arrogantly imposed" (Schlesinger, 1988, pp. 67). "The essential elements," Schlesinger continues, "were not only Latin American in origin but had been urged on Washington by Latin American governments to little avail, at least until Douglas Dillon came on the scene in the late 1950s." In addition, Schlesinger says, "I do not have to remind this audience of the proposals in the 1950s of Raul Prebisch and the Economic Commission on Latin America, and Juscelino Kubitschek and Operation Pan America." Finally, Schlesinger recalls, "a thoughtful memorandum in March 1961 from ten leading Latin American economists had particular impact on President Kennedy's decision to launch the Alliance for Progress" (Ibid., p. 67).

The preparations for the Alliance started during the presidential campaign.

"Senator John F. Kennedy made his first address on Latin American affairs at a Democratic Party dinner in San Juan, Puerto Rico on December 15, 1958. In that speech he expressed solidarity with the Latin American peoples in their efforts to oppose Communist subversion in the region, endorsed the creation of an Inter-American Development Bank, the establishment of commodity agreements, land reform in Latin America, and expanded cultural and educational ties between the Latin American nations and the United States" (FRUS 1961-1963, Vol. XII, Doc. 1).

Already in September 1960, Schlesinger says Richard Goodwin, then Senator Kennedy's closest speech writer, was looking for a name to describe a major initiative on hemispheric policy, "campaigning in Texas, Goodwin stumbled upon the name, in a magazine in Spanish called 'Alianza,' which someone had left in the campaign bus" (Schlesinger, 1988, p. 67). This is anecdotal but reveals the degree in which relations with Latin America were becoming a campaign issue. Then, in a policy statement on relations with Latin America, released in Tampa, Florida on 18 October, Senator Kennedy criticized the Eisenhower Administration for its "failure to help the people of Latin America to achieve their economic aspirations," adding "we need a new attitude and new approach to the nations of Latin America. Our new policy can best be summed up in the Spanish words *Alianza para el Progreso*" (Levinson and de Onís, 1970, pp. 51-52).

After the election, during the transition, a "Task Force on Immediate Latin American Problems" was set up under the direction of Adolf Berle, one of the most prominent experts on hemispheric relations from the Roosevelt Administration and a practitioner of the Good Neighbor Policy. Berle had extensive personal relations with Latin American leaders, particularly among social democratic politicians, such as Venezuelan President Romulo Betancourt, Costa Rican President Jose Figueres and the Governor of Puerto Rico Luis Muñoz Marín, from the Partido Popular, which aligned itself with the Democratic Party. The composition of the task force also reflected Berle's academic background, as follows: Lincoln Gordon, was an economist from the Harvard Business School, veteran of the Marshall Plan and expert on foreign investment in Brazil; Robert Alexander was also an economist from Rutgers University, expert on Bolivia; Arthur

Whitaker was professor of history at the University of Pennsylvania, specialist on diplomatic relations with Latin America. Two prominent Puerto Ricans were also recruited: Teodoro Moscoso, head of the Puerto Rican Development Agency, in charge of Operation Bootstrap, the successful development program seen as an example, and Arturo Morales Carrión senior advisor of Governor Muñoz Marín on foreign affairs. Finally, Richard Goodwin participated in the task force, providing a direct link to President-elect Kennedy (Levinson and de Onís, 1970, pp. 51–52).

On 4 January 1961, the Task Force on Immediate Latin American Problems delivered its report to President-elect Kennedy. The opening remarks said

“Your campaign aroused high hopes in Latin America, based on your statements, on the cooperation achieved under President Roosevelt, and on prospects that the conflicts in the area (possibly approaching climax—an ‘historical moment’) may find new solutions. Exaggerated visions have also been raised by the Communist press, perhaps to produce chaos-making disillusionment later. This offers opportunity for dramatic moves for the better.

In Moscow and Peiping revolutionary seizure of parts of Latin America appears to have been agreed on as an early target in the “Cold War” now active in the Caribbean littoral.

“Substantial Latin American apprehension exists that the incoming Administration, while justifiably upgrading Asia and Africa, may continue to leave Latin America a step-child.

We think the incoming Administration promptly on inauguration should

- (a) emphasize its vivid interest in Latin America,
- (b) outline forcefully a line of approach,
- (c) provide, administratively, top-level direction for Latin American problems” (FRUS 1961–1963, Vol. XII, Doc. 2).

The President-elect continued emphasizing relations with Latin America,

“Kennedy repeated his calls for an alliance for progress between the United States and its Latin American neighbors in his inaugural address of January 20... In his first State of the Union address on January 30, President Kennedy reemphasized his commitment to the Alliance for Progress. He urged the Congress to appropriate the US\$500 million pledged by the September 13, 1960, Act of Bogota, and expressed his intention to appoint an interdepartmental task force on Latin America, strengthen the authority of the Organization of American States, abolish illiteracy in the hemisphere, and send a Food for Peace mission to Latin America” (FRUS 1961–1963, Vol. XII, Doc. 1).

Next, “In late January 1961 President Kennedy identified the need for a major Presidential address on Latin America and the Alliance for Progress. Assistant Special Counsel to the President Richard Goodwin was charged with drafting the speech, which was to be a distillation of the recommendations being made by the Task Force on Latin America... Goodwin drafted the speech at his Washington home between March 7 and 10,” including comments from other government agencies and external sources (FRUS 1961–1963, Vol. XII, Doc. 3).

President Kennedy decided to complement these consultations with a Latin American input. For this purpose, he called Venezuelan Ambassador José Antonio Mayobre to the White House requesting suggestions for a major statement the White House was preparing on Latin America. (The following is based on Levinson and de Onís, 1970, pp. 56–58.)

Ambassador Mayobre was well acquainted with ECLA; he joined the ECLA Mexico Office, in 1951, on the outset of the Central American economic integration program. From 1954 to 1958 he succeeded Celso Furtado as head of the ECLA Development Division, in Santiago. From there, Ambassador Mayobre returned to his native Venezuela to join, as Minister of Finance, the government that overthrew the dictator Marcos Perez Jimenez. In December 1960, the newly elected government of President Romulo Betancourt, appointed Mayobre Venezuelan Ambassador to the White House. He was seen as a potential successor to Raul Prebisch at ECLA.

To respond to the request from President Kennedy, Ambassador Mayobre formed a group of prominent Latin American economists, which included the following persons:

- Felipe Pazos, who was back at the International Monetary Fund in Washington, after leaving Cuba's central bank in November 1959;
- Felipe Herrera, from Chile, the first president of the newly created Inter-American Development Bank;
- Jorge Sol Castellanos, from El Salvador, executive secretary of the OAS Inter-American Economic and Social Council
- Raul Prebisch, Executive Secretary of ECLA, who drafted the document presented as a letter to President Kennedy

As requested by Richard Goodwin, President Romulo Betancourt of Venezuela and former President of Costa Rica Jose Figueres Ferrer were also consulted. The final draft of the letter was reviewed by OAS Secretary General Jose A. Mora, IADB President Felipe Herrera with ECLA's Raul Prebisch, at an interinstitutional, coordinating mechanism set up by the three institutions, as mandated in the Act of Bogota, approved by the OAS Council in October 1960.

On 8 March 1961, Ambassador Mayobre delivered the letter to Richard Goodwin and some of its points were incorporated into the 13 March address to Latin American diplomats and members of the United States Congress, who gathered in the East Room of the White House, where President Kennedy launched the Alliance for Progress. The letter from the Latin American economists contained the following main points:

- Latin Americans were responsible for their own economic and social development, but this effort also required to be complemented with inputs from private capital and official development assistance, together with commodity price stabilization.
- The program should "capture the imagination of the masses," to carry needed social and economic transformations, to change the system of land tenure and reform taxation, in order to overcome the unequal distribution of income.
- The Latin American private sector required technical and financial support, to enable it to participate at the same level with foreign companies in the investment process demanded by the region's development.

- Finally, resistance to the proposed reforms should be expected from those privileged by the prevailing system (Levinson and de Onís, 1970, pp. 57–58).

Jorge Sol Castellanos, one of the participants in the Latin American group recalled: “five days later, when we listened to President Kennedy’s address, we were very pleased to note that of the ten points he proposed as the basis of the Alliance, at least eight incorporated, in one way or another, the ideas that had been put forward by the Latin American group” (Sol Castellanos, 1988, p. 198).

Therefore, the proclamation of the Alliance for Progress by the incoming Kennedy Administration was a culmination of a protracted process of negotiation, which had started more than a decade before and in which ECLA, under Prebisch, was one of the main protagonists. However, ECLA was never alone, its participation in these negotiations almost always required the execution of different activities in coordination with other agencies. As it was the case from the very beginning, in 1951, when the functioning of ECLA was extended indefinitely, it was required to coordinate its activities with the economic sections of the OAS Secretariat.

Again, the Act of Bogota, approved by the OAS Council in October 1960, requested the OAS, ECLA and the newly created IADB to coordinate their activities. The three institutions responded by holding a meeting at “technical level,” on 7 December 1960, to identify a coordinated distribution of tasks. The following staff members from the three institutions, Manuel Noriega Morales, Chief, Technical Assistance Division IADB; Jorge Sol Castellanos, OAS Under Secretary for Economic and Social Affairs; and Louis Swenson, ECLA Deputy Executive Secretary, generated a proposal that was presented at the first meeting of what was initially called the Ad Hoc Cooperation Committee OAS-IADB-ECLA. The meeting was held in Washington, at the headquarters of the Pan American Union, on 6–14 March 1961, with the participation of Felipe Herrera, President IADB, Jose A. Mora, Secretary General OAS and Raul Prebisch identified as Under Secretary General of the United Nations in charge of ECLA, all three were accompanied by several staff members from the three institutions (ECLA, 1961).

It was no coincidence that during the meeting, in addition to dealing with coordination activities, the executive heads of the three institutions were able to review the letter finally presented as input to President Kennedy’s forthcoming speech to launch the Alliance for Progress. The coordinated activities, of what later became known as the Tripartite Committee, also foretold the adoption of the new operating procedures required by the implementation of the ambitious goals promoted by the Alliance for Progress.

Most of the decisions adopted by the first meeting of the Ad Hoc (Tripartite) Cooperation Committee consisted of the distribution of tasks among the three institutions. For instance, primary responsibility was given to the OAS in the preparation of the yearly economic survey of Latin America, while ECLA assumed primary responsibility in the performance of technical assistance missions on global studies and development programming. In both cases, the IADB was asked to provide support on those topics that were under its jurisdiction.

Under the heading “international economy and regional integration,” it was agreed that ECLA should continue as lead agency, together with both the OAS and the IADB, in support of the agreement, signed in February 1960, creating the Latin American Free Trade Association (LAFTA) and the ongoing process of Central American Economic Integration. Also, the IADB was asked to provide specific cooperation, as it had done, for instance, in the creation of the Central American

Bank for Economic Integration (CABEI). Under the same heading, it was agreed the OAS would continue working on commodity agreements.

In other topics, such as agriculture economics and agrarian reform, or education for development, the OAS would continue acting as lead agency, while a program on taxation would require the creation of a specific committee of the three institutions and Harvard University Law School. A detailed calendar of activities, from March 1961 to mid-1962, for the fiscal program was approved.

The three institutions exchanged information on other fields, such as transport, technology and productivity, training, statistics and coordination methods and instruments. To keep the organizations informed on mutual activities, the OAS would open a liaison office in Santiago, at ECLA headquarters, while ECLA would upgrade the office it had in Washington, D.C. Finally, to conclude the first meeting and to monitor compliance with the resolutions adopted, the Secretary of the IADB, Pedro Irañeta, was designated Secretary of the Ad Hoc Cooperation Committee.

The Ad Hoc Cooperation Committee was soon required to meet again to support the preparation of the agenda of the forthcoming ministerial meeting of the IA ECOSOC, scheduled for July 1961 in Punta del Este, Uruguay. The opportunity for the next Tripartite meeting was provided by the IADB governors meeting in Rio de Janeiro, during the week of 9–14 April 1961. As described by Richard Goodwin, the advisor to President Kennedy,

“Lincoln Gordon and I met in Rio with Jorge Sol (Chief of the IA-ECOSOC staff), Raul Prebisch (Chief of the United Nations Commission for Latin America), and Felipe Herrera (President of the Inter-American Bank). Out of this intensive series of discussions, lasting a week, emerged a general consensus on the objectives of the July meeting—what we hoped to accomplish, a proposed agenda, and the manner in which the preparatory work would be organized” (FRUS 1961–1963, Vol. XII, Doc. 12).

This agreement was followed by several activities aimed at convening the special meeting of the OAS Economic and Social Council, also described by Goodwin: “Immediately thereafter this agreed agenda was presented by the United States to the O.A.S. and adopted with minor modifications.” The OAS Council approved the agenda unanimously on 31 May.

Goodwin continues,

“at the same time the White House requested our own economic people to prepare some specific plans for commodity price stabilization to be ready for the July meeting. Pursuant to the agreements reached at Rio a series of OAS-ECLA-Inter-American Bank task forces were assembled to do the work preparatory to the meeting. I believe it can be said that this was the best Inter-American group of economists ever assembled; including Gerhard Colm and Al Hirschman from the United States and leading economists from almost every country in Latin America. The coordination from the United States side was done by Lincoln Gordon and I worked closely with Gordon” (Ibid.).

Finally, on 8 June, Goodwin says

“There was a White House meeting with representatives from State and Treasury. At this meeting it was agreed that we would proceed—on the basis of these papers—to draft the “Charter of Montevideo”—a four or five page statement which we would

want the meeting to adopt as its final result, setting forth the framework for the Alliance, goals, commitments, and machinery for planning... We would hope to circulate this document to Latin American governments in advance of the July 15 meeting" (Ibid.).

This final statement was approved as the "Charter of Punta del Este." The special IA-ECOSOC meeting began on 5 August and lasted until 17 August 1961, at the Uruguayan resort of Punta del Este, convoked as an extraordinary meeting, at ministerial level, of the OAS Economic and Social Council. The United States delegation was led by Secretary of the Treasury C. Douglas Dillon.

As Under Secretary of State, during the last years of the Eisenhower Administration, Dillon had led the transformation of hemispheric United States policy, discarding the "restrictionist" policies which prevailed for more than a decade. In that role, before the approval of the Act of Bogota in September 1960, which reflected some of those changes in United States policy, Dillon wanted to announce the approval of a US\$500 million contribution in financial assistance for social programs, which would be administered by the IADB, as a Social Progress Trust Fund. As mentioned previously, because it was in the middle of the presidential campaign in the United States, Dillon negotiated the congressional authorization of this funding with Senator John F. Kennedy, the Democratic candidate for president. This successful negotiation may have influenced positively President Kennedy's bipartisan decision to appoint Dillon as Secretary of the Treasury, which provided continuity and contributed to obtain Republican support for the extraordinary funding required by the Alliance for Progress (Dillon, 1988, p. 65–66).

In Punta del Este, the most visible headlines about the meeting were dominated by the exchanges between the head of the Cuban delegation, Comandante Ernesto "Che" Guevara, and United States Treasury Secretary C. Douglas Dillon. However, behind the headlines the delegations approved a comprehensive cooperative development program, together with substantive objectives for the next decade and actions, procedures, methods and mechanisms to implement these, including projected funding of over US\$1 billion for the first year and depending on results, an indicative figure of US\$20 billion for the rest of the decade. Everything was contained in a Declaration to the Peoples of America and in the Charter of Punta del Este, approved by all the participants, except for the Cuban delegation.

In a telegram to President Kennedy, Secretary Dillon described the atmosphere of the conference, as follows:

"For last four days we have been going through hectic merry-go-round typical of Latin American economic conferences which must be seen to be believed. There have been four committees at work each of which has split into two or three subcommittees and they have been considering not only the basic act of Punta del Este to which there have been submitted 79 written amendments, but also 71 other resolutions covering just about every subject under the sun. Decisions made in subcommittee one day are reversed the next and then changed further by full committee... Daylight is now appearing and reports of working committees should hopefully be completed late tonight... Results generally follow very closely substance of United States draft but with considerable language changes so that each nation can have something it can call its own" (FRUS 1961–1963, Vol. XII, Doc. 28).

In the same telegram Secretary Dillon mentioned “two points of major substantive importance the composition of the group of experts and a statement regarding scope of immediate United States assistance.”

The original proposal included the formation of a group of seven experts and a chairman, to oversee the development plans each government had to submit annually to have access to development financing. As described by Secretary Dillon,

“Argentina attacked original group of experts as the United States attempt to infringe sovereignty of Latin Americans... Result was small country revolt against Argentina which eventually found herself completely alone. Then came final compromise which is practically identical in substance with our original proposal except that group increased from seven to nine and provision for chairman eliminated” (Ibid.).

The increase from seven to nine in the number of experts on the panel satisfied the demand for representation from the smaller economies but eliminated the chairman position. Thus, the Argentine delegation accomplished the objective of vetoing Prebisch as panel chairman. Dosman quotes a message from the United States Embassy in Santiago to the State Department, dated 2 September 1961, that “repeated the rumor at Punta del Este that the United States delegation had approached Prebisch to head the Panel.” Dosman also explains President Arturo Frondizi’s veto against Prebisch as “attacking his old foe from Plan Prebisch days” (Dosman, 2008, pp. 367, 531, fn. 31).

Therefore figuratively, Prebisch again was denied access to “the promised land.” Even so, the governments requested the Tripartite Committee OAS-IADB-ECLA to identify and set up the panel of experts, a task to which Prebisch dedicated himself as coordinator, moving temporarily to Washington in September 1961 (Dosman, 2008, pp. 365–372).

With the panel known as the “Nine Wise Men” installed and functioning, in June 1962, Prebisch decided to return to Santiago to lead the process of transition which was unleashed by his decision to leave ECLA.

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VIII. Closure, 1964–1968

A. Introduction

Prebisch's departure from ECLA was a protracted process, and his decision to leave was not effective immediately. His tenure at ECLA lasted 13 years, since his second five-year mandate was extended by Secretary General Hamarskjold beyond Prebisch's retirement age, until 1963. However, when he moved to Washington, in September 1961, to work in the organization of the Alliance for Progress Panel of Experts, later known as the Nine Wise Men, his decision to leave ECLA was firm and Prebisch started preparing his succession.

His chosen successor was Jose Antonio Mayobre, a former ECLA staff member and, at the time, Venezuelan Ambassador to the United States. Mayobre's appointment as ECLA Executive Secretary was accepted by United Nations Secretary General U Thant. However, there was a hitch: in May 1962 Mayobre was appointed Under Secretary General of the United Nations for Industrial Development in charge of the preparatory tasks of what later became the United Nations Industrial Development Organization (UNIDO). Therefore, because Mayobre could not immediately assume his new post at ECLA, the Secretary General asked Prebisch to remain at ECLA until Mayobre's arrival, expected for mid-1963.

In the meantime, Prebisch was also building an alternative that would allow him, after retiring from ECLA, to stay in Latin America, even in Santiago, Chile. (What follows draws mostly from Dosman, 2008, pp. 347–349; 372–377.)

B. Latin American Economic and Social Planning Institute (ILPES)

According to Dosman, the creation of a training and research institute within ECLA was discussed by Prebisch with the newly appointed head of the United Nations Special Fund Paul Hoffman

(United States), who visited Santiago and ECLA in March 1960. Hoffman was looking for “pre-investment” projects and the creation of a Latin American institute, to provide research, training and advisory services, was identified as one of these. Prebisch agreed to submit a proposal, which was accepted in principle, and in December 1960, the United Nations General Assembly authorized the creation of such institutes, attached to the regional commissions.

In the interview on ECLA with David Pollock, Prebisch’s recollection is a bit different:

“D.P.: Don Raul, I want to ask you about why you created ILPES?

R.P.: I did not create ILPES. The first idea about creating the Institute came from David Owen. He said, ‘Raul, when you retire, you should have a research centre as part of ECLA.’ I said, ‘Fine idea.’ This was a conversation perhaps at the end of the 1950s. Once, I was asked by Paul Hoffman to go to New York and visit him... ‘I will [allocate] resources for you to create a planning institute for Latin America,’ he said. Probably David Owen explained this idea to Paul Hoffman, and Hoffman—who established the International Development Institute—was a businessman with a very broad view of the world. We became good friends and he gave me the idea, but I did not ask anybody [to create] ILPES” (Pollock, Kerner and Love, 2001, p. 21).

Prebisch refers to Sir David Owen (United Kingdom), who in the 1950s was United Nations Assistant Secretary General for Economic Affairs and had been very supportive of the creation and the continuation of ECLA. By the end of the 1950s, he was Chairman of the Technical Assistance Board.

For the creation of ILPES, an essential requirement was funding, which was solved when, on 11 January 1962, Paul Hoffman from the Special Fund came up with US\$3 million and Felipe Herrera from the IADB promised US\$1 million, which would secure funding for the institute for the next five years. With that, in May 1962 just before returning to Santiago at the end of his Washington sojourn, Prebisch was appointed Director General of the soon-to-be inaugurated institute, for a five-year term. This time, the Argentine government had no objection, for the simple reason that President Arturo Frondizi was no longer in office. Prebisch’s nemesis was overthrown by the military on 29 March 1962.

Another requirement was the composition of the board of directors of the new institute which, after intense negotiations, included eight Latin Americans and representatives from the IADB, the OAS and ECLA. Prebisch was able to persuade the governments to accept that the Latin American members should serve on the board as individuals, not as government representatives.

The new institute raised many questions about how a division of tasks would evolve and work effectively between the ECLA Secretariat, accountable to member governments, with an autonomous entity, housed under the same roof, endowed with its own resources, its own governing body and powerful leadership.

Some of these questions were raised by several delegations to the Eighth Session of the ECLA Plenary Committee, held in Santiago, Chile, from 14 to 16 February 1962, which adopted the resolution creating the Latin American Economic and Social Planning Institute (ILPES according to its name in Spanish) (ECLA, 1962A).

The debates about these questions continued in the Fourth Extraordinary Meeting of the Plenary Committee, held in Santiago on 21–22 March 1962, when the board members of ILPES were appointed (ECLA, 1962B).

Circumstances did not allow Prebisch to deal with some of these issues because soon after the creation of ILPES, which opened its doors in July 1962, he was needed again, but this time, to assume global responsibilities.

C. Latin American Free Trade Association

After the creation of the institute, Prebisch said there were several tasks that the ECLA Secretariat should continue promoting. He mentioned, first, the completion of a Latin American common market, followed by economic and social development research, transportation and monetary policy. In February 1962, Prebisch described the recently ratified agreement creating the Latin American Free Trade Association (LAFTA), together with the Central American economic integration process, as the first stages in the movement to create a Latin American common market.

The Montevideo Treaty creating LAFTA was signed in the Uruguayan capital, on 18 February 1960, by the governments of Argentina, Brazil, Chile, Mexico, Peru, Paraguay and Uruguay. With Colombia and Ecuador joining the following year, the number of members grew to nine and the later additions of Bolivia and Venezuela brought the number of members to eleven. However, the agreement entered into force with its ratification by the seven original signatories, on 1 June 1961 (United States Tariff Commission (USTC), 1962; Dell, 1966A).

A statement by the United States Department of State to the OAS Committee of 21, made available to the delegations almost a year before the signature of the Montevideo Treaty, on 28 February 1959, said

“Within this principle of increased international trade, the United States also supports the efforts of Latin American Governments to create, in cooperation with ECLA [Economic Commission for Latin America], one or more regional markets designed to increase trade within the area, to provide larger international markets, and to improve efficiency of production through competition so that more goods may be made available to the public at cheaper price” (United States Department of State, 1959).

Because four of the original LAFTA signatories were members of the General Agreement on Tariffs and Trade (GATT)—Brazil, Chile, Peru and Uruguay—the Montevideo Treaty was discussed during the GATT 16th session of the contracting parties, held in Geneva, May–June 1960. This requirement to seek GATT approval also formed part of the conditions the United States required as necessary to support economic integration in Latin America. Specifically, aiming at the creation of a free trade area had to comply with the definition contained in Article XXIV, Section 8(b) of the GATT, as “a group of two or more customs territories in which the duties and other restrictive regulations of commerce... are eliminated on substantially all the trade between the constituent territories in products originating in such territories.” In such agreement, the members retain their own customs administrations and tariff systems with respect to imports from outside their customs territories. The Montevideo Treaty complied with this requirement by specifying that the elimination of all import duties and other restrictions on trade between the members was scheduled for completion during a 12-year period, from 1961 to 1973.

A telegram sent from the State Department to the United States Embassy in Paraguay, drafted by the Commercial Policy and Treaties Division of the Office of International Trade, on 27

May 1960 before the Montevideo Treaty was ratified, described the results of the GATT Session, held in Geneva on 17 May. In that session,

"In statement on Latin American Free Trade Area (Montevideo Treaty) United States Del endorsed Treaty objectives of achieving higher standards of living and accelerating economic development through elimination intraregional trade barriers and maximum utilization productive factors. Congratulated signatory governments on their initiative and assured them United States Del would give treaty sympathetic and serious consideration. Said United States looks at any agreements for regional economic integration in context principles GATT Art XXIV. Made a few general substantive comments on Treaty and said that, as in case other regional arrangements, Montevideo Treaty should be considered in detail by appropriate GATT working party... If questioned re reasons United States has not indicated support Montevideo Treaty... addressee missions should point out United States on record in favor Montevideo Treaty objectives...Treaty ratifications pending... United States continues favor full GATT consideration each of the free trade area arrangements on its own merits, a process which... is expected continue for some time" (FRUS 1958-1960, Vol. IV, Doc. 124).

The 16th GATT session, of May-June 1960, established a working party to examine and consider the Montevideo Treaty, and the results were reviewed by the 17th session, held in October-November, during which "the Contracting Parties agreed that the Latin American countries might proceed to ratify and apply the Montevideo Treaty without prejudice to the legal and practical issues involved" (United States Tariff Commission, 1962, p. 19).

The Montevideo Treaty mandated the creation of a free trade area within 12 years, counted since it entered into force, until June 1973, whereby all "duties and charges," understood as customs duties and other import charges, would be gradually eliminated among the members. This objective was agreed to be attained through periodic rounds of negotiations, based on reciprocal concessions, supervised by a "standing executive committee," located in Montevideo and assisted by a secretariat, all governed by a ministerial "conference of contracting parties," the supreme organ. For the first two years, until May 1963, the adoption of decisions by the conference was by two-thirds majority, but with no negative votes, effectively giving veto power to each member government (Dell, 1966A, pp. 107-110).

As mentioned, the Montevideo Treaty entered into force for the original signatories in 1961. ECLA responded immediately setting up an office in the Uruguayan capital, with the OAS and the IADB also providing technical support to the trade negotiations.

Soon, the decision-making organs of the new agreement found out the gigantic task they had imposed on themselves, mainly because of the method adopted to liberalize trade, product by product, which in effect made free trade the exception. At the time, it was estimated that the method would demand the liberalization of trade in at least 9,000 tariff items (Levinson and de Onis, 1970, pp. 181). Sidney Dell explained, "the reluctance of the member countries of LAFTA to adopt a more adventurous policy in the lowering of tariffs and other trade barriers against their neighbors results largely from fears of damaging competition and of imbalance in intraregional trade and payments" (Dell, 1966A, p. 108).

Furthermore, as mentioned previously, article 38 of the Montevideo Treaty said, for the first two years, the Conference decisions will be adopted with the affirmative votes of two-thirds of the members and without negative votes. This temporary measure had to be reviewed after two years, to decide the decision-making method which would be adopted for the rest of the duration of the Treaty. However, when the time came to review article 38, at its third meeting of October 1963, the Conference of Contracting Parties adopted Resolution 68 (III), extending without time limit the same voting system of two-third majorities, without negative votes. Therefore, the veto became the main instrument to avoid the adoption of decisions, leading to paralysis and procrastination (WDB, 1969).

The contrast with the Central American economic integration process was evident, because there the decision was to liberalize trade across the board, including more than 90 per cent of the items contained in the tariff nomenclature, therefore making free trade the norm and the list of a few excluded items the exception.

The figures speak for themselves. Ten years later, the results on intra-regional trade in both LAFTA and Central America were the following:

"In 1962, intra-Central American trade stood at US\$40 million, or 8.5 per cent of the region's total exports of US\$468 million. By 1973, trade among the Central American nations had increased to US\$388 million, or 23.5 per cent of a total export trade of US\$1.6 billion... The nations involved in the Latin American Free Trade Association (LAFTA)... also saw significant increases in intra-zonal trade, which rose from US\$624 million or 7.6 per cent of total exports of US\$8.2 billion in 1962 to US\$2.2 billion, or 11.4 per cent of total exports of US\$19.2 billion in 1973" (Scheman, 1988, p. 47).

In the interview on ECLA with Prebisch, Pollock asked, "you were a father of regional integration in Latin America. How do you feel on looking back?" The answer by Prebisch was distinctively blunt: "Why has it not advanced beyond a certain point? It was not a failure. It was not a success. It was a mediocrity, a typical Latin American mediocrity" (Pollock, Love and Kerner, 2001, p. 21).

D. New helmsman

Upon his appointment as director of the newly created ILPES, on 1 May 1962, Prebisch immediately proceeded to create a team. First, he asked Cristobal Lara (Spain-Mexico), from the ECLA Mexico City Office, to join him in Santiago as ILPES Deputy Director. Prebisch also recruited a team of young Argentine economists who had worked with him on domestic economic issues. Dosman says that Prebisch brought to ILPES "his Argentine circle—Benjamin Hopenhayn, Norberto Gonzalez, Ricardo Cibotti, and Oscar Bardeci—and his favorite Chileans like Osvaldo Sunkel" (Dosman, 2008, p. 348). Also, from ECLA, as consultant, he brought his trusted Deputy Louis Swenson (US). Some of the new recruits became permanent staff members of ECLA, including Norberto Gonzalez who was appointed Executive Secretary in March 1985 and retired in December 1987.

Officially, ILPES started operating in July 1962, with the inauguration of a training course for young economists from Latin America. Precisely at this time, Prebisch was persuaded by his close friend Wladek Malinowski, from the Department of Economic and Social Affairs (DESA) in New

York, to attend the Cairo Conference on the Problems of Economic Development, as representative of United Nations Secretary General U Thant.

The conference was held in Cairo, on 9–18 July 1962, sponsored by 10 African and Asian nations and Yugoslavia and it was attended by 25 additional governments of countries identified as non-aligned and/or developing, including Cuba. In search of providing the movement of non-aligned nations with an economic dimension, the Cairo conference decided to elevate a proposal, to the United Nations Economic and Social Council and from there to the United Nations General Assembly, requesting the organization of a meeting on trade and development, later known as the United Nations Conference on Trade and Development (UNCTAD) (Dell, 1985, pp. 26–30).

Many observers concur that one of the principal promoters of the trade and development conference was Wladek Malinowski, Prebisch's closest ally at United Nations headquarters, in New York. In the interview with David Pollock on UNCTAD, published in 2006, Prebisch himself agreed.

"D.P.: How and why your name was put forward to head UNCTAD?

R.P.: Probably my good old friend Wladek Malinowski had a strong hand in this matter... I was pushed by Wladek to go to Cairo... Wladek was a very important factor, not only in the creation of UNCTAD, but in deploying the activities of UNCTAD... Wladek is largely responsible for UNCTAD. I would not say he is the only person" (Pollock, Love and Kerner, 2006, pp. 44–45).

Years later, in an essay published in a volume dedicated to the memory of W.R. Malinowski, Prebisch said Wladek was "the great driving force behind the establishment of UNCTAD... His life in the United Nations was enthusiastically devoted to the cause of the developing countries with a fervour which naturally aroused great resistance in the major industrialized countries, stronger perhaps than that which I myself aroused" (Prebisch, 1985, p. 3). A colleague agrees, "If Prebisch was the intellectual leader and master strategist in seeking the basis for a new world economic order, it was his lieutenant W. R. Malinowski, who supplied the organizational and tactical imagination" (Dell, 1985, p. 26).

Malinowski had also played a key role in recruiting Prebisch as the ECLA Executive Secretary. In 1952, from his position as head of the Regional Commissions Section, Malinowski was very effective, as a sort of "ombudsman," helping all the economic commissions navigate the bureaucratic intricacies of New York headquarters. At the time of the Cairo Conference, in 1962, Malinowski was Secretary of the Economic and Social Council (ECOSOC), in the Department of Economic and Social Affairs (DESA) then led by Under Secretary Philippe de Seynes (France) and his Deputy Jacob L. Mosak (United States) (Carnapas, 1985, pp. xvi–xvii).

The decision to create UNCTAD was approved by the United Nations General Assembly, in Resolution 1785, on 8 December 1962. It instructed the Secretary General to convoke a Preparatory Committee (Prep Com) for 23 January, composed of 30 delegates from industrial, developing and socialist countries. This increased the pressure to appoint someone to deal with the preparatory activities for the conference. (What follows is based on Carnapas, 1985, pp. xvi–xix; Dell, 1985, pp. 26–30; Dosman, 2008, p. 384).

On the morning of 23 January, the first day of the Prep Com meeting, Secretary General U Thant called Prebisch, who was in Santiago, to offer him a one-year appointment as secretary general in charge of the conference preparatory activities. Prebisch accepted the offer and flew to

New York City in time to close the Prep Com meeting. In Santiago, Alfonso Santa Cruz (Chile) became Acting Executive Secretary of ECLA and Cristobal Lara (Spain-Mexico) would become Acting Director of ILPES. Prebisch was ready to move to the world scenario.

The fact that Prebisch was moving away from Latin America required a celebration to wish him well in his new responsibilities and an inauguration ceremony to welcome his successor at ECLA, Jose Antonio Mayobre. This event took place in Mar del Plata, Argentina, on 6–18 May 1963, during the tenth session of ECLA, which also commemorated the fifteenth anniversary of the Commission.

At the time, Prebisch was already deeply involved in the preparation of the first UNCTAD but he participated not only pronouncing a valedictory, he also presented a substantive contribution, the last document he produced as the ECLA Executive Secretary, containing his vision of the economic situation and prospects of Latin America (Prebisch, 1963).

The participants at the Mar del Plata session were outstanding, as were the presentations of those who addressed the session, some of which are reproduced verbatim as annexes to the meeting's report. These presentations are testimonies of what was the highest point of ECLA influence, achieved after 15 years of functioning, 13 of them under Prebisch's leadership. The meeting is also evidence of a certain degree of optimism because of the successful culmination of several years of hemispheric economic negotiations (ECLA, 1963).

To illustrate this point, the session was inaugurated by the President of Argentina, Jose Maria Guido, who dissipated any doubts about his government's support for Prebisch. President Guido said,

"Our country, which is acting as host to ECLA for the first time, places well-founded hopes in this agency. It considers the activities of the Commission to be of unique significance for the economic life of our region, and has given them its most steadfast support both within the United Nations and outside of it... I cannot refrain from expressing my personal pleasure—which, moreover, reflects the feelings of my own country—at seeing a compatriot of the calibre of Mr. Prebisch at the head of this Commission, in which capacity he has given ample proof of his wide knowledge, dynamic energy and devotion to the common weal" (ECLA, 1963, p. 263).

United Nations Secretary General U Thant sent a message, read at the inaugural ceremony, saying "Not only the Latin American countries, but the less-developed countries throughout the world, are indebted to Raul Prebisch for his wisdom and his courage." The Secretary General also welcomed the United Nations Commissioner for Industrial Development Jose Antonio Mayobre for agreeing "to succeed Raul Prebisch" (Ibid., p. 270).

The United Nations Under Secretary for Economic and Social Affairs Philippe de Seynes spoke next. Since 1955, de Seynes was one of the strongest supporters of Prebisch at United Nations headquarters, in New York. He closed his presentation saying

"We have seen a brilliant example of the great tradition, typical of the Latin spirit, of the organizing mind, so instinctively on guard against the temptations of dogmatism. Now that he is closing an important chapter in his career, we wish to express to him both our gratitude and our admiration... Mr. Mayobre, who succeeds him, is of the

same school, and we can rest assured that the great tradition will be carried on" (ECLA, 1963, p. 282).

On behalf of the delegations attending the tenth session Mexico's Under-Secretary for Industry and Trade Placido Garcia Reynoso spoke. Both the outgoing and the incoming chairmen of the Commission, Luis Escobar Cerda, Minister for Economic Affairs of Chile and Eustaquio Mendez Delfino, Minister for Economic Affairs of Argentina, also spoke. The United States delegation was led by Edwin M. Martin, Under Secretary of State for Inter-American Affairs (ECLA, 1963, p. 258). It was a positive celebration, which presaged the end of a stage in Inter-American economic relations.

E. Epilogue

With the change in command at the ECLA Secretariat, challenges emerged almost immediately for the new Executive Secretary Mayobre, who arrived at Santiago headquarters on August 1963. At the ECLA Mar del Plata tenth session, of May 1963, there were indications that inconformity existed with the results achieved thus far by the Latin American Free Trade Association (LAFTA). The Minister for Economic Affairs from Chile Luis Escobar Cerda said, "the Latin American Free Trade Association needs more push and dynamism on the part of its members." He described an initiative contained in a declaration issued in Santiago, in April 1963, by the presidents of Brazil and Chile, at the conclusion of a visit by President Joao Goulart to President Jorge Alessandri. The initiative proposed "the establishment of a permanent consultative committee of the Ministers of Foreign Affairs of the contracting parties to the Montevideo Treaty," because LAFTA "is felt to be in increasing need of a stimulus which only top-level political decisions can give it" (ECLA, 1963, p. 288).

1. Overhaul of the Latin American Free Trade Association

This initiative was followed up by the newly elected President of Chile Eduardo Frei in a letter, of 6 January 1965, addressed to four prominent Latin American economists: Felipe Herrera, IADB President; Jose Antonio Mayobre, ECLA Executive Secretary; Carlos Sanz de Santa Maria, Chairman of CIAP, the Inter-American Committee of the Alliance for Progress and Raul Prebisch, UNCTAD Secretary General.

In the letter President Frei said:

"The advance towards economic integration has become slow and cumbersome. The possibilities of making further headway under the present system of minutely detailed tariff negotiations would seem to be exhausted. This is not the way to promote substantial inter-Latin American trade flows or to prepare ourselves for the ineluctable task of competing on world markets" (WDB, 1969, p. 45; the letter is reproduced in Dell, 1966B, pp. 279-284).

President Frei went a step further. What he called the Montevideo Treaty "institutional machinery... has manifestly proved insufficient and inadequate... other similar processes show us how necessary it is that such institutions should incorporate certain supra-national elements" (Ibid.).

The experts responded promptly by releasing, on 15 April 1965, a unanimous document titled "Proposals for the Creation of a Latin American Common Market." The document recognized the limitations of what were called "commodity by commodity negotiations... the

cumbersome procedure of miniature negotiations,” but the proposal to move beyond this method of tariff dismantling did not go far enough. It called for the adoption of a commitment “to establish quantitative targets for the desired maximum level of customs duties... and to adopt a gradual and automatic mechanism for the application of such a system.” By contrast, the institutional framework proposed, following closely the example of the process of Western European integration, consisted of a Council of Ministers, an Executive Board, a Parliament, an Instrument for the Promotion of Regional Investment and a Conciliation Procedure. On the method for the adoption of decisions, the proposal said, “it would be desirable that the right to veto the Council’s decisions should be restricted from the outset.” (The document is reproduced in Dell, 1966B, pp. 284–310.)

Therefore, the governments had to decide how far they wanted to go in the process of trade liberalization and how “supranational” the institutional framework should be by restricting the veto.

The member governments also acted promptly. At a previously scheduled meeting of Ministers of Foreign Affairs, held in Montevideo in November 1965, several resolutions were adopted approving the equivalent of an institutional overhaul, which accepted many of the proposals submitted by the group of experts. First, a Council of Ministers and a Technical Commission were superimposed on the existing framework and a proposal was requested to create a mechanism for dispute settlement. However, as in the previous framework, the members of the new Council of Ministers still kept the veto power (WDB, 1969, p. 46–47). As previously quoted, Prebisch described this outcome as “not a failure. It was not a success. It was a mediocrity” (Pollock, Kerner and Love, 2001, p. 21).

2. Adjustments to the Alliance for Progress

Simultaneously, the Alliance for Progress was also undergoing institutional adjustments. At the start of 1963, the Chairman of the Committee of Nine Wise Men, Raul Saez (Chile), asked two former Latin American Presidents, Juscelino Kubitschek of Brazil and Alberto Lleras Camargo of Colombia, to write separate reports recommending those changes they estimated necessary to make more effective the execution of the programs and projects included in the Alliance for Progress. (What follows is based on Levinson and de Onis, 1970, pp. 128–129.)

The reports were presented to the Sao Paulo meeting of the Inter-American Economic and Social Council (IA-ECOSOC), in November 1963. The main proposal drawn from both reports was institutional, with a political dimension. Sponsored by the delegations of Chile, Colombia and Venezuela, the proposal consisted of the creation of an Inter-American committee with the capacity to provide orientation to the Alliance for Progress but endowed with the power to allocate the resources channeled through the Alliance.

The proposal confronted strong opposition from the United States, together with Argentina, Brazil and Mexico, the three largest Latin American economies, which led to a compromise: a special permanent committee was created within IA-ECOSOC, the Inter-American Committee of the Alliance for Progress (CIAP, according to its name in Spanish), to oversee the activities carried out under the Alliance, including the oversight of national development plans and the availability of domestic and external funding, in coordination with the Inter-American Development Bank.

However, no power to allocate resources was granted to the CIAP, which was composed of seven permanent members, six from Latin America and one from the United States, under a Latin American chairman who was also head of a technical secretariat. The contracts of the members of the Committee of Nine Wise Men were not renewed.

Levinson and de Onis say that the United States government accepted as "a major concession" that the head of CIAP job be offered to Raul Prebisch, who declined because he was already involved in the preparation of UNCTAD. The job was also offered to Aberto Lleras Camargo, author of one of the two reform reports, who also declined. Finally, the job was offered and accepted by Carlos Sanz de Santa Maria, former Minister of Finance and Ambassador to the United States from Colombia, who went on to chair CIAP for almost ten years (Levinson and de Onis, 1970, pp. 129–130).

In an essay reminiscing on his tenure as Chairman of CIAP, Sanz de Santa Maria said, "CIAP had no coercive power. Implementation of the Alliance for Progress consisted of three main elements: planning, self-help, and external assistance. The ideas that emerged in the country review meetings could not be imposed against the will of any nation" (Sanz, 1988, p. 122).

On 22 November 1963, tragedy struck the hopes and aspirations generated by the Alliance for Progress, with the assassination of the young charismatic United States President John F. Kennedy, who had launched the program immediately after his inauguration. On 26 November 1963, President Lyndon Johnson promptly provided reassurance "at a White House reception for Latin American representatives" he declared that "relations within the Western Hemisphere would be 'among the highest concerns of my Government.'" Acknowledging that the Alliance for Progress had its share of problems, Johnson pledged to "improve and strengthen the role of the United States," thereby making the program a "living memorial" to the late-President Kennedy (FRUS 1964–1968, Vol. XXXI, Doc. 1).

A memorandum on the Alliance to President Johnson from the Director of Central Intelligence John C. McCone, dated 3 December, said

"the Alliance had become so 'deeply enmeshed in administrative problems' that no man 'could be expected to take over the responsibilities of directing the program, overcome the obstacles that would confront him, and give the program the forward motion you desire.' What the administration needed was a 'special assistant' to the President or a 'special deputy to the Secretary of State,' a man 'with the experience to envision the program, the stature to speak with conviction with all the Latin American countries and who additionally holds the complete respect of the Congress. McCone recommended former Secretary of the Treasury Robert B. Anderson for the job with Thomas C. Mann, then Ambassador to Mexico, assuming the role of administrator'" (Ibid.).

Because former Treasury Secretary Anderson did not accept the job, on 10 December 1963, Ambassador Thomas Mann was recalled from Mexico and was appointed "not only as the Assistant Secretary of State for Inter-American Affairs—a position he had held during the second Eisenhower administration—but also as Special Assistant to the President and United States Coordinator of the Alliance for Progress." This made Thomas Mann the most powerful person in Washington in charge of relations with Latin America. As a consequence, two political appointees from the Kennedy years were transferred

"to accommodate Mann's appointment, Assistant Secretary Edwin M. Martin was appointed Ambassador to Argentina, and Teodoro Moscoso, the former United States Coordinator of the Alliance, was named to represent the United States on the Inter-American Committee on the Alliance for Progress (CIAP). Mann assumed his new responsibilities on January 3, 1964" (Ibid.).

The appointment of Thomas Mann to occupy these three key positions was exceptional because he had direct access to the White House, as Special Assistant to the President; also as Assistant Secretary for Inter-American Affairs, he had direct access to the Secretary of State; and as Coordinator of the Alliance for Progress, he oversaw the allocation of resources. This could well be interpreted as a signal of giving a new impetus to the Alliance for Progress programs and projects. Even so, Ambassador Mann's appointment also signaled a return to the past.

During the Eisenhower Administration a succession of three Texans dominated United States policies toward Latin America. It all started with Henry Holland's appointment as Assistant Secretary of State for Inter-American Affairs in March 1954 until September 1956, when he left to practice law in New York. He was followed by R. Richard Rubottom, born in Brownwood, Texas, who was recalled from Spain and was asked by his "old friend and colleague, the prominent Texas attorney Henry F. Holland," born in Brownsville, Texas,, to become Deputy Assistant Secretary for Inter-American Affairs. Rubottom was first appointed Acting Assistant Secretary in October 1956 and he was confirmed as Assistant Secretary for Inter-American Affairs, in June 1957 until August 1960, when he left to become Ambassador to Argentina (Rubottom and Williams, 2011, p. 91). Finally, in September 1957, Thomas C. Mann, born in Laredo, Texas, was recalled from El Salvador, where he was Ambassador, to be appointed Assistant Secretary of State for Economic Affairs. Mann was promoted to Assistant Secretary of State for Inter-American Affairs, from August 1960 until April 1961, when he was appointed Ambassador to Mexico. From there, in December 1963, President Johnson recalled his fellow Texan to Washington.

All three Texans, at the State Department, enforced the "restrictionist" policies that prevailed during the first six years of the Eisenhower Administration, until Secretary Dulles recalled C. Douglas Dillon, in 1959, from the United States Embassy in Paris to become Under Secretary of State for Economic Affairs. In the last year of the Eisenhower Administration, Under Secretary of State Dillon orchestrated significant changes which led, for instance, to the creation of the Inter-American Development Bank, support for economic planning, commodity agreements and economic integration.

In his new, powerful role, in January 1964, Assistant Secretary Mann moved quickly to introduce major changes in some of the components of the Alliance for Progress. Precisely, in March 1964, to commemorate the third anniversary of the March 1961 proclamation of the Alliance by President Kennedy, a meeting was convoked in Washington of all the ambassadors from Latin America and all the United States ambassadors to the Americas. The meeting was also convoked to launch the recently created Inter-American Committee for the Alliance for Progress (CIAP).

At the event, held in the Washington headquarters of the Pan American Union,

"President Johnson delivered a major address before an audience of United States and Latin American diplomats... he vowed that United States support for the Alliance would not diminish in the wake of Kennedy's assassination. As a sign of his personal interest, the President declared that the recent appointment of Thomas C. Mann

'reflects my complete determination to meet all the commitments of the United States to the Alliance'" (FRUS 1964–1968, Vol. XXXI, Doc. 10).

At the end of this commemorative event, on 16 March, started "a 3-day conference for United States Ambassadors and AID mission directors in Latin America. Mann had summoned these officials to Washington for consultation on the administration's policy, in particular, the Alliance for Progress" (Ibid.). On 19 March 1964,

"The day after the conference ended, The New York Times published an account of a closed session in which Mann allegedly suggested abandoning Kennedy's policy to deter Latin American dictators. The article, written by Tad Szulc, reported that Mann had emphasized the difficulty in classifying political leaders as either 'good' or 'bad'... According to Szulc, Mann argued that the administration should be guided by practical not moral considerations: promoting economic growth while protecting United States business interests; and avoiding intervention in internal affairs while continuing to oppose communism" (Ibid.).

An immediate reaction from prominent Democratic Party senators was also quoted in the article, as follows, "Senators Hubert H. Humphrey (D–Minnesota) and Wayne Morse (D–Oregon) were reported to have reacted to Mann's remarks by insisting that the United States "fight for the preservation of democracy in Latin America as part of the Alliance" (Ibid.).

This pressure, coming from senators of the President's own party, led the State Department to release a specific comment:

"Later that afternoon Richard I. Phillips, press spokesman for the Department issued the following statement: 'United States devotion to the principles of democracy is an historical fact. United States policy toward unconstitutional governments will as in the past be guided by the national interest and the circumstances peculiar to each situation as it arises...' In spite of this denial, the position attributed to Mann by *The New York Times* soon became known in the press as the 'Mann Doctrine'" (Ibid.).

Perhaps this casuistic approach was adopted for "realist reasons," because six months before the signature of the Charter of Punta del Este, on 29 March 1962, in Argentina the army overthrew President Arturo Frondizi. Then, on 18 July 1962, the Peruvian army overthrew President Manuel Prado. In the following year, several presidents were also overthrown by the military: in March, Ydigoras (Guatemala), in July, Arosemena (Ecuador); in September, Bosch (Dominican Republic); in November, Villeda (Honduras); and so on. In April 1964, the overthrow of Joao Goulart in Brazil was supported by the United States Embassy. In all, Levinson and de Onis estimated that "during the first eight years of the Alliance, sixteen military coups took place in the Latin American countries," concluding that "these coups, and the way in which the United States reacted and in some cases contributed to them, have largely determined the fate of the Alliance" (Levinson and de Onis, 1970, p. 77).

Therefore, the political objective of the Alliance, in the form of the promotion and defense of democratically elected governments, was the first to be set aside. By contrast, the economic objective, of supporting development, planning, economic integration and domestic reforms, continued for the rest of the decade, through the functioning of CIAP, but under constant challenges.

For instance, in May 1964, the resignation of Teodoro Moscoso as United States representative in CIAP, "to return to private life in Puerto Rico," generated some negative comments about the Alliance. An article, also by Tad Szulc, in *The New York Times*, 5 May 1965, was commented in one of the habitually long phone conversations, between President Johnson and Assistant Secretary Mann.

"President: What do you think about the Szulc article this morning?

Mann: [Laughter] Those fellas are really on a vendetta, you know. They've got their knives out, and it's the most biased reporting I've ever seen."

Commenting on Teodoro Moscoso's departure

Szulc wrote:

"His resignation comes at a time of growing disillusionment in Latin America and among Latin-American officials of the Alliance in Washington over present conduct of the program by the United States. The consensus in those quarters is that the program as conceived by President Kennedy no longer exists, and that Washington seems to have returned to its unilateral approach to problems of the hemisphere" (FRUS 1964–1968, Vol. XXXI, Doc. 12).

President Johnson was aware that some criticism of the Alliance implementation, such as the general disapproval expressed in the previously quoted article, was coming from domestic sources. A week later, at a meeting with Latin American diplomats, held in the Cabinet Room at the White House on 11 May, the President announced that, to replace Teodoro Moscoso, he had appointed Walt W. Rostow, who at the time was Counsellor and Chairman of the Policy Planning Council, at the State Department. Rostow was also well known for the notion of "take-off" and of the "stages of economic growth" (Rostow, 1960). In addition, the meeting heard presentations on CIAP activities by Chairman Sanz de Santa Maria and several Latin American ambassadors. To conclude, the participants moved to the East Room, where President Johnson signed 12 loan agreements granted under the Alliance.

That afternoon, President Johnson discussed the results of the meeting, in another phone conversation, with Assistant Secretary Mann.

"The President said 'I think we need some facts in there about what we've done the last 6 months. We ought to know if we've done anything worthwhile... so that we can show that we haven't been asleep, and—This damn Schlesinger is going all over the world denouncing us.'

The President continued, 'I saw a cable yesterday, it had been circularized to everybody, about how our whole policy on Latin America had changed, and how we'd abandoned the Alliance. And so I think we ought to answer him by saying: 'We're building this big waterworks here, and we're doing this road here, and we're doing this here'" (FRUS 1964–1968, Vol. XXXI, Doc. 13).

President Johnson was referring to Arthur Schlesinger, one of the closest advisors of the late President Kennedy and his brother, Attorney General and then Senator Robert Kennedy (New York).

United States foreign policy priorities were also undergoing profound changes, as other parts of the world, such as Southeast Asia, were demanding more support, while increased

assertiveness in Congress meant that development assistance was submitted to more scrutiny and conditioning. Among the major consequences of this reordering of priorities were reductions in funding for certain countries, such as Korea, Taiwan, Greece and Turkey, to finance relatively more urgent requirements in other parts of the world, such as Vietnam (FRUS 1964–1968, Vol. IX, Doc. 28).

An example of these changes in foreign policy priorities is the cancellation of a planned trip to South America by President Johnson, at the end of 1964, in response to an invitation from the President of Brazil, General Humberto Castelo Branco. The meeting was viewed as a

“good opportunity for all ten Presidents of South America and President Johnson to have informal meeting without agenda under circumstances which would permit each President to exchange views with every other President. GOB has welcomed this suggestion and has requested the United States to inform governments of nine South American republics of the United States proposal... On February 24 Mann raised the proposed trip with the President, particularly in light of unauthorized newspaper accounts... On March 7 the Department reported that “new developments in the international scene, particularly in Viet Nam, have made it necessary for President Johnson to defer consideration of possible visits to this hemisphere...” At 8 p.m. the same day two Marine Battalion Landing Teams, the first American combat troops in Vietnam, arrived to defend the air base at Danang” (FRUS 1964–1968, Vol. XXXI, Doc. 26).

On 19 February 1965, President Johnson promoted Thomas Mann to Under Secretary of State for Economic Affairs and recalled Ambassador Jack Hood Vaughn from Panama, to appoint him Assistant Secretary of State for Inter-American Affairs and Coordinator of the Alliance for Progress. Ambassador Vaughn had strong credentials as one of the closest advisors to President John F. Kennedy and “Mann told the President that Vaughn had done a ‘superior job’ as Ambassador to Panama and had enough of a ‘liberal image’ that “he might even be able to convert Schlesinger...” Mann later told the President “we have to build up Vaughn to the Latin American Ambassadors so they will think of him as the boss and let Mr. Mann work behind the scenes” (FRUS 1964–1968, Vol. XXXI, Doc. 27).

There were also difficulties caused by a lag between appropriated and obligated funds, which specifically concerned President Johnson, as illustrated by the following phone conversation with Assistant Secretary Mann on May 26:

“President: I have been looking at the amount obligated by the Alliance program and it's quite disturbing. It's only about 60 percent of what they've appropriated.

Mann: Uh huh.

President: You know what you got now? You got May the 15th, 59 per cent of the Alliance loans obligated.

Mann: Well, I think it may be higher than that right now.

President: Well, this was May the 15th, 59 per cent.

Mann: Yeah.

President: April the 30th, you only had 45 per cent.

Mann: Yeah, we got a slow start.

President: every day that you wait you just cost you money. And I'm not going to fight for it if they don't go on spending when they got it.

Mann: All right. I got it. We'll spend it. I'll make sure we get it all obligated.

President: Let's get another ceremony and sign some more and let's get those ambassadors in here in another month.

Mann: All right." (FRUS 1964–1968, Vol. XXXI, Doc. 15).

A memorandum was forwarded by Mann to the President on 15 June in which he reported that "80 per cent of the funds appropriated for the Alliance for Progress had already been obligated; the remainder would be committed within 1 month" (Ibid.).

3. Punta del Este Summit, 1967

As the end of his mandate approached, President Lyndon Johnson stepped up activities in Latin America, mainly to counter allegations that his administration had "abandoned" the Alliance for Progress. This criticism intensified as President Johnson's bid for reelection was challenged from within his own Democratic Party, particularly as he had complained, among supporters of a potential presidential bid by Senator Robert Kennedy.

In that context, for instance, a report in *The New York Times*, on 28 August 1965, that Senator Robert Kennedy was planning to visit South America in November, generated a lot of interest in the White House. A day before, President Johnson, in a phone conversation with Thomas Mann, said

"He wanted a real good announcement written this afternoon [that] he can put out on Monday (August 30) which would say that he has been devoting a good deal of personal interest and attention to our relations with our good neighbors in this Hemisphere... Mr. Mann asked when would he want to make it. The President said he thought he would make it Sunday, quick as he can before Bobby is on every front page" (FRUS 1964–1968, Vol. XXXI, Doc. 31).

Senator Kennedy's itinerary started in Peru and proceeded to Chile, Argentina and Brazil, to coincide with the Second Special Inter-American Conference, held in Rio de Janeiro on 13–18 November 1965. The last stop was Venezuela, on 30 November–1 December.

Secretary of State Dean Rusk led the United States delegation to the Second Special Inter-American Conference, where he read the following statement from President Lyndon Johnson: "Recognizing that fulfillment of our goals will require the continuation of the joint effort beyond 1971, I wish to inform the Conference—and through you, your respective governments—that the United States will be prepared to extend mutual commitments beyond the time period foreseen in the charter of Punta del Este." The Conference also approved reforms to the OAS Charter and an Economic and Social Act. (FRUS 1964–1968, Vol. XXXI, Doc. 34).

Preparations for the second Summit of Punta del Este started in 1966, with general guidelines for the negotiators drafted and submitted to President Johnson for approval. In a memorandum to the President, Special Assistant Rostow said:

"The guidelines are based on a Summit program which has substantial inter-agency concurrence except for the budgetary implications. Because of the difference, Secretary Rusk is not asking that you make a decision on this aspect until you can review the Summit price tag in the light of the total aid request for FY 1968... The Summit Deal we are asking the Latins to: integrate their economies and sharply reduce tariffs; revamp their antiquated agricultural and educational system; work with us in promoting private investment.

It will take courage for the Latin American Presidents to take their countries down this uncharted path... To induce them to step off into the dark and break past the obstacles, a substantial United States 'carrot' will help. Expanded economic assistance is our part of the deal" (FRUS 1964-1968, Vol. XXXI, Doc. 41).

The main elements of the Summit Program, described by Rostow, were a commitment by the Latin Americans to economic integration, with "a broadened more competitive market... the single, most promising move that Latin America can take to accelerate growth and reduce future foreign aid need." The President "in turn, would announce at the Summit our readiness to support this effort by expanding our contribution to the Inter-American Bank's Fund for Special Operations (IDB/FSO). This would involve increasing the United States contribution in the three fiscal years 1968-70 from the present level of US\$250 million per year to US\$300 million, with an indication that if additional funds are required, we would consider further replenishment of the FSO." Additionally, the approval of "higher Alliance targets" on agriculture and education and a commitment to stimulate private investment" (Ibid.).

However, at a meeting in the President's office in February 1967, since there was disagreement between the State Department and the Treasury on the amounts required, "the President said that he wanted Congressional approval before he made a commitment of the magnitude contemplated. He directed that a joint resolution be prepared, separate from the AID bill, which would place the Congress behind the Summit offer" (FRUS 1964-1968, Vol. XXXI, Doc. 45).

From Buenos Aires, Secretary Rusk informed the President about the results of the Third Special Inter-American Conference and on the 11th Meeting of Consultation of Ministers of Foreign Affairs of the American Republics, held simultaneously from 15 to 27 February 1967. Secretary Rusk said:

"The opinions of all countries are in and it is possible to report general agreement that there should be a summit conference and, indeed, that a failure to hold one would have a very negative effect throughout the hemisphere... I have tried to be very realistic with my Latin colleagues about what they should expect from the United States... They understand fully that we must consult with the Congress before making commitments and that, in such consultations, we must have specific information on what our friends in Latin America really intend to do. We cannot have them come up with some meaningless phrases involving the word "integration" and expect that we will come forward with substantial additional assistance... Somewhat to my surprise, I am beginning to feel (after a full day's discussion today) that they really are quite serious about integration. They seem to recognize that rapid modernization will pass them by unless they enlarge their markets among themselves and open up the possibilities provided by the internal American market for the United States and the

enlarged European Common Market... From our own point of view, it seems to me that the principal benefit to come from a summit meeting is the enlistment of public interest in the hemisphere, in the successes and prospects of the Alliance for Progress and in your own personal commitment to what happens to ordinary men and women... hemispheric affairs have dropped somewhat into the background. We will need this public attention as a defense against Congressional assaults on the Alliance for Progress" (FRUS 1964–1968, Vol. XXXI, Doc. 46).

Meanwhile,

"In a special message to Congress on March 13, President Johnson presented a proposal to increase support to the Alliance for Progress and asked Congress to show its support by approving a joint resolution before the Punta del Este conference... Although the House approved a modified version, the Senate Foreign Relations Committee rejected the resolution on April 3, opting instead for its own resolution by a vote of 9–0. A spokesman for the administration subsequently called the Senate resolution 'worse than useless.' The President went to Punta del Este without a formal expression of Congressional support" (FRUS 1964–1968, Vol. XXXI, Doc. 49).

With very few hitches, the Punta del Este Summit for economic integration, 11–14 April 1967, went well. This was the opinion contained in an evaluation, drafted at the State Department, American Republics Affairs (ARA) and approved by the Assistant Secretary of State for Inter-American Affairs Lincoln Gordon, who had been recalled from the Embassy in Brazil, in March 1966, to become also Coordinator of the Alliance for Progress. The "Summit Assessment" was circulated by Gordon to all American Republic Posts, on 17 April 1967 (FRUS 1964–1968, Vol. XXXI, Doc. 52).

The report said:

"We consider Summit meeting and Declaration signed there definite successes. Our reasons follow:

a. When President Johnson agreed a year ago to join with Latin American leaders to explore proposed Summit meeting, we saw meeting as opportunity for:

(1) Agreement on a few significant, concrete actions which, building on experience and achievements of first years of Alliance for Progress, could result in needed accelerated economic and social advances in future.

(2) Re-emphasis on cooperative approach, under which Latin American initiative and self-help would be stressed at same time that the United States would reassure Latin America on its concern and assistance.

(3) Strengthening of personal relations among leaders of Hemisphere.

b. Substantive content of Declaration of Presidents of America signed at Punta del Este, which is result of long and painstaking preparatory process in which every signatory government (except Trinidad and Tobago) was deeply involved, goes beyond what might reasonably have been expected a year ago. It includes:

(1) A stronger, broader, and much more specific Latin American commitment to a Common Market than seemed likely when process began.

(2) Increased attention to multinational projects which will facilitate integration.

(3) Increased emphasis and better focus on two lagging but key sectors of the development process—agriculture and education.

(4) A special emphasis on science and technology which grew stronger as the preparatory process progressed, and culminated in a commitment to an Inter-American Science Program including several specific points.

(5) A useful (although not as strong as we had hoped for at one stage) statement on limitation of military expenditures.

(6) From the United States, most importantly, (a) agreement to increased assistance in support of the greater Latin American efforts; and (b) in a major new trade policy departure, willingness to consult carefully within the United States and with other industrialized countries on generalized trade preferences, for limited time periods, by all industrialized countries in favor of all developing countries.

c. As stated above, all signatory governments (except Trinidad and Tobago) were deeply involved in preparatory process and final Declaration is truly inter-American document.

d. Personal relationships developed among Presidents during Summit were in almost all cases very satisfactory and should be helpful in the future.

3. While reactions of other delegations to Summit varied in degree, all but Ecuador seemed agree that meeting had on balance been clear success...Arosemena's negative position was not supported by any other Latin American President.

4. Press reaction to the Summit from within the United States has been strikingly and almost uniformly favorable. From reports we have had thus far, press reaction from Latin America has been uneven, perhaps reflecting to considerable extent lack of understanding of full meaning of decisions reached at Summit. In particular, many Latin journalists apparently failed to appreciate significance President Johnson's statement on point 2(b)(6) above.

5. The job now before all the OAS Members is to follow up on the Summit decisions with sustained action" (FRUS 1964–1968, Vol. XXXI, Doc. 52).

4. Gathering Clouds

The support of the 1967 Punta del Este Summit for economic integration, including the pledge by the United States delegation of financial support for the stronger Latin American commitment to the process, pushed the subject to the top of the hemispheric agenda, during the second half of the 1960s.

As previously described, ECLA's new Executive Secretary Jose Antonio Mayobre, together with Herrera, Prebisch and Sanz de Santa Maria, in April 1965, presented a set of proposals to reform LAFTA, some of which were approved in November 1965 by the Ministers of Foreign Affairs, but without overcoming the key obstacles that were hindering its functioning.

Executive Secretary Mayobre convoked ECLA's eleventh session to be held in Mexico City 6–17 May 1965. The reason for holding the meeting in Mexico was because the original offer by the Dominican Republic to host the meeting was withdrawn. The Ministry of Foreign Affairs of the Dominican Republic, in a message sent to ECLA, said "political climate in country on eve of forthcoming elections is not most favorable for holding the meeting." The Government of Mexico had come to the rescue and offered to host the meeting (ECLA, 1965, p. 90).

In his address to ECLA's eleventh session, Mayobre called again for the approval of measures to strengthen and intensify the process of economic integration. However, Mayobre's tenure at ECLA was exceptional. At the end of the Mexico meeting, he was summoned to New York by United Nations Secretary General U Thant and was asked to lead a mission to observe and report on the situation in the Dominican Republic, after the United States had sent there more than 20,000 troops to protect United States citizens and prevent another Cuba. The United Nations mission started immediately, on 14 May, and Mayobre arrived in Santo Domingo on 18 May. From then on, Mayobre performed both tasks, as ECLA Executive Secretary and personal representative of Secretary General U Thant in the Dominican Republic. His tenure was also cut short, because, in October 1966, Venezuelan President Raul Leoni appointed Mayobre Minister of Mines and Hydrocarbons and in that capacity, he chaired the council of the Organization of Petroleum Exporting Countries (OPEC), of which Venezuela was one of the founding members.

OPEC was founded in Baghdad, on 14 September 1960, by five oil producing countries—Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The next day, the United States embassy in Iraq sent a telegram to the State Department saying:

"Conference five oil producing states ended September 14 after agreeing establish permanent body called Organization Petroleum Exporting Countries. Baghdad conferees are founding members, but OPEC open to 'any country which exports large quantity crude oil'. Conference also set up Secretariat for OPEC and directed it prepare agenda, rules, and documentation for second meeting scheduled for January in Caracas. OPEC expecting carry out regular consultations with members to coordinate and unify their policies and determine line be followed in future 'emergencies'" (FRUS 1958–1960, Vol. XII, Doc. 90).

A week later in Washington, the National Security Council discussed the creation of OPEC, based on a report from Gordon Gray, Special Assistant to the President for National Security Affairs, as follows:

"Mr. Gray then reported on the formation last week of the new Organization of Petroleum Exporting Countries, with Saudi Arabia, Iraq, Iran, Kuwait, and Venezuela as members. The purpose of the Organization was to control production and prices. What impact it will have on the world oil picture remains to be seen.

The President said that as far as the Middle Eastern countries in the new Organization were concerned, anyone could break up the Organization by offering five cents more per barrel for the oil of one of the countries.

Mr. Dulles (CIA) said that the five countries represented 80 per cent of the oil reserves in the world and half of the oil in world trade" (FRUS 1958–1960, Vol. XII, Doc. 91).

In June 1967, during the Arab Israeli war, the Egyptian government denounced the support of Western countries for Israeli air strikes. In response, the governments of most Arab oil-producing states agreed, on 7 June, to suspend oil shipments to the United States and Great Britain.

The government of Venezuela, however, did not join the embargo. On the same day, the United States Embassy in Caracas, informed the State Department by telegram:

"I was called this morning to FonOff at request of FonMin, who received me in presence Minister Mines Mayobre. They told me they were under instructions President Leoni (a) to pledge Venezuelan petroleum to needs of free world in current crisis, but (b) also to convey request GOV be included in planning now going on in Washington for distribution this natural resource. Mayobre said wire service stories report Emergency Committee on Petroleum is now being convened in Washington and GOV desires to be consulted. FonMin asked this request be telegraphed at once" (FRUS 1964-1968, Vol. XXXI, Doc. 542).

The State Department informed the United States Embassy in Caracas the matter was discussed in Washington between Assistant Secretary of State for Economic Affairs Anthony M. Solomon and Venezuelan Ambassador Enrique Tejera Paris. They

"had discussed the impact of the Arab oil embargo on Western Europe, agreeing to "consult closely together during the present crisis." The Department added: 'We are reluctant to go further than bilateral consultations since we see considerable problems in inviting GOV to participate even as observer in United States Foreign Petroleum Supply Committee... [Ambassador] Bernbaum later reported that the Leoni administration had decided to increase production by 300,000 barrels per day, but that "production beyond that amount will be subject new conditions"' (Ibid.).

No indications were found of perceptions that a storm was gathering strength.

As a follow up to the decision, adopted during the 1967 Punta del Este Summit, of providing economic integration in Latin America with a renovated impetus, a meeting of representatives from the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM) was held in Asuncion, Paraguay, from 28 August to 2 September 1967. President Johnson was informed by Walter Rostow, his Special Assistant, about the results of the meeting, "which the press has reported as a failure." According to Rostow, "up until the last two days of the meeting, it seemed that agreement would be reached on...programmed tariff reductions and preparations... for a common external tariff based on a compromise formula which would give the poorest countries (Bolivia, Ecuador and Paraguay) free access to the markets of all the other LAFTA members in five years" (FRUS 1964-1968, Vol. XXXI, Doc. 62).

Rostow added, "at the last moment, Peru asked to receive similar treatment as the poor countries. The other LAFTA members balked, and Peru's continued refusal to drop its request worked as a veto. This, in turn, seems to have triggered a veto by Paraguay of other decisions relating to programmed tariff cuts and preparations for a common external tariff." To conclude, Rostow identified some positive results, saying "disappointing as the results were... LAFTA gave its blessing to the formation of an Andean subregional group (Venezuela, Colombia, Ecuador, Peru, Bolivia and Chile) which plans to reduce trade barriers among themselves at a faster pace" (Ibid.).

The deadlock lasted from September 1967 until August 1980, when the members of LAFTA decided to approve a less-ambitious agreement, named the Latin American Integration Association (ALADI, for its name in Spanish and Portuguese) (Vacchino, 1991, pp. 229–230).

On 31 March 1968, President Johnson “announced he would neither seek nor accept the nomination of the Democratic Party for reelection” (FRUS 1964–1968, Vol. XXXI, Doc. 67).

In November, the Republican Party candidate Richard Nixon was elected President and starting his mandate, in January 1969, a new policy of “benign neglect” toward Latin America was implemented, except in those cases where the security interests of the United States were at risk.

In January 1967, Carlos Quintana (Mexico) started a five-year term as the new Executive Secretary of ECLA. Twenty years after the creation of ECLA, in 1968, an intense period of hemispheric economic negotiations came to an end, presaging more turbulent times.

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