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United States Department of State

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**FOREIGN  
RELATIONS  
OF THE  
UNITED  
STATES**

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**1958-1960**

**VOLUME V**

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**AMERICAN  
REPUBLICS**

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**DEPARTMENT  
OF  
STATE**

**Washington**









**Foreign Relations of the  
United States, 1958-1960**

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**Volume V**

**American  
Republics**

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1991

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# Preface

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. The volumes in the series include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions of the United States together with appropriate materials concerning the facts that contributed to the formulation of policies. Records in the files of the Department of State are supplemented by documentation from other government agencies involved in the formulation of foreign policy.

The basic documentary diplomatic record printed in the volumes of the series is edited by the Office of the Historian, Bureau of Public Affairs, Department of State. The editing is guided by the principles of historical objectivity and in accordance with the following official guidance first promulgated by Secretary of State Frank B. Kellogg on March 26, 1925:

There may be no alteration of the text, no deletions without indicating the place in the text where the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters that would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification: in connection with major decisions it is desirable, where possible, to show the alternative presented to the Department before the decision was made.



## IV Preface

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### *Principles of Selection for Foreign Relations, 1958–1960, Volume V*

The initial research, compilation, and editing of this volume took place in 1980 and 1981. Before selecting documents, the editors developed a research plan based on the topics to be included and on official records and other documentation in the Department of State and at the Dwight D. Eisenhower Library at Abilene, Kansas.

The documents printed in this volume and in a microfiche supplement present the record of basic U.S. policies toward South America, Central America, and the Caribbean area, and of the major incidents in U.S. relations with the nations in the region. The documentation on multilateral issues and regional U.S. policies focuses on U.S. concerns in the years 1958–1960 over economic development problems, political instability, the Castro regime in Cuba, Communist activity, the U.S. role in hemisphere defense, and the role of the Organization of American States in promoting stability and peace in the region. The good will trips by President Eisenhower, Vice President Nixon, and Dr. Milton Eisenhower, which reflect these concerns, are documented in some detail. U.S. relations with Cuba and the U.S. attitude toward the regime of Fidel Castro are extensively documented in volume VI.

In selecting documents for this volume, the editors concentrated on National Security Council and Cabinet meetings, NSC and Department of State policy papers and memoranda that set forth policy options. The editors also selected finished intelligence reports (such as National Intelligence Estimates and intelligence briefings to the NSC) on which policy decisions were made, communications with foreign governments and international organizations, and policy recommendations and analyses sent by U.S. missions abroad to the Department of State.

Because the focus of the volume is on major diplomatic aspects of U.S. policies toward the region, the editors did not document the U.S. military assistance program, intelligence activities, or detailed aspects of economic and cultural relations. They did not, therefore, seek expanded access to foreign affairs records of agencies outside of the Department of State, the White House, and the National Security Council.

The editors had complete access to the records of the Department of State including all the central indexed decimal files of the Department of State and the various special decentralized files (lot files) relevant to the volume. At the Eisenhower Library, the editors gave particular attention to the Ann Whitman file, with its master collection of National Security Council records, Cabinet papers, and other important Presidential records. The editors reviewed other pertinent records at the Eisenhower Library, including papers of Secretaries of State John Foster Dulles and Christian A. Herter, and records of the

President's Special Assistant for National Security Affairs. The editors believe that no documentation at the Eisenhower Library relevant to the subject matter was overlooked or withheld. A complete list of the files consulted in preparing this volume is on pages XIII–XX.

This printed volume includes compilations on U.S. relations with Argentina, Brazil, and Mexico. Compilations on relations with the remaining Central and South American and Caribbean nations (except Cuba) are included in the microfiche supplement. Compilations on bilateral relations in this volume and in the microfiche supplement include the texts of telegrams from the Department of State to posts in the region containing instructions and policy guidance; telegrams from posts to the Department of State containing reports, analyses, and recommendations; the texts of policy memoranda and reports; and memoranda of conversation between U.S. and foreign officials. The printed volume includes a narrative summary of each compilation that appears in the microfiche supplement, and each summary includes references to specific documents. The printed volume and the microfiche supplement will have separate indexes.

The editors of the volume are confident that the documents printed here and in the microfiche supplement provide a comprehensive and accurate record of U.S. diplomatic policies toward the Caribbean, Central America, and South America region. The declassification review process for the documents originally selected for this volume, outlined in more detail below, resulted in withholding from publication approximately 3 percent of the manuscript of the printed volume and 4.4 percent of the microfiche supplement.

### *Editorial Methodology*

The documents are presented chronologically according to Washington time. Incoming telegrams from U.S. missions are placed according to time of receipt in the Department of State or other receiving agency, rather than the time of transmission; memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in the *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the Editor in Chief and the chief technical editor. The source text is reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Obvious typographical errors are corrected, but other mistakes and omissions in the source text are corrected by bracketed insertions: a correction is set in italic type; an omission in roman type. Bracketed insertions are also used to indicate text that has been omitted because it deals with an unrelated subject (in roman type) or because it remained classified after the declassification review process (in italic type). The amount of material

not declassified has been noted by indicating the number of lines or pages of source text that were omitted. All ellipses and brackets that appear in the source text are so identified by footnotes.

The first footnote to each document indicates the document's source, original classification, distribution, and drafting information. The source footnote also provides the background of important documents and policies and indicates if the President and/or his major policy advisers read it.

Editorial notes and additional annotation summarize pertinent material not printed in this volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and summarize and provide citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts has been used when applicable to supplement the official record.

### *Declassification Review Procedures*

Declassification review of the documents selected for publication was conducted by the Division of Historical Documents Review, Bureau of Diplomatic Security, Department of State. The review was made in accordance with the Freedom of Information Act, the Privacy Act, and the criteria established in Executive Order 12356 regarding:

- 1) military plans, weapons, or operations;
- 2) the vulnerabilities or capabilities of systems, installations, projects, or plans relating to the national security;
- 3) foreign government information;
- 4) intelligence activities (including special activities), or intelligence sources or methods;
- 5) foreign relations or foreign activities of the United States;
- 6) scientific, technological, or economic matters relating to national security;
- 7) U.S. Government programs for safeguarding nuclear materials or facilities;
- 8) cryptology; and
- 9) a confidential source.

Declassification decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and appropriate foreign governments regarding documents of those governments. The principle guiding declassification review is to release as much information as is consistent with contemporary requirements of national security and sound foreign relations.

N. Stephen Kane supervised the planning and compilation of this volume under the direction of Paul Claussen. Former Editor in Chief John P. Glennon supervised the final preparation of the volume for

publication. Mr. Kane compiled the sections on general policies regarding Latin America, hemisphere defense, economic and technical assistance, political developments in Central America and the Caribbean, and relations with Colombia. Carl N. Raether compiled the sections on trips to Latin America by the Vice President, Dr. Milton Eisenhower, and the President, as well as on U.S. relations with Honduras and Panama. Evans Gerakas prepared compilations on Brazil, Costa Rica, Ecuador, El Salvador, Guatemala, and Peru. Other compilations were prepared by Edith James (Bolivia, Chile, Paraguay, Uruguay, Venezuela); Delia Pitts (Mexico); Aaron D. Miller (Argentina, Nicaragua); and Nina J. Noring (Dominican Republic, Haiti). Bret D. Bellamy prepared the lists of sources, abbreviations, and names. Althea W. Robinson and Rita M. Baker performed the technical editing. Barbara A. Bacon of the Publishing Services Division (Paul M. Washington, Chief) oversaw production of the volume. Do Mi Stauber prepared the index.

**William Z. Slany**  
*The Historian*  
*Bureau of Public Affairs*

April 1991



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# List of Sources

## Unpublished Sources

### Department of State

1. *Central Files*. The major source of documentation for this volume and the microfiche supplement was the indexed central files, or decimal files, of the Department of State.

2. *Lot Files*. Documents from the Central Files have been supplemented by materials from decentralized office files, the lot files of the Department of State. A list of the lot files used or consulted for this volume and the microfiche supplement follows:

ARA Files: Lot 62 D 359

Uruguay desk files for the years 1958–1960, as maintained by the Office of East Coast Affairs of the Bureau of Inter-American Affairs.

ARA Files: Lot 66 D 94

Honduras desk files for the years 1960–1964, as maintained by the Office of Central American Affairs of the Bureau of Inter-American Affairs.

ARA Deputy Assistant Secretary Files: Lot 61 D 411

Office files of the Deputy Assistant Secretary of State for Inter-American Affairs (William P. Snow) for the year 1958, as maintained by the Office of the Deputy Assistant Secretary of State for Inter-American Affairs.

ARA/ECP Files: Lot 64 D 353

Subject and country files for the years 1957–1962, as maintained by the Office of Regional Economic Policy of the Bureau of Inter-American Affairs.

ARA Special Assistant Files: Lot 60 D 371

Functional files of the Special Assistant (John C. Hill, Jr.) to the Assistant Secretary of State for Inter-American Affairs for the years 1958 and 1959, as maintained by the Office of Inter-American Regional Economic Affairs of the Bureau of Inter-American Affairs.

ARA Special Assistant Files: Lot 60 D 513

Functional files of the Special Assistant (Henry A. Hoyt and John C. Hill, Jr.) to the Assistant Secretary of State for Inter-American Affairs for the year 1958, as maintained by the Office of the Special Assistant in the Bureau of Inter-American Affairs.

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### ARA Special Assistant Files: Lot 62 D 24

Office files of the Special Assistant (Frank J. Devine and Park Wollam) to the Assistant Secretary of State for Inter-American Affairs for the years 1959–1961, as maintained by the Office of the Special Assistant in the Bureau of Inter-American Affairs.

### ARA/EST Files: Lot 60 D 249

Venezuela desk files for the year 1958, as maintained by the Office of East Coast Affairs.

### ARA/EST Files: Lot 61 D 319

Venezuela desk files for the years 1958–1959, as maintained by the Office of East Coast Affairs.

### ARA/EST Files: Lot 62 D 8

Venezuela desk files for the year 1960, as maintained by the Office of East Coast Affairs.

### ARA/EST Files: Lot 62 D 354

Paraguay desk files for the years 1958–1960, as maintained by the Office of East Coast Affairs.

### ARA/IAS Files: Lot 65 D 285

Military and security files for the years 1953–1962, as maintained by the Bureau of Inter-American Affairs.

### ARA/IAS Files: Lot 67 D 9

Military and training assistance files for the years 1936–1964, as maintained by the Bureau of Inter-American Affairs.

### ARA/IPA Files: Lot 66 D 230

Economic files for the years 1947–1963, as maintained by the Bureau of Inter-American Affairs.

### ARA/OAP Files: Lot 61 D 110

Chronological and subject files relating to Central America for the years 1957–1958, including correspondence with Ambassador Whiting Willauer, Dr. Milton Eisenhower's trip to Central America in 1958, and activities of the United Fruit Company, retired by the Office of Central American and Panamanian Affairs in the Bureau of Inter-American Affairs.

### ARA/OAP Files: Lot 64 D 67

Panama desk files for the year 1959, as maintained by the Office of Central American and Panamanian Affairs.

### ARA/PAN Files: Lot 65 D 176

Panama desk files for the years 1960–1962, as maintained by the Office of Panamanian Affairs.

ARA/REA Files: Lot 62 D 303

Country, subject, and chronological files for the years 1957–1961, as maintained by the Office of Inter-American Regional Economic Affairs.

ARA/REA Files: Lot 63 D 210

Country, subject, and chronological files for the years 1952–1961, as maintained by the Office of Inter-American Regional Economic Affairs.

ARA/REA Files: Lot 63 D 211

Subject and country files for the year 1960, as maintained by the Office of Inter-American Regional Economic Affairs.

ARA/REA Files: Lot 63 D 415

Mutual Security Program and International Cooperation Administration files for the years 1952–1962, as maintained by the Office of Inter-American Regional Economic Affairs.

ARA/WST Files: Lot 62 D 16

Bolivia desk files for the year 1958, as maintained by the Office of West Coast Affairs of the Bureau of Inter-American Affairs.

ARA/WST Files: Lot 62 D 31

Chile desk files for the year 1959, as maintained by the Office of West Coast Affairs.

ARA/WST Files: Lot 62 D 429

Bolivia desk files for the year 1959, as maintained by the Office of West Coast Affairs.

ARA/WST Files: Lot 63 D 20

Colombia desk files for the years 1959–1960, as maintained by the Office of West Coast Affairs.

ARA/WST Files: Lot 63 D 61

Bolivia desk files for the year 1960, as maintained by the Office of West Coast Affairs.

ARA/WST Files: Lot 63 D 85

Chile desk files for the year 1960, as maintained by the Office of West Coast Affairs.

ARA/WST Files: Lot 64 D 1

Colombia desk files for the years 1960–1961, as maintained by the Office of West Coast Affairs.

Cabinet Meetings: Lot 68 D 350

Memoranda, cabinet agenda, and miscellaneous files on foreign policy subjects taken up at Presidential Cabinet meetings for the years 1953–1965, as maintained by the Executive Secretariat.

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### Conference Files: Lot 63 D 123

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1955–1958, as maintained by the Executive Secretariat.

### Conference Files: Lot 64 D 559

Chronological files on visits by various foreign dignitaries to the United States and on various international conferences abroad for the year 1960, as maintained by the Executive Secretariat.

### Conference Files: Lot 64 D 560

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1958–1959, as maintained by the Executive Secretariat.

### *Current Economic Developments*: Lot 70 D 467

Master set of the Department of State classified internal publication *Current Economic Developments* for the years 1945–1969, as maintained by the Bureau of Economic Affairs.

### EST Files: Lot 61 D 172

Office of Brazilian Affairs files for the years 1958–1959, retired by the Officer in Charge of Brazilian Affairs in the Office of East Coast Affairs.

### EST Files: Lot 61 D 332

Chronological files for the years 1957–1959 and files of Vice President Nixon's trip to South America in 1958, retired by the Office of East Coast Affairs.

### EST Files: Lot 62 D 308

Brazil desk files for the years 1959–1960, retired by the Officer in Charge of Brazilian Affairs in the Office of East Coast Affairs.

### INR Files

Files retained by the Bureau of Intelligence and Research.

### INR–NIE Files

Files of National Intelligence Estimates, Special Estimates, and Special National Intelligence Estimates, retained by the Directorate for Regional Research in the Bureau of Intelligence and Research.

### OAP Files: Lot 60 D 647

Guatemala desk files for the years 1956–1958, retired by the Office of Central American and Panamanian Affairs.

### OAP Files: Lot 61 D 7

Costa Rica desk files for the year 1958, as retired by the Office of Central American and Panamanian Affairs.

OAP Files: Lot 61 D 473

General subject files for the year 1959, as retired by the Office of Central American and Panamanian Affairs.

OAP Files: Lot 63 D 127

General subject files for the year 1960, as maintained by the Office of Central American and Panamanian Affairs.

OAP Files: Lot 63 D 146

Guatemala desk files for the years 1959–1960, as maintained by the Office of Central American and Panamanian Affairs.

OAP Files: Lot 64 D 16

Subject files of the Officer in Charge of El Salvador Affairs for the year 1960, as maintained by the Office of Central American and Panamanian Affairs.

OAP Files: Lot 64 D 17

Subject files on Guatemala for the years 1959–1961, as maintained by the Office of Central American and Panamanian Affairs.

OAP Files: Lot 64 D 66

Costa Rica desk files for the years 1958–1961, as retired by the Office of Central American and Panamanian Affairs.

OAS Files: Lot 60 D 665

Basic collection of records of meetings of the Organization of American States, other major inter-American governmental organizations, and inter-American conferences together with related subject files for the years 1939–1962, as maintained by the Office of Inter-American Regional Political Affairs.

PPS Files: Lot 67 D 548

Subject, country, and chronological files; documents; drafts; and related correspondence of the Policy Planning Staff for the years 1957–1961.

Presidential Correspondence: Lot 64 D 174

Exchanges of correspondence between President Eisenhower and heads of foreign governments, excluding the United Kingdom, France, Germany, and the Soviet Union, for the years 1953–1960, as maintained by the Executive Secretariat.

Presidential Memoranda of Conversation: Lot 66 D 149

A complete chronological record of cleared memoranda of conversations with foreign visitors for the years 1956–1964, as maintained by the Executive Secretariat.

REA Files: Lot 61 D 248

Chronological country and subject files relating to general economic matter for the years 1955–1959, including sugar and coffee, miscellaneous conference files, and Mutual Security Program estimates, retired by the Office of Inter-American Regional Economic Affairs.

## **XVIII List of Sources**

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### **REA Files: Lot 62 D 302**

Subject, country, and chronological files relating to economic matters for the years 1960–1961, retired by the Office of Inter-American Regional Economic Affairs.

### **Rio de Janeiro Embassy Files: Lot 65 F 4**

Classified central files of the Embassy in Rio de Janeiro for the years 1956–1958, which form item 4 of FRC 65 A 1076.

### **Rio de Janeiro Embassy Files: Lot 68 F 77**

Classified central files of the Embassy in Rio de Janeiro for the years 1959–1961, which form item 97 of FRC 68 A 5612.

### **Rubottom Files: Lot 60 D 553**

Working files of Assistant Secretary of State for Inter-American Affairs R. Roy Rubottom, Jr., for the year 1958, as maintained by the Office of the Assistant Secretary of State for Inter-American Affairs.

### **Rubottom Files: Lot 61 D 279**

Working files of Assistant Secretary of State for Inter-American Affairs R. Roy Rubottom, Jr., for the year 1959, as maintained by the Office of the Assistant Secretary of State for Inter-American Affairs.

### **Rubottom–Mann Files: Lot 62 D 418**

Country and subject files of Assistant Secretaries of State for Inter-American Affairs R. Roy Rubottom, Jr., for the year 1960, and Thomas C. Mann, for the years 1960–1961, as maintained by the Office of the Assistant Secretary of State for Inter-American Affairs.

### **Secretary's Memoranda of Conversation: Lot 64 D 199**

Chronological collection of the Secretary of State's memoranda of conversation and the Under Secretary of State's memoranda of conversation for the years 1953–1960, as maintained by the Executive Secretariat.

### **Secretary's Staff Meetings: Lot 63 D 75**

Chronological collection of the minutes of the Secretary of State's Staff Meetings for the years 1952–1960, as maintained by the Executive Secretariat.

### **S/P–NSC Files: Lot 62 D 1**

Serial and subject master file of National Security Council documents and correspondence for the years 1948–1961, as maintained by the Policy Planning Staff.

### **S/PRS Files: Lot 77 D 11**

Record set of Daily Press Briefings for the years 1922–1970, as maintained by the Office of Press Relations.

### **S/S–NSC Files: Lot 63 D 351**

Serial file of National Security Council documents and correspondence for the years 1947–1961, as maintained by the Executive Secretariat.

S/S–NSC (Miscellaneous) Files: Lot 66 D 95

Administrative and miscellaneous National Security Council documentation, including NSC Records of Action, as maintained by the Executive Secretariat.

S/S–OCB Files: Lot 62 D 430

Master file of the Operations Coordinating Board for the years 1953–1960, as maintained by the Executive Secretariat.

USOAS Files: Lot 72 D 291

Master sets of documents of the Council of the Organization of American States for the years 1948–1967.

WST Files: Lot 61 D 45

Working files of the Officer in Charge of Peruvian Affairs, Sandy M. Pringle, for the years 1957–1958.

**Dwight D. Eisenhower Library, Abilene, Kansas**

Council on Foreign Economic Policy (CFEP) Records

Records of the Council on Foreign Economic Policy for the years 1955–1961.

Dulles Papers

Papers of John Foster Dulles for the years 1952–1959.

Herter Papers

Papers of Christian A. Herter for the years 1957–1961.

President's Daily Appointments

Daily appointment books of Dwight D. Eisenhower as President, 1953–1961.

Project "Clean Up" Records

Project "Clean Up" collection. Records of Gordon Gray, Robert Cutler, H. Romer McPhee, and Andrew J. Goodpaster.

Special Assistant for National Security Affairs Records

Records of the Special Assistant for National Security Affairs for the years 1952–1961, including records of Robert Cutler, Dillon Anderson, and Gordon Gray.

Staff Secretary Records

Records of the Office of the Staff Secretary (Paul T. Carroll, Andrew J. Goodpaster, L. Arthur Minnich, and Christopher H. Russell), for the years 1952–1961.

White House Central Files

Records of Dwight D. Eisenhower as President, 1953–1961.

Whitman File

Papers of Dwight D. Eisenhower as President of the United States, 1953–1961, as maintained by his personal secretary, Ann C. Whitman. The Whitman File includes the following elements: the Name Series, the Dulles–Herter Series, Eisenhower



(DDE) Diaries, Ann Whitman (ACW) Diaries, National Security Council (NSC) Records, Cabinet Papers, Legislative Meetings, International Meetings, the Administration Series, and the International File.

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### Documentary Collections and Periodicals

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- \_\_\_\_\_. *American Foreign Policy: Current Documents, 1959*. Washington: U.S. Government Printing Office, 1963.
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- \_\_\_\_\_. *Inter-American Commission on Human Rights. Report on the Work Accomplished During Its First Session, October 3–28, 1960*. Washington: Pan American Union, 1961.

### Memoirs, Diaries, Reminiscences

*Note:* The following publications were consulted at the time this volume was prepared in 1980 and 1981. The Department of State takes no responsibility for their accuracy nor endorses their interpretation of the events.

- Eisenhower, Dwight D. *Waging Peace: The White House Years, 1959–1961*. Garden City, NY: Doubleday, 1965.
- Nixon, Richard M. *The Memoirs of Richard Nixon*. New York: Grosset & Dunlap, 1978.
- Ydígoras Fuentes, Miguel, with Mario Rosenthal. *My War With Communism*. Englewood Cliffs, NJ: Prentice-Hall, 1963.

# List of Abbreviations

- ACSI**, Assistant Chief of Staff for Intelligence
- AD**, *Acción Democrática* (Democratic Action Party), Venezuela
- ADU**, *Acción Democrática Unidas* (United Democratic Action), Nicaraguan political group
- AEC**, Atomic Energy Commission
- AFCIN**, Air Force Intelligence
- AFL**, American Federation of Labor
- AFL-CIO**, American Federation of Labor-Congress of Industrial Organizations
- AFP (A&FP)**, American and Foreign Power Company
- ALCOA**, Aluminum Company of America
- ANDE**, *Administración Nacional de Electricidad* (National Administration of Electricity), Uruguay
- AP**, Associated Press
- APRA**, *Alianza Popular Revolucionaria Americana* (American Popular Revolutionary Alliance), Peruvian political party
- ARA**, Bureau of Inter-American Affairs, Department of State
- ARA/REA**, Office of Inter-American Economic Affairs, Bureau of Inter-American Affairs, Department of State
- ARMA**, Army Attaché
- ASW**, anti-submarine warfare
- AV**, Aviation Division, Department of State
- BAR**, Browning Automatic Rifle
- BMEWS**, Ballistic Missile Early Warning System
- BNDE**, *Banco Nacional do Desenvolvimento Economico* (National Bank for Economic Development), Brazil
- C**, Counselor of the Department of State
- CA**, Central America
- CA**, circular airgram
- CAB**, Civil Aeronautics Board
- CABEL**, Central American Bank for Economic Integration
- CADE**, *Compañía Argentina de Electricidad* (Electric Company of Argentina)
- Cahto**, series indicator for telegrams from Secretary of State Herter while away from Washington
- CAIRC**, Caribbean Air Command
- CAP**, *Corporación Argentina de Productores de Carnes* (Argentine Meat Producers Corporation)
- CARE**, Cooperative for American Remittances to Everywhere, until July 30, 1958; thereafter Cooperative for American Relief to Everywhere
- CCC**, Commodity Credit Corporation, Department of Agriculture
- CFEP**, Council on Foreign Economic Policy
- CG**, Commanding General; Consulate General
- CGS**, *Confederación General de Sindicatos* (General Confederation of Trade Unions), El Salvador
- CGT**, *Confederación General del Trabajo* (General Confederation of Labor) Argentina
- CGTS**, *Confederación General de Trabajadores Salvadoreños* (General Confederation of Salvadoran Workers)
- CIA**, Central Intelligence Agency
- CIVI**, *Corpo Identificación, Vigilancia, y Investigación* (Identification, Vigilance, and Investigation Corps), Peru
- CINC**, Commander in Chief
- CINCARIB**, Commander in Chief, Caribbean
- CIO**, Congress of Industrial Organizations
- cirtel**, circular telegram
- CMA**, Office of Caribbean-Mexican Affairs, Bureau of Inter-American Affairs, Department of State
- COAS**, Council of the Organization of American States

## XXII List of Abbreviations

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- COB**, *Central Obrera Boliviana* (Bolivian Labor Central, Bolivian Workers Federation)
- COCOM**, Coordinating Committee of the Paris Consultative Group of Nations working to control export of strategic goods to Communist countries
- Codel Nixon**, series indicator for telegrams concerning Vice Presidential delegation travel
- COMIBOL (CMB)**, *Corporación Minera de Bolivia* (Bolivian Mining Corporation)
- COPEI**, *Partido Social Cristiano Copei* (Christian Socialist Party), Venezuela
- CORFO**, *Corporación de Fomento de la Producción* (Production Development Corporation), Chile
- CORPOSNA**, *Corporación de Obras Sanitarias de Asunción* (Sanitary Corporation of Asunción), Paraguay
- CP**, Cabinet Paper
- CPN**, *Coalición Patriótica Nacional* (National Patriotic Coalition), Panama
- Cr**, cruzeiro, Brazil
- CTAL**, *Confederación de Trabajadores de America Latina* (Confederation of Latin American Workers)
- CTC**, *Confederación de Trabajadores de Cuba* (Confederation of Cuban Workers)
- CTP**, *Confederación de Trabajadores de Peru* (Confederations of Workers of Peru)
- D/USOM**, Director, United States Operations Mission
- DA**, Department of the Army; Defense Attaché
- DCM**, Deputy Chief of Mission
- DD**, destroyer
- DE**, destroyer escort
- Decirtel**, Department of State circular telegram
- Deptel**, Department of State telegram
- DLF**, Development Loan Fund
- DLM**, Dominican Liberation Movement
- DLP**, Democratic Labor Party, West Indies
- DOD**, Department of Defense
- DPA**, Defense Production Act
- Dulte**, series indicator for telegrams from Secretary of State Dulles while away from Washington
- E**, Assistant Secretary of State for Economic Affairs; Bureau of Economic Affairs, Department of State
- ECLA**, United Nations Economic Council on Latin America
- ECP**, Office of Regional Economic Policy, Bureau of Inter-American Affairs, Department of State
- ECU**, Engineering Construction Unit
- ED**, Investment and Economic Development Staff, Office of Financial and Development Policy, Bureau of Economic Affairs, Department of State
- EDT**, Eastern Daylight Time
- Emb**, Embassy
- Embtel**, Embassy telegram
- EST**, Office of East Coast Affairs, Bureau of Inter-American Affairs, Department of State
- EST/A**, Officer in Charge of Argentine Affairs, Office of East Coast Affairs, Bureau of Inter-American Affairs, Department of State
- EST/B**, Officer in Charge of Brazilian Affairs, Office of East Coast Affairs, Bureau of Inter-American Affairs, Department of State
- Exim (Eximbank)**, Export-Import Bank of Washington
- FAO**, Food and Agricultural Organization, United Nations
- FBI**, Federal Bureau of Investigation
- FCDA**, Federal Civil Defense Administration
- FCN**, Friendship, Commerce and Navigation (Treaty)
- FHA**, Federal Housing Administration
- FHLB**, Federal Home Loan Bank
- FLP**, Federal Labor Party, West Indies
- FM**, Assistant Secretary of the Army (Financial Management)
- FonOff**, Foreign Office
- FSB**, *Falange Socialista de Bolivia* (Socialist Falange Party of Bolivia)
- FSO**, Foreign Service officer
- FY**, Fiscal Year
- FYI**, for your information
- G**, gourde (Haitian monetary unit)
- G**, Deputy Secretary of State
- G-2**, Army general staff section dealing with intelligence at the divisional level or higher
- GAf**, Guatemalan Air Force
- GATT**, General Agreement on Tariffs and Trade
- GCR (GOCCR)**, Government of Costa Rica
- GNP**, gross national product

- GOA**, Government of Argentina  
**GOB**, Government of Bolivia; Government of Brazil  
**GOC**, Government of Chile; Government of Colombia; Government of Costa Rica  
**GODR**, Government of the Dominican Republic  
**GOES**, Government of El Salvador  
**GOG**, Government of Guatemala  
**GOH**, Government of Haiti; Government of Honduras  
**GON**, Government of Nicaragua  
**GOP**, Government of Panama; Government of Paraguay; Government of Peru  
**GOV**, Government of Venezuela  
**GSA**, General Services Administration  
**H**, Assistant Secretary of State for Congressional Relations  
**HEW**, Department of Health, Education, and Welfare  
**HOLC**, Home Owner's Loan Corporation  
**IA**, Inter-American  
**IADB**, Inter-American Defense Board  
**IACC**, Inter-American Cultural Convention  
**IA-ECOSOC**, Inter-American Economic and Social Council  
**IAPC**, Inter-American Peace Committee  
**IBRD**, International Bank for Reconstruction and Development  
**ICA**, International Cooperation Administration  
**ICA/W**, headquarters of the International Cooperation Administration in Washington  
**ICAITI**, *Instituto Centroamericano de Investigación y Tecnología Industrial* (Central American Research Institute for Industry and Technology)  
**ICE**, *Instituto Costarricense de Electricidad* (Costa Rican Institute of Electricity)  
**ICEM**, Intergovernmental Committee for European Migrants  
**ICFTU**, International Confederation of Free Trade Unions  
**ICJ**, International Court of Justice, The Hague  
**IDA**, International Development Association  
**IFC**, International Finance Corporation  
**IIAA**, Institute of Inter-American Affairs  
**IMF**, International Monetary Fund  
**IND**, *Partido Independiente* (Independent Party), Costa Rica  
**INR**, Bureau of Intelligence and Research, Department of State  
**INS**, Immigration and Naturalization Service  
**IO**, Bureau of International Organization Affairs, Department of State  
**IR**, *Integración Republicana* (Republican Integration), Venezuelan political party  
**IRCA**, International Railways of Central America  
**ISA**, Assistant Secretary of Defense for International Security Affairs  
**ITC**, International Tin Council  
**JBUSDC**, Joint Brazil–United States Defense Commission  
**JBUSMC**, Joint Brazil–United States Military Commission  
**JCS**, Joint Chiefs of Staff  
**JMUSDC**, Joint Mexico–United States Defense Commission  
**L**, Legal Adviser, Department of State  
**LA**, Latin America  
**LAV**, *Linea Aeropostal Venezolana*, Venezuelan airline  
**LORAN**, Long-Range Navigational Aid  
**M**, Under Secretary of State for Political Affairs  
**MA**, Military Attaché  
**MAAG**, Military Assistance Advisory Group  
**MAP**, Military Assistance Program  
**MC**, Division of Munitions Control, Department of State  
**MDAP**, Mutual Defense Assistance Program  
**MDN**, *Movimiento Democrático Nacionalista* (Nationalist Democratic Movement), Guatemalan political party  
**MDP**, *Movimiento Democrático Peruano* (Peruvian Democratic Movement), Peruvian political party  
**MFM**, Meeting of Foreign Ministers  
**MID**, Office of Middle American Affairs, Bureau of Inter-American Affairs, Department of State  
**MNR**, *Movimiento Nacionalista Revolucionario* (Nationalist Revolutionary Movement), Bolivian political party  
**MSA**, Mutual Security Assistance; Mutual Security Act; Mutual Security Agency  
**MSF**, minesweeper, fleet  
**MSP**, Mutual Security Program

## XXIV List of Abbreviations

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- NAC**, National Advisory Council on International Monetary and Financial Problems
- NACOIIA**, National Advisory Committee on Inter-American Affairs
- NATO**, North Atlantic Treaty Organization
- NCG**, National Council of Government, Uruguay
- NCWC**, National Catholic Welfare Conference
- niact**, night action, communications indicator requiring attention by the recipient at any hour of the day or night
- NIE**, National Intelligence Estimate
- NSC**, National Security Council
- OAP**, Office of Central American and Panamanian Affairs, Bureau of Inter-American Affairs, Department of State
- OAP/N**, Officer in Charge of Nicaraguan Affairs, Office of Central American and Panamanian Affairs, Bureau of Inter-American Affairs, Department of State
- OAS**, Organization of American States
- OCB**, Operations Coordinating Board
- OCDM**, Office of Civilian and Defense Mobilization
- ODECA**, *Organización de Estados Centroamericanos* (Organization of Central American States)
- OEA**, *Organización de Estados Americanos* (Organization of American States)
- OECD**, Organization for Economic Cooperation and Development
- OEEC**, Organization of European Economic Cooperation
- OFD**, Office of International Financial and Development Affairs, Bureau of Economic Affairs, Department of State
- OIC**, Officer in Charge
- OISP**, Overseas Internal Security Program
- OPA**, Operation Pan America
- OPAR(s)**, Operations Program Approval Request(s), administrative form(s) used by the International Cooperation Administration to request allocation(s) of local currency resources
- ORIT**, *Organización Regional Interamericana de Trabajadores* (Inter-American Regional Organization of Workers)
- OSA**, Office of South American Affairs, Bureau of Inter-American Affairs, Department of State
- PA**, purchase authorization
- PAO**, Public Affairs officer
- PAR**, *Partido Acción Revolucionaria* (Revolutionary Action Party), Guatemala
- PBOS**, Planning Board for Ocean Shipping (NATO)
- PCA**, *Partido Comunista de Argentina* (Communist Party of Argentina)
- PCB**, *Partido Comunista de Bolivia* (Communist Party of Bolivia)
- PCE**, patrol craft
- PCP**, *Partido Comunista de Paraguay* (Communist Party of Paraguay); *Partido Comunista Peruano* (Communist Party of Peru)
- PCV**, *Partido Comunista Venezolano* (Communist Party of Venezuela)
- PEMEX**, Petroleos Mexicanos, S.A. (Mexican Petroleum Corporation)
- Petrobras**, Petroleo Brasileiro, S.A. (Brazilian Petroleum Corporation)
- PGT**, *Partido Guatemalteco del Trabajo* (Guatemalan Labor Party), Communist Party of Guatemala
- PLN**, *Partido Liberación Nacional* (National Liberation Party), Costa Rica
- PMG**, Postmaster General
- POR**, *Partido Obrero Revolucionario* (Revolutionary Workers Party), a Trotskyite faction of the Bolivian Communist Party
- PR**, *Partido Revolucionario* (Revolutionary Party), Guatemala
- PRAM**, *Partido Revolucionario Abril y Mayo* (April and May Revolutionary Party), El Salvador
- PRG**, *Partido de la Revolución Guatemalteca* (Party of the Guatemalan Revolution)
- PRUD**, *Partido Revolucionario de Unificación Democrática* (Revolutionary Party of Democratic Unification), El Salvador
- PSD**, *Partido Social Democratico* (Social Democratic Party), Brazil
- PSD/ICA/W**, Public Safety Division, International Cooperation Administration, Washington
- PSP**, *Partido Socialista Popular* (Popular Socialist Party), Cuban Communist Party
- PUN**, *Partido Union Nacional* (National Union Party), Costa Rica
- REA**, Office of Inter-American Regional Economic Affairs, Bureau of Inter-American Affairs, Department of State

- RPA**, Office of Inter-American Regional Political Affairs, Bureau of Inter-American Affairs, Department of State
- RPA/S**, Office of Inter-American Regional Political Affairs, Security and Military Assistance, Bureau of Inter-American Affairs, Department of State
- S**, Office of the Secretary of State
- S/AE**, Special Assistant to the Secretary of State for Atomic Energy Affairs
- SAMF**, *Sindicato de Acción y Mejoramiento de los Ferrocarrileros* (Railwaymen's Action and Improvement Union), Guatemala
- SCA**, Bureau of Security and Consular Affairs, Department of State
- SCIDA**, *Servicio Cooperativo Interamericano de Agricultura* (Inter-American Cooperative Agricultural Service), United States agricultural cooperation with Guatemala
- SCIPA**, *Servicio Cooperativo Interamericano de Produccion de Alimentos* (Inter-American Cooperative Service for Food Production), Peru
- SCISP**, *Servicio Cooperativo Interamericano de Salud Publica* (Inter-American Cooperative Public Health Service)
- SEATO**, Southeast Asian Treaty Organization
- Secto**, series indicator for telegrams to the Department of State from the Secretary of State or his delegation at international conferences
- SHAPE**, Supreme Headquarters, Allied Powers, Europe
- Sitrep**, Situation Report
- SOMISA**, *Sociedad Mixta Siderurgia Argentina* (Mixed Steel Company of Argentina)
- S/P**, Policy Planning Staff, Department of State
- SS**, submarine
- Stat.**, *United States Statutes at Large*
- STICA**, *Servicio Tecnico Interamericano Agricola* (Inter-American Technical Service for Agricultural Cooperation)
- SUMOC**, *Superintendencia da Moeda e do Credito* (Superintendency of Money and Credit), Brazil
- TAC**, Trade Agreement Committee
- TC**, technical cooperation
- TCA**, Technical Cooperation Administration
- Tedul**, series indicator for telegrams to Secretary of State Dulles while away from Washington
- TIAS**, Treaties and Other International Acts Series
- Tomur**, series indicator for telegrams concerning the Under Secretary of State for Political Affairs (Murphy)
- TPC**, Trade Policy Committee
- U**, Office of the Under Secretary of State
- U/MSC**, Office of the Deputy Coordinator for Mutual Security, Department of State
- UAR**, United Arab Republic
- UBD**, Uruguayan political party
- UCR**, *Union Civica Radical* (Radical Civic Union), Argentina
- UCRI**, *Union Civica Radical Intransigente* (Intransigent Radical Civic Union), Argentina
- UCRP**, *Union Civica Radical del Pueblo* (People's Radical Civic Union), Argentina
- UDN**, *Uniao Democratica Nacional* (National Democratic Union), Brazilian political party
- UFCO**, United Fruit Company
- UN**, United Nations
- UNEF**, United Nations Emergency Force
- UNESCO**, United Nations Educational, Scientific and Cultural Organization
- UNGA**, United Nations General Assembly
- UNICEF**, United Nations International Children's Emergency Fund
- UNO**, Nicaraguan Opposition Union
- UNTAA**, United Nations Technical Assistance Administration
- UP**, United Press
- UPD**, Democratic Patriotic Union, Dominican exile organization
- URD**, *Union Republicana Democratica* (Republican Democratic Union), Venezuelan political party
- USARCARIB**, United States Army, Caribbean
- USAF**, United States Air Force
- USC**, United States Code
- USDel**, United States Delegate (Delegation)
- USIA**, United States Information Agency
- USIB**, United States Intelligence Board
- USIS**, United States Information Service
- USMA**, United States Military Attaché

## XXVI List of Abbreviations

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**USMC**, United States Marine Corps

**USOM**, United States Operations Mission

**USSR**, Union of Soviet Socialist Republics

**UST**, *United States Treaties and Other International Agreements*

**UTE**, *Administración General de las Usinas Eléctricas y los Teléfonos del Estado* (General Administration of State Electric Power and Telephone Services), Uruguay

**VARIG**, *S.A. Empresa de Viação Aérea Riograndense*, Brazilian commercial airline

**W**, Office of the Deputy Under Secretary of State for Economic Affairs until July 30, 1958; thereafter Under Secretary of State for Economic Affairs

**W/MSC**, Office of the Special Assistant for Mutual Security Coordination, Department of State

**WFTU**, World Federation of Trade Workers

**WHO**, World Health Organization

**WHO/PAHO**, Pan American Health Organization, World Health Organization

**WST**, Office of West Coast Affairs, Bureau of Inter-American Affairs, Department of State

**YPF**, *Yacimientos Petrolíferos Fiscales* (National Petroleum Company), Argentina

**YPFB**, *Yacimientos Petrolíferos Fiscales Boliviano* (Bolivian National Petroleum Corporation)

# List of Persons

*Editor's Note:* The identification of the persons in this list is generally limited to circumstances and positions under reference in this volume. All titles and positions are American unless there is an indication to the contrary. Where no dates are given, the official held the position throughout the period covered by this volume.

- Achilles, Theodore C.**, Ambassador to Peru until January 1960; Counselor of the Department of State from March 1960
- Acosta, Eduardo**, Minister and Petroleum Counselor of the Venezuelan Embassy in the United States, April 1958–January 1959
- Adair, Charles W., Jr.**, Chief, Trade Agreements and Treaties Division, Office of International Trade, Department of State, until June 1958; Director, Office of International Financial and Development Affairs, June 1958–October 1959; Deputy Assistant Secretary of State for Economic Affairs from November 1959
- Adams, Sherman**, The Assistant to the President until November 1958
- Alessandri Rodriguez, Jorge**, President of Chile from November 3, 1958
- Alkmín, José Maria**, Brazilian Minister of Finance until June 1958
- Allen, George V.**, Director of the United States Information Agency
- Allende, Salvador**, Marxist Chilean Senator
- Anderson, Robert B.**, Secretary of the Treasury
- Aramburu, Major General Pedro Eugenio**, Provisional President of Argentina until May 1, 1958
- Arcaya Rivero, Ignacio Luis**, Venezuelan Foreign Minister from February 13, 1959
- Arey, Hawthorne**, Director of the Export-Import Bank of Washington
- Barnes, Robert G.**, Special Assistant to the Under Secretary of State for Mutual Security Affairs until March 1958; Special Assistant for Mutual Security Coordination, March 1958–July 1959
- Batista y Zaldívar, Fulgencio**, President of Cuba until January 1, 1959
- Beaulac, Willard L.**, Ambassador to Argentina until August 1960
- Bell, John O.**, Regional Director for Near East and South Asia Operations, International Cooperation Administration, until December 1958; thereafter Special Assistant for Mutual Security Coordination in the Office of the Under Secretary of State for Economic Affairs
- Beltrán Espantoso, Pedro G.**, Director of Peruvian newspaper *La Prensa* until July 20, 1959; thereafter Prime Minister, Minister of Finance, and Minister of Commerce
- Benson, Ezra T.**, Secretary of Agriculture
- Berding, Andrew H.**, Assistant Secretary of State for Public Affairs
- Bernau, Phyllis D.**, Personal Assistant to Secretary of State Dulles
- Bernbaum, Maurice M.**, Director, Office of South American Affairs, Department of State, until September 1958; Director, Office of East Coast Affairs, September 1958–April 1959; Counselor of the Embassy in Argentina, April 1959–October 1960; Ambassador to Ecuador from November 1960
- Betancourt, Romulo**, President of Venezuela from February 13, 1959



## XXVIII List of Persons

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- Black, Eugene R.**, President of the International Bank for Reconstruction and Development
- Boggs, Marion W.**, Director of the National Security Council Secretariat until July 1959; thereafter Deputy Executive Secretary of the National Security Council
- Bonsal, Philip W.**, Ambassador to Bolivia until February 1959; Ambassador to Cuba, March 1959–October 1960
- Boonstra, Clarence A.**, Deputy Director, Office of South American Affairs, Department of State, June–September 1958; Deputy Director, Office of East Coast Affairs, September 1958–March 1959; thereafter Director
- Brand, Vance**, Director of the Export-Import Bank of Washington; also Director of the Development Loan Fund from September 1959
- Briggs, Ellis O.**, Ambassador to Brazil until May 1959
- Briggs, William T.**, Office of South American Affairs, Department of State, until September 1958; Officer in Charge of Brazilian Affairs, Office of East Coast Affairs, September 1958–March 1959; Deputy Director, Office of East Coast Affairs, March 1959–August 1960
- Brucker, Wilber M.**, Secretary of the Army
- Burke, Admiral Arleigh A.**, USN, Chief of Naval Operations
- Burris, Philip H.**, Policy Coordinator, Bureau of Public Affairs, Department of State, until November 29, 1959; thereafter Director of the Policy Plans and Guidance Staff
- Burrows, Charles R.**, Minister-Counselor of the Embassy in Venezuela until August 1960; also Consul-General, April 1958–August 1960; Ambassador to Honduras from November 1960
- Cabot, John M.**, Ambassador to Colombia until July 1959; Ambassador to Brazil from July 1959
- Calhoun, John A.**, Deputy Director, Executive Secretariat, Department of State, until September 1958; Director, September 1958–September 1960
- Castro Ruz, Fidel**, Commander in Chief of the Cuban Armed Forces, January 2–February 15, 1959; Premier of Cuba from February 16, 1959
- Chiari, Dr. Roberto F.**, President of Panama from October 1, 1960
- Coerr, Wymberley D.R.**, Counselor of the Embassy in Bolivia until October 1959; Director, Office of West Coast Affairs, Department of State, October 1959–October 1960; thereafter Deputy Assistant Secretary of State for Inter-American Affairs
- Conover, Harry**, Deputy Director, Office of Inter-American Regional Economic Affairs, Department of State, until May 1959; Counselor for Economic Affairs of the Embassy in Argentina after September 1959
- Coughran, Thomas B.**, Assistant Secretary of the Treasury for International Affairs until 1958; thereafter Assistant Secretary of the Treasury
- Cumming, Hugh S., Jr.**, Director of Intelligence and Research, Department of State
- Cutler, Robert**, Special Assistant to the President for National Security Affairs until January 1960; thereafter United States Executive Director of the Inter-American Development Bank
- De la Guardia, Ernesto, Jr.**, President of Panama until October 1, 1960
- Devine, Frank J.**, Office of South American Affairs, Department of State, until March 1958; Staff Assistant, Bureau of Inter-American Affairs, March 1958–August 1960; thereafter Special Assistant to the Assistant Secretary of State for Inter-American Affairs
- Dihigo, Ernesto**, Cuban Ambassador to the United States, March 16, 1959–January 18, 1960
- Dillon, C. Douglas**, Deputy Under Secretary of State for Economic Affairs until June 1958; Under Secretary of State for Economic Affairs, July 1958–June 1959; thereafter Under Secretary of State

- Downs, Donald P.**, Counselor of the Embassy in El Salvador from June 1959
- Dreier, John C.**, Acting Director, Office of Inter-American Regional Political Affairs, Department of State, until January 1960; Representative to the Council of the Organization of American States until November 12, 1960; Chairman, Inter-American Peace Committee, August 7, 1959–August 6, 1960
- Drew, Gerald A.**, Ambassador to Haiti until July 1960
- Dulles, Allen W.**, Director of Central Intelligence
- Dulles, John Foster**, Secretary of State until April 22, 1959
- Duvalier, François**, President of Haiti
- Eaton, Samuel D.**, Second Secretary of the Embassy in Colombia after October 1959
- Echandi Jimenez, Mario**, President of Costa Rica from May 8, 1958
- Eisenhower, Dwight D.**, President of the United States
- Eisenhower, Major John S.D.** (Lieutenant Colonel from May 1960), USA, Assistant Staff Secretary to the President after October 20, 1958
- Eisenhower, Milton S.**, member, President's Advisory Committee on Government Organization; Personal Representative of the President with rank of Special Ambassador, July 12–August 1, 1958; member, National Advisory Committee for Inter-American Affairs, from November 14, 1959
- Falcón-Briceño, Marcos**, Venezuelan Ambassador to the United States, August 14, 1958–November 11, 1960
- Farland, Joseph S.**, Ambassador to the Dominican Republic until May 1960; Ambassador to Panama from August 1960
- Figueres Ferrer, José**, President of Costa Rica until May 8, 1958
- FitzGerald, Dennis A.**, Deputy Director for Operations, International Cooperation Administration
- Fronzizi, Arturo**, President of Argentina from May 1, 1958
- Gallo Porras, Luis**, First Vice President of Peru; Prime Minister and Minister of Finance, June 10, 1958–July 19, 1959
- Gates, Thomas S., Jr.**, Secretary of the Navy until June 1959; Deputy Secretary of Defense, June–December 1959; thereafter Secretary of Defense
- Gleason, S. Everett**, Deputy Executive Secretary of the National Security Council until July 1959
- Goodpaster, Brigadier General Andrew J., Jr.**, USA, Staff Secretary to the President
- Gray, Cecil W.**, Minister of the Embassy in Mexico until September 1959
- Gray, Gordon**, Director, Office of Defense Mobilization until July 1958; thereafter Special Assistant to the President for National Security Affairs
- Greene, Joseph N., Jr.**, Special Assistant to the Secretary of State until December 1959
- Guevara Serna, Major Ernesto (Che)**, Commander of La Cabaña fortress in Cuba from January 1959; head of Industrial Department, National Institute of Industrial Reform from 1959; President of the National Bank of Cuba from November 26, 1959
- Hagerty, James C.**, Press Secretary to the President
- Hanes, John W., Jr.**, Deputy Assistant Secretary of State for International Organization Affairs until January 1959; thereafter Administrator, Bureau of Security and Consular Affairs
- Harley, Charles R.**, Chief of the Latin American Division, Office of International Finance, Department of the Treasury
- Harr, Karl G.**, Deputy Assistant Secretary of Defense for International Security Affairs until March 1958; thereafter Special Assistant to the President and Vice Chairman of the Operations Coordinating Board
- Harrington, Julian F.**, Ambassador to Panama until July 1960; Special Assistant to the Deputy Under Secretary of State for Administration from August 20, 1960

### XXX List of Persons

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- Hartel, Brigadier General Frederick O.**, USA, Regional Director, Western Hemisphere, Office of the Assistant Secretary of Defense for International Security Affairs from 1959
- Hemba, Alton W.**, First Secretary of the Embassy in El Salvador until July 1959; Officer in Charge of Brazilian Affairs, Office of East Coast Affairs, Department of State, July 1959–August 1960; thereafter Deputy Director, Office of East Coast Affairs
- Henderson, Horace E.**, Office of the Deputy Under Secretary of State for Administration, June 1958–January 1959; thereafter Deputy Assistant Secretary of State for International Organization Affairs
- Henderson, Loy**, Deputy Under Secretary of State for Administration
- Herter, Christian A.**, Under Secretary of State until April 1959; thereafter Secretary of State
- Hill, John C., Jr.**, Officer in Charge of River Plate Affairs, Office of East Coast Affairs, Department of State, June–July 1958; Special Assistant to the Assistant Secretary of State for Inter-American Affairs, July 1958–August 1960
- Hill, Robert C.**, Ambassador to Mexico until December 1960
- Hoegh, Leo A.**, Administrator of the Federal Civil Defense Administration until July 1958; thereafter Director of the Office of Civil and Defense Mobilization
- Howe, Fisher**, Director of the Executive Secretariat, Department of State, until October 1958
- Hoyt, Henry A.**, Special Assistant to the Assistant Secretary of State for Inter-American Affairs until August 1958; Counselor of the Embassy in Uruguay, August 1958–November 1960; thereafter Counselor of the Embassy in Argentina
- Ibáñez del Campo, General Carlos**, President of Chile until November 3, 1958
- Ingersoll, John J.**, Office of South American Affairs, Department of State, until September 1958; Office of East Coast Affairs, September 1958–August 1959; thereafter Officer in Charge of Venezuelan Affairs
- Irwin, John N., II**, Deputy Assistant Secretary of Defense for International Security Affairs until September 1958; thereafter Assistant Secretary of Defense for International Security Affairs
- James, A.G.**, Reports and Operations Staff of the Executive Secretariat, Department of State, until November 1959; Technical Staff Officer, Delegation at the Fifth Meeting of Consultation of Minister of Foreign Affairs at Santiago, August 12–18, 1959
- Jamison, Edward A.**, Counselor-Consul of the Embassy in Costa Rica until February 1959; Counselor of the Embassy in Guatemala, February 1959–January 1960; thereafter Director of the Office of Inter-American Regional Political Affairs, Department of State
- Johnson, Lyndon B.**, Democratic Senator from Texas; Senate Majority Leader
- Johnson, Robert H.**, member, Special Staff, National Security Council, until 1959; Director, Planning Board Secretariat, National Security Council, from 1959
- Kalijarvi, Thorsten V.**, Ambassador to El Salvador until December 18, 1960
- Krebs, Max V.**, Special Assistant to the Under Secretary of State until June 1959; thereafter Special Assistant to the Secretary of State
- Krieg, William L.**, Deputy Director and Officer in Charge of Puerto Rican Affairs, Office of Inter-American Regional Political Affairs, Department of State, until June 1958; Counselor of the Embassy in Chile from July 27, 1958
- Kubitschek de Oliviera, Dr. Juscelino**, President of Brazil
- Lafer, Horacio**, Brazilian Foreign Minister from August 4, 1959
- Lay, James S., Jr.**, Executive Secretary of the National Security Council

- Leggett, Herbert B.**, Officer in Charge of Central American and Panamanian Affairs, Office of Middle American Affairs, Department of State, until September 1958; Deputy Director, Office of Central American and Panamanian Affairs, September 1958–August 1959
- Lemus, Lieutenant Colonel Jose Maria**, President of El Salvador until October 26, 1960
- Lightner, E. Allan, Jr.**, Deputy Assistant Secretary of State for Public Affairs until June 1959
- Litsey, Weldon**, Office of Inter-American Regional Economic Affairs, Department of State, until August 1959; thereafter First Secretary of the Embassy in Argentina
- Little, Edward S.**, Officer in Charge of Caribbean Affairs, Bureau of Inter-American Affairs, Department of State, until September 1958; Deputy Director, Office of Caribbean and Mexican Affairs, September 1958–September 1959; thereafter Counselor of the Embassy in Ecuador
- Lleras Camargo, Alberto**, President of Colombia from August 7, 1958
- Lopes, Lucas**, President of the Brazilian National Bank for Economic Development until June 1958; Minister of Finance, June 1958–June 1959
- Lopez Mateos, Adolfo**, President of Mexico from December 1, 1958
- Lozano Diaz, Julio**, former Honduran Head of State, December 6, 1954–October 21, 1956
- Luboeansky, Earl H.**, Officer in Charge of Special Political Affairs, Office of Inter-American Regional Political Affairs, Department of State; also member, Delegation to the Council of the Organization of American States
- Macedo Soares, Jose Carlos de**, Brazilian Minister of Foreign Affairs until July 4, 1958
- Macomber, William B., Jr.**, Assistant Secretary of State for Congressional Relations
- Mallory, Lester D.**, Ambassador to Guatemala, February 1958–November 1959; Deputy Assistant Secretary of State for Inter-American Affairs from November 1959
- Mann, Thomas C.**, Assistant Secretary of State for Economic Affairs until August 1960; thereafter Assistant Secretary of State for Inter-American Affairs
- Mars, Louis**, Haitian Foreign Minister, November 7, 1958–December 21, 1959
- Martin, Edwin M.**, Deputy Assistant Secretary of State for Economic Affairs, January–August 1960; thereafter Assistant Secretary of State for Economic Affairs
- May, Herbert K.**, Financial Attaché of the Embassy in Brazil
- McCone, John A.**, Chairman of the Atomic Energy Commission from July 1958
- McElroy, Neil H.**, Secretary of Defense until December 1959
- McIntosh, Dempster**, Manager of the Development Loan Fund, January–June 1958; Managing Director, July 1958–June 1959; Ambassador to Colombia from July 1959
- Merchant, Livingston T.**, Ambassador to Canada until November 1958; Assistant Secretary of State for European Affairs, November 1958–August 1959; Deputy Under Secretary of State for Political Affairs, August–December 1959; thereafter Under Secretary of State for Political Affairs
- Minnich, L. Arthur, Jr.**, Assistant Staff Secretary to the President until August 1960
- Mora, José A.**, Secretary General of the Organization of American States
- Moreno, Miguel J., Jr.**, Panamanian Foreign Minister
- Morgan, George A.**, member, Policy Planning Staff, Department of State, April 1958–August 1959; thereafter Deputy Assistant Secretary of State for Policy Planning
- Morse, Wayne**, Democratic Senator from Oregon; Chairman of the Subcommittee on American Republics Affairs, Senate Foreign Relations Committee
- Mueller, Frederick H.**, Assistant Secretary of Commerce until November 1958; Under Secretary of Commerce, November 1958–August 1959; thereafter Secretary of Commerce
- Muñoz Marin, Luis**, Governor of Puerto Rico

## XXXII List of Persons

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- Murphy, Robert D.**, Deputy Under Secretary of State for Political Affairs until August 1959; Under Secretary of State for Political Affairs, August–December 1959
- Nardone, Benito**, member of the Uruguayan National Government Council; President from March 1, 1960
- Newbegin, Robert**, Ambassador to Honduras, April 1958–August 1960; Ambassador to Haiti from November 1960
- Nixon, Richard M.**, Vice President of the United States
- O'Connor, James F.**, Officer in Charge of Argentine Affairs, Bureau of Inter-American Affairs, Department of State, after September 1959
- Oram, Frank H., Jr.**, Assistant Director for Latin America, United States Information Agency, until September 1958
- Ordway, John**, First Secretary and Commercial Attaché of the Embassy in Mexico until May 1958; Counselor for Economic Affairs, May 1958–June 1959
- Ortiz Mancía, Alfredo**, Salvadoran Foreign Minister until October 26, 1960
- Osborne, Melville E.**, Second Secretary of the Embassy in Brazil until March 1958; Officer in Charge of Mexican Affairs, Office of Caribbean and Mexican Affairs, Department of State, after January 25, 1959
- Osorio, Lieutenant Colonel Oscar**, former President of El Salvador, September 1950–September 1956
- Owen, Richard B.**, Second Secretary of the Embassy in Bolivia until December 1958; Office of Caribbean and Mexican Affairs, Department of State, December 1958–July 1960; Officer in Charge of Dominican Republic Affairs from July 1960
- Paes de Almeida, Sebastiao**, President of the Bank of Brazil until June 1959; Acting Minister of Finance, June–July 1959; thereafter Minister of Finance
- Paz Estenssoro, Victor**, Bolivian Ambassador to the United Kingdom until 1960; President of Bolivia from August 6, 1960
- Peixoto, Erani do Amaral**, Brazilian Ambassador to the United States until June 1959; Chairman of the Social Democratic Party; Minister of Transport, Communications, and Public Works from July 1959
- Perez Jiménez, General Marcos**, President of Venezuela until January 23, 1958
- Perón, General Juan Domingo**, former President of Argentina, June 4, 1946–September 22, 1955
- Persons, Major General Wilton B.**, Deputy Assistant to the President until October 1958; thereafter The Assistant to the President
- Phillips, Richard J.**, Consul at Guadalajara until September 1958; Deputy Public Affairs Adviser, Bureau of Inter-American Affairs, Department of State, September 1958–March 1960; thereafter Public Affairs Adviser
- Ponce Enriquez, Camilo**, President of Ecuador until September 1, 1960
- Poole, Richard A.**, Second Secretary of the Embassy in Colombia until July 1959; Officer in Charge of Peruvian Affairs, Office of West Coast Affairs, Department of State, from August 1959
- Porrás Barrenechea, Raul**, Peruvian Foreign Minister, April 1958–September 1960
- Post, Albert**, Office of Inter-American Regional Economic Affairs, Department of State
- Prado y Ugarteche, Manuel**, President of Peru
- Price, William E.**, Officer in Charge of Panamanian Affairs, Office of Central American and Panamanian Affairs, Department of State, September 1958–September 1959
- Pringle, Sandy M.**, Office of South American Affairs, Department of State, until September 1958; Officer in Charge of Peruvian Affairs, Office of West Coast Affairs, September 1958–August 1959

- Quadros, Janio da Silva**, Governor of the State of Sao Paulo, Brazil, until 1958; member of the Brazilian Chamber of Deputies, 1959–1960; President-elect of Brazil from October 3, 1960
- Redington, Robert J.**, Officer in Charge of U.S.-OAS Delegation Matters, Office of Inter-American Regional Political Affairs, Department of State
- Reed, Henry C.**, Deputy Director, Office of Inter-American Regional Political Affairs, Department of State, after June 1958
- Reinhardt, G. Frederick**, Counselor of the Department of State until February 1960
- Rengifo, Brigadier General Pioquinto**, Colombian Minister of Government until August 7, 1958
- Roa y Garcia, Raúl**, Cuban Representative to the Organization of American States from January 1959; Cuban Foreign Minister from June 12, 1959
- Rosenson, Alexander M.**, Office of Inter-American Regional Economic Affairs, Department of State, until October 1960; thereafter Deputy Director, Office of Inter-American Regional Economic Affairs
- Rubottom, R. Roy, Jr.**, Assistant Secretary of State for Inter-American Affairs until August 1960; Ambassador to Argentina from October 1960
- Ruiz Cortines, Adolfo**, President of Mexico until November 30, 1958
- Sanders, Terry B., Jr.**, Deputy Director, Office of South American Affairs, Department of State, until August 1958
- Santaella, Hector**, Venezuelan Ambassador to the United States until May 22, 1958
- Sapena Pastor, Raul**, Paraguayan Foreign Minister
- Sauer, Walter C.**, Executive Vice President of the Export-Import Bank of Washington
- Schmidt, Augusto Frederico**, Brazilian Representative at the United Nations General Assembly; also Adviser to the President of Brazil
- Seaton, Fred A.**, Secretary of the Interior
- Shepherd, General Lemuel C., Jr.**, USMC, former Commandant of the Marine Corps; Chairman of the Inter-American Defense Board until September 1959
- Silberstein, Joseph A.**, Officer in Charge of West Coast Affairs, Office of South American Affairs, Department of State, until September 1958; Deputy Director, Office of West Coast Affairs, September 1958–June 1960
- Siles Zuarzo, Hernán**, President of Bolivia until August 8, 1960
- Siracusa, Ernest V.**, Officer in Charge of Brazilian Affairs, Office of South American Affairs, Department of State, until September 1958; Director, Office of West Coast Affairs, September 1958–September 1959
- Smith, Gerard C.**, Assistant Secretary of State for Policy Planning
- Smith, James H., Jr.**, Director of the International Cooperation Administration until March 1959
- Snow, William P.**, Deputy Assistant Secretary of State for Inter-American Affairs until November 1959
- Snyder, Murray**, Assistant Secretary of Defense for Public Affairs
- Somoza Debayle, General Anastasio**, Director of the Nicaraguan National Guard and Chief of the Air Force
- Somoza Debayle, Luis A.**, President of Nicaragua
- Southard, Frank A., Jr.**, United States Executive Director of the International Monetary Fund
- Sparks, Edward J.**, Ambassador to Guatemala until February 1958; Ambassador to Venezuela from March 1958
- Spencer, George O.**, First Secretary of the Embassy in Brazil until January 1958; Office of Inter-American Regional Political Affairs, Department of State, January–September 1958; thereafter Officer in Charge of Inter-American Security and Military Assistance Affairs

## XXXIV List of Persons

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- Staats, Elmer B.**, Executive Officer of the Operations Coordinating Board until 1958; Deputy Director of the Bureau of the Budget from March 1959
- Stambaugh, Lynn U.**, First Vice President and Vice Chairman of the Export-Import Bank of Washington
- Stans, Maurice H.**, Director of the Bureau of the Budget from March 16, 1958
- Stephansky, Benjamin S.**, Labor Adviser, Bureau of Inter-American Affairs, Department of State
- Stevenson, Robert A.**, Division of Research and Analysis for American Republics, Office of Intelligence Research and Analysis, Department of State, until December 1958; Officer in Charge of Cuban Affairs, Office of Caribbean and Mexican Affairs, December 1958–October 1960; Acting Deputy Director, Office of Caribbean and Mexican Affairs, September–October 1960; thereafter Deputy Director
- Stewart, C. Allan**, Deputy Director, Office of Middle American Affairs, Department of State, until September 1958; Director, Office of Central American Affairs, September 1958–August 1960; thereafter Counselor of the Embassy in Venezuela
- Stimpson, Henry F., Jr.**, Special Assistant to the Under Secretary of State until July 1959; Special Assistant, Office of the Secretary of State, July–September 1959; Ambassador to Paraguay from October 1959
- Stoessel, Walter J.**, Deputy Director, Executive Secretariat, Department of State, July–September 1960; thereafter Director
- Stroessner, General Alfredo**, President of Paraguay
- Tello Baurraud, Manuel**, Mexican Foreign Minister from December 1, 1958
- Timberlake, Clare Hayes**, Minister-Counselor of the Embassy in Argentina until March 1959
- Tobar Zaldumbide, Carlos**, Ecuadoran Foreign Minister until September 1, 1960
- Trujillo y Molina, Generalissimo Rafael L.**, Commander in Chief of the Dominican Armed Forces
- Turbay Ayala, Julio Cesar**, Colombian Minister of Mines and Petroleum until August 7, 1958; thereafter Minister of Foreign Affairs
- Turkel, Harry R.**, Director, Office of Inter-American Regional Economic Affairs, Department of State, until December 1959; thereafter Representative with personal rank of Ambassador to the Inter-American Economic and Social Council of the Organization of American States
- Turnage, William V.**, Deputy Director, Office of International Finance and Development, Department of State, until October 1959; Acting Director, October 1959–February 1960; Special Assistant to the Assistant Secretary of State for Economic Affairs from November 1959
- Upton, T. Graydon**, Assistant Secretary of the Treasury from 1958
- Urrutia de Leon, Colonel Luis**, Commander of the Guatemalan Air Force until April 1959
- Vaky, Viron P.**, Bureau of Inter-American Affairs, Department of State, until July 1959; thereafter Second Secretary of the Embassy in Colombia
- Valle, Henrique Rodrigues**, Minister-Counselor of the Brazilian Embassy in the United States until September 1959
- Vallon, Edwin E.**, Counselor of the Embassy in El Salvador until October 1959; Deputy Director, Office of Caribbean and Mexican Affairs, Department of State, October 1959–September 1960; Acting Director, September–October 1960; thereafter Director
- Vergara Donosa, German**, Chilean Foreign Minister from November 3, 1958
- Villeda Morales, Dr. Jose Ramon**, President of Honduras

- Walmsley, Walter N., Jr.**, Deputy Assistant Secretary of State for International Organization Affairs until July 1959
- Washburn, Abbott M.**, Deputy Director of the United States Information Agency
- Wagh, Samuel C.**, President and Chairman of the Board of Directors, Export-Import Bank of Washington
- Weiss, Seymour**, Director, Military Program Affairs Division, International Cooperation Administration, until February 1958; thereafter Director for Military Assistance Coordination, Office of the Special Assistant for Mutual Security Coordination, Department of State
- Whelan, Thomas E.**, Ambassador to Nicaragua
- White, Lincoln**, Chief of the News Division, Department of State
- White, General Thomas D.**, USAF, Chief of Staff of the Air Force
- Whitehouse, Charles S.**, Special Assistant, Office of the Deputy Under Secretary of State for Economic Affairs until June 1958; Special Assistant to the Under Secretary of State for Economic Affairs, June 1958–March 1959
- Whiteman, Marjorie M.**, Attorney-Adviser, Inter-American Area, Office of the Assistant Legal Adviser for Inter-American Affairs, Department of State, until October 1958; thereafter Assistant Legal Adviser for Inter-American Affairs
- Wieland, William A.**, Director, Office of Middle American Affairs, Department of State, until September 1958; Director, Office of Caribbean and Mexican Affairs, September 1958–October 1960
- Willauer, Whiting**, Ambassador to Honduras until March 1958; Ambassador to Costa Rica from May 1958
- Wilson, Jackson W.**, Office of South American Affairs, Department of State, until September 1958; Officer in Charge of Nicaraguan Affairs, Office of Central American and Panamanian Affairs, September 1958–August 1960; thereafter Officer in Charge of Brazilian Affairs, Office of East Coast Affairs
- Wilson, James M.**, Deputy Special Assistant for Mutual Security Coordination, Office of the Special Assistant for Mutual Security Coordination, Department of State, from March 1958
- Woodward, Robert E.**, Ambassador to Costa Rica until March 1958; Ambassador to Uruguay from April 1958
- Ydigoras Fuentes, General Miguel**, President of Guatemala from March 2, 1958
- Young, John P.**, Chief, International Finance Division, Office of International Financial and Development Affairs, Department of State





# GENERAL UNITED STATES POLICY TOWARD LATIN AMERICA<sup>1</sup>

## 1. Editorial Note

On May 9, the Board Assistants of the Operations Coordinating Board (OCB) reviewed a draft "Report on Latin America (NSC 5613/1)," dated April 30, prepared by the OCB's Working Group on Latin America. Suggested changes were incorporated into a revised draft, submitted to the OCB under date of May 12. (Record of Actions at Board Assistants' Meeting, May 12; Department of State, S/S-OCB Files: Lot 62 D 430)

The Operations Coordinating Board discussed the draft report at a formal meeting on May 21, and took the following actions. First, it revised the draft in light of recent developments in Latin America, particularly Vice President Richard M. Nixon's trip to South America, April 27-May 15, and concurred in its transmission to the National Security Council (NSC), with the understanding that the NSC's Executive Secretary, James S. Lay, Jr., would arrange with appropriate agencies for the "further revision of the paper in accordance with the Board's general agreement." Second, it agreed to recommend NSC review of NSC 5613/1, because of difficulties encountered in the implementation of the policy, the impact of possible Congressional actions pursuant to the Vice President's trip, and such recommendations that he might make. Third, it concurred in a Treasury request to retain more precisely defined split decisions in the report, if such decisions were not readily eliminated during the course of further revision. Finally, it noted that the split decision in the draft report concerning basic commodity problems already had been eliminated by recent action of the Council on Foreign Economic Policy (CFEP), authorizing the Department of State, as an exception to established policy, to participate in discussion of an international coffee agreement. (Minutes of OCB Meeting, approved May 28; *ibid.*)

NSC 5613/1, "U.S. Policy Toward Latin America," was approved by President Dwight D. Eisenhower on September 25, 1956; for text, see *Foreign Relations, 1955-1957*, vol. VI, page 119.

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<sup>1</sup> Continued from *Foreign Relations, 1955-1957*, volumes VI and VII. For documentation on U.S. relations with Cuba, see volume VI.

2. **Report From the Operations Coordinating Board to the National Security Council**<sup>1</sup>

*Washington, May 21, 1958.*

REPORT ON LATIN AMERICA (NSC 5613/1, September 25, 1956)

(Period Covered: September 12, 1957 through May 21, 1958)

A. Summary Evaluation

1. Despite encouraging<sup>2</sup> developments in several countries leading to more representative forms of government, continuing political instability and intensified economic problems in most of Latin America (which were reflected in the Vice President's recent trip to South America—See Annex C)<sup>3</sup> have overshadowed other progress in the political field and have led to increased social unrest. These adverse factors, coupled with increased Soviet Bloc attention to the area, call for prompt effective action to help solve some of the economic problems and to give greater political and psychological emphasis to U.S. policy in the area.

2. During the period, the principal factors deterring more substantial progress were: a sustained and widespread decline in markets and prices for basic export commodities deriving in part from the slackening of business activity in the United States; reduction in the foreign exchange holdings in most countries; the continued danger (and the imposition in certain cases) of U.S. restrictions on imports from Latin America; the failure of some Latin American governments to put their own economic and political houses in order; an increase in the propaganda and activities of the Soviet Bloc and local communist groups following the sputnik launchings; the failure of most countries effectively to curb communist activities; an intensification of ultra-national-

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<sup>1</sup> Source: Department of State, S/P–NSC Files: Lot 62 D 1, NSC 5613 Series. Secret. Transmitted to the NSC under cover of a June 3 memorandum from OCB Executive Officer Elmer B. Staats to NSC Executive Secretary Lay. The memorandum states that NSC 5613/1 was “consistent with National Security Policy (NSC 5810/1) except that Paragraph 6.g. of the latter policy clarifies Paragraph 15.d. of NSC 5613/1.”

Paragraph 15.d. of NSC 5613/1 reads as follows: “Reduce and eventually eliminate Soviet bloc and Communist influence in the area.”

Paragraph 6.g. of NSC 5810/1, “Basic National Security Policy,” approved by President Eisenhower on May 5, 1958, reads as follows: “To destroy or neutralize the international Communist apparatus in the Free World.”

<sup>2</sup> As approved on May 21, this word read “increasing”, but on June 16, at the request of the OCB, it was revised to read “encouraging.” (Memorandum by Lay, June 16; *ibid.*, S/S–NSC Files: Lot 63 D 351, NSC 5432—Memoranda)

<sup>3</sup> Not printed. Regarding the Vice President's trip, see Documents 42 ff.

ist, anti-U.S. sentiment; and the increased political instability in some countries, notably Venezuela, arising principally from efforts to achieve representative governments.

3. On the positive side strong Latin American support for major U.S. and Free World policies continued. Bilateral relations with the various American Republics were genuinely friendly, and increased multilateral cooperation was achieved through expansion of the activities of the Organization of American States (OAS). Improved cultural, technical cooperation and labor programs, utilizing local resources and working through national institutions, helped offset anti-U.S. criticism by ultra-nationalists and others. The value of U.S. private direct investment is expanding by \$1 billion per year. Export-Import and IBRD loans continue to be a significant factor in Latin American development. U.S. trade with Latin America amounting to \$8 billion in 1957 was greater than with any other area in the world except Western Europe. The communists remained incapable of seizing power in any country through their own means.

4. The Board recommends that the Council review NSC 5613/1 in the light of this Report and the intensification of problems noted herein, the impact of possible Congressional actions, such recommendations as the Vice President may make in connection with his recent trip to South America, and the difficulties which have been encountered in the implementation of policy as set forth in Para. 24.<sup>4</sup>

## B. Major Operating Problems or Difficulties Facing the United States

### 5. Political

a. *Political Instability.* A vital factor limiting progress and long-range economic planning was the political instability which continued to plague the area. Economic deterioration in the area has, in turn, aggravated political instability in countries such as Brazil, Chile, Colombia, and Peru. Even in those countries which made substantial advances toward more representative government (Argentina, Colombia, and Venezuela) political instability, intrigue and turmoil at times were heightened rather than diminished. Civil strife in Cuba, Colombia, Haiti, and Paraguay further emphasized that the achievement of political stability in Latin America remains a long-range goal toward which the United States must continue to direct its policies and efforts.

#### b. *Difficulties in Adhering to the Policy of Non-Intervention.*

(1) *Charge that U.S. Supports Dictatorships.* Despite continued strict adherence by the United States to its policy of non-intervention in the internal affairs of Latin American countries, there were increased un-

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<sup>4</sup> Paragraph 24 of NSC 5613/1 relates to the extension of soft dollar loans and the provision of grant economic assistance to resolve emergency situations affecting U.S. interests in countries where the local government's resources were inadequate.

founded charges during the period that the United States was supporting dictatorships. The cumulative effect of the overthrow or termination of dictatorial regimes in Argentina, Colombia, Haiti, and Peru in recent years, and particularly the overthrow of Perez Jimenez in Venezuela in January, has generated a particularly strong wave of anti-dictatorial feeling in the hemisphere and intensified criticism of U.S. non-intervention policies. The tense situation in Cuba was used as the principal example by anti-Batista and liberal groups in the U.S. Congress, press and general public to attempt to prove the charge of U.S. support for dictatorships. Statements by U.S. Government spokesmen praising steps taken in Latin America toward democracy only slightly mollified these groups, many of whom advocate the abandonment of the policy on non-intervention insofar as the dictators are concerned. Yielding to these great pressures would, of course, place in jeopardy one of the cardinal doctrines of our inter-American relations—non-interference in the internal affairs of other countries.

(2) *Arms Shipments.* Related to the foregoing is the question of shipment of arms to countries involved in internal strife—particularly those having dictatorial regimes. Again, Cuba is the principal case in point. Anti-Batista forces call for a complete embargo on arms shipments to the Cuban Government—despite our bilateral military agreements. The Cuban Government counters with the assertion that these arms had been purchased or promised before the present situation and that their denial has an important bearing on the constituted government's ability to maintain internal security and to protect the lives of Americans and American property. The United States has called to the attention of the Cuban Government restrictions against the use of MAP grant equipment against rebel forces without obtaining United States concurrence in their use and has suspended temporarily a shipment of rifles because of the existent tension in Cuba. It has also taken action to stop clandestine arms shipments destined for the rebel forces.

(3) *U.S. Advice and Direction.* A continuing difficult problem faced by U.S. representatives in the field is the necessity for affording friendly advice to Latin American governments on important problems without incurring charges on intervention. The effective implementation of economic stabilization programs in several countries and the efforts of the United States to encourage Latin American governments to take salutary political and economic measures, for instance, call for careful discreet action by U.S. officials.

c. *Problems of Ultra-Nationalism.* Agitation by ultra-nationalist groups, particularly in Brazil and Argentina, has helped encourage adoption or continuance of protectionist policies which hinder economic development in several of the countries, e.g., state oil monopolies. This ultra-nationalist agitation has become more serious because of the strong anti-U.S. themes developed, and because the commu-

nists have been able to align themselves with ultra-nationalist groups and encourage or direct their programs into a "Yankeephobia" line. In so doing, the communists have been able in many cases to pose as local patriots. Opportunities still exist for the United States to develop an effective program to prevent these nationalist feelings in Latin America from becoming the focus of anti-U.S. fervor which they are in certain other underdeveloped countries of the world.

d. *Latin American Complaint of Neglect of the Area.* Many Latin Americans continue to feel that the area is being neglected or taken for granted by the United States. They point with resentment to the disproportionately small share of our total foreign economic and military assistance which Latin America has received and they tend to use these as a measure of our respect and consideration for them. These charges and complaints are highlighted by the economic difficulties now being experienced by Latin America and there have been indications that some Latin Americans believe the solution is to seek help from other sources, including the Soviet Bloc. Latin Americans charge that the United States accepts their solidarity and help in the United Nations and elsewhere but gives little recognition to this solidarity in considering Latin American problems. Failure adequately to dispel it through effective courses of action could have important repercussions on United States-Latin American relations and cooperation.

e. *Impediments to the Free Trade Union Movement.* The free trade unions in Latin America lack resources and capable leadership to carry on the educational, training and publicity activity necessary to effectively meet the communist challenge or to efficiently represent the interests of workers with employers and governments. International free trade union organizations do not have the means fully to supply the deficiency, even if available means were applied more efficiently. Workers are still generally unaware of the methods, implications and purposes of communism; in many cases they regard communists merely as fellow workers. Indeed they often consider communist workers or labor leaders as even more dedicated to the interests of labor than other workers or labor leaders. Legitimate trade unions are obstructed by efforts of political parties to utilize them for political ends and by management attitudes resisting modern concepts of employee representation and consultation. Frictions between the International Confederation of Free Trade Unions (ICFTU) and its regional organization, ORIT, particularly those deriving from the tendency of the ICFTU to seek to over-centralize direction of its labor activities in Latin America, handicapped their effectiveness in the area.

f. *Industrial Relations.* Aside from economic conditions unfavorable to workers, industrial relations are aggravated by the scarcity of managerial and administrative skills, lack of advanced personnel practices, the deficiency of capable and responsible trade union leadership, and the agitation of communist elements.

g. *Communism and Relations With the Soviet Bloc.*

(1) *Increased Soviet and Communist Political, Propaganda and Cultural Activities.* As a result of developments generally favorable to Latin American communists during 1957 and early 1958—Soviet sputniks,<sup>5</sup> Latin American economic difficulties and preparations in several countries for national elections—overt Soviet-communist political and propaganda activity increased in parts of the area.<sup>6</sup> Emphasis on ultra-nationalist and anti-U.S. themes, accelerated cultural exchange programs and an increased use of national liberation front tactics and alliances were noted. The communist propaganda efforts were designed to make the USSR appear to be dynamic and positive in contrast to an allegedly static, negative U.S. position. Increased and more intelligent efforts to play on local themes were evident, and intensified efforts of local communists to infiltrate and control labor organizations were important. Efforts to gain acceptability and legality for local communists increased and were particularly important in Brazil and Venezuela. In the latter country the Communist Party is emphasizing its part in the recent revolution and its cooperation with the incumbent government as well as the other political parties, and has increased its efforts in the government, in labor organizations, in the university, and in the press. The establishment of economic and diplomatic relations with the Soviet Bloc was a favorite communist propaganda theme. In addition, the continued overt and covert activities of Soviet Bloc missions were intensified, particularly in Mexico, Argentina, and Uruguay, where there are Russian missions. Details concerning these efforts are included in Annex B.<sup>7</sup>

(2) *Intensified Soviet Efforts to Increase Trade Relationships.* Coupled with the foregoing has been a highly publicized increased effort on the part of the Soviet Bloc to expand trade relations with Latin America. While Soviet Bloc trade constitutes less than two per cent of total Latin American foreign trade, it is evident that the Soviets hope to take advantage of Latin American economic difficulties to gain

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<sup>5</sup> Reference is to the launching of earth satellites by the Soviet Union on October 4, 1957 (Sputnik I) and November 3, 1957 (Sputnik II), ostensibly in connection with the Soviet Union's participation in the International Geophysical Year (IGY), 1957–1958.

<sup>6</sup> On March 14, Director of Central Intelligence Allen W. Dulles sent a report on the subject "Soviet Bloc Efforts at Penetration of Latin America" to the White House, under cover of a memorandum to Brigadier General Andrew J. Goodpaster, White House Staff Secretary. A copy of the memorandum and attached report, both dated March 14, is in the Eisenhower Library, Staff Secretary Records.

<sup>7</sup> Not printed.

greater entree into Latin America and at the same time to press anti-U.S. themes. The Soviets have made it plain that their offers of trade are closely connected with the question of the resumption of diplomatic relations. To date, most of the rumored trade offers have not materialized into concrete agreements and their greatest effect has been in the propaganda field. Nevertheless, there is no doubt the Soviets are concentrating more attention on Latin America and will be increasingly alert to take advantage of any mis-step by the United States or difference of opinion between the United States and its Latin American neighbors.

(3) *East-West Trade.* Many Latin American countries continued their small participation in Soviet Bloc-Latin American trade; i.e., principally Argentina, Brazil, Cuba, Uruguay, and to a lesser extent Chile, Colombia, Mexico, Peru, and Venezuela. In order to push exports of products not readily disposable to Free World countries because of the existence of surpluses or price differentials, these countries increased somewhat the percentage of their total export sales in 1957 which went to the Soviet Bloc countries. On the other hand, lack of availability of suitable merchandise in the Bloc countries resulted in a decrease of percentage of total Latin American imports originating in the Bloc.

(4) *Impact of Expanding Soviet-U.S. Cultural Relations on Latin America.* This is one of the most important developing problems and one which will necessitate further close consideration by the United States. In the past, most Latin American countries have had only limited cultural contact with the Soviet Bloc and most interchange has consisted of the travel of known communists or pro-communists behind the Iron Curtain. Recently there have been increased approaches by the Soviet Bloc for travel of cultural groups to Latin America. In line with the Caracas Resolution on Communism, the United States has furnished information on communists to the Latin American governments and has urged these governments to restrict cultural and other types of exchanges. The recently concluded U.S.-Soviet cultural agreement will, however, make it increasingly difficult to request the Latin Americans to refrain from accepting the visits of Soviet Bloc groups and may even make it counter-productive in certain cases for the United States to approach the Latin American governments.

The expected increase in this type of contact between Latin America and the Soviet Bloc will provide the latter with more opportunities for infiltration, subversion, propaganda and other activities detrimental to United States activities in Latin America. It will be necessary for the United States to develop programs and policies to offset the increased Soviet influence which can be expected in the cultural field. Failure of the United States to take appropriate measures and to develop effective courses of action could certainly prejudice the United States position in Latin America.



h. *Overseas Internal Security Program (OISP)*. The concept for Overseas Internal Security Programs is to develop the capabilities of internal security forces and agencies to enable them to counter communist subversion. The problem arises as to whether public safety programs in Latin America may be initiated where the immediate threat derives from ultra-nationalism or political and economic instability in the absence of any immediate threat from communist subversion.

## 6. *Military*

During the period covered by this report, military policy developed to implement U.S. policy towards Latin America has been fully disseminated to U.S. field representatives to provide the necessary guidance to place current and future U.S. military programs in the Latin American area in consonance with national policy and objectives. However, because of the generally restrictive guidance contained in current national policy compared to that contained in previous national policy, it will require the continuing efforts of U.S. agencies and representatives at all levels to gain the acceptance and understanding of the Latin American countries for the reduced active military role that they will be expected to have in defense of the western hemisphere in accordance with current U.S. strategic concepts. On November 8, 1957 the OCB concurred in a special report on the interpretation of military assistance policy toward Latin America.<sup>8</sup>

a. *Obtaining Military Rights in the Latin America Area*. The year-old military discussions with Brazil arising out of the Fernando de Noronha Agreement<sup>9</sup> have reached the counter-proposal stage. Brazil has requested a list of military equipment valued at \$600 million as a quid pro quo for the establishment of a U.S. missile tracking station on the Brazilian island of Fernando de Noronha. The Departments of State and Defense are currently considering a counter-proposal involving military assistance, primarily equipment, valued at \$ \_\_\_\_\_,<sup>10</sup> of which a substantial amount would be matériel excess to U.S. service and MAP needs. If this proposal is adopted by the United States and negotiated with the Brazilians it would probably be implemented through the provision of \$15 million of equipment in FY 1959 with the balance to be made available in the next two or three years. At such time as a U.S. position is developed on this matter, the procedure will be to have the Chairman, U.S. Delegation, Joint Brazil–United States

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<sup>8</sup> This special report is presumably the paper entitled "U.S. Military Planning Guidance—Latin America," prepared by the Joint Chiefs of Staff in mid-1957; for documentation on the subject, see *Foreign Relations, 1955–1957*, vol. vi, pp. 213 ff.

<sup>9</sup> Reference is to the "Agreement for establishment of a guided missile facility on Island of Fernando de Noronha," effected by an exchange of notes at Rio de Janeiro, January 21, 1957. For text, see 8 UST (pt. 1) 87.

<sup>10</sup> No figure is provided in the source text.

Defense Commission (JBUSDC) proffer the list to the Brazilian Delegation in expectation of providing mutual settlement of Article 6 of the Noronha Agreement. With respect to U.S. desires for military rights in Mexico, the long-awaited agreement from the Mexicans for an early Joint Mexican-United States Defense Commission (JMUSDC) meeting to revise the Mexico-United States Emergency Defense Plan<sup>11</sup> has only reached the stage of discussing an agenda. The United States has a continuing requirement for rights to over-fly Mexican territory in connection with U.S. air defense operations.

b. *Latin American Interest in Excessive Military Equipment.* It is the general policy of the United States not to provide Latin American countries with military equipment, through either grant or sale programs, which is not suited to the objectives envisaged in U.S. national policy and current strategic concepts. Despite U.S. efforts to discourage Latin American countries from excessive military equipment purchases, it can be expected that their desires for such equipment will continue as will their procurement from non-U.S. sources, principally Western Europe.

c. *Inter-American Military Relations.* An increasing problem is resistance of Latin American Republics to suggestions that they tailor their military forces to roles and missions of maintaining internal security and territorial integrity with minimal military equipment best suited to these tasks. There is a further problem of assuring that the savings resulting from the elimination of unnecessary military expenditures will be diverted to economic development. The dominant position the military occupies in political matters in their respective countries not only makes the foregoing problems difficult of solution, but makes the maintenance of good relations with them a problem in itself.

## 7. Economic

### a. *Problems of Financing of Economic Development.*

(1) *Financing Dollar Costs with U.S. Assistance.* Most of the Latin American countries have generally been able to obtain Eximbank, IBRD, or IFC financing for the dollar costs of sound development projects. Some countries, however, notably Bolivia, Haiti, and Paraguay, have exhausted or nearly exhausted their current dollar debt servicing capacity. Such countries are characteristically those with the lowest levels of economic development in the area. Despite the fact that existing institutions have financed the dollar costs of some projects in the following categories, consideration is being given to the need for loans for dollar costs connected with municipal water supply and sanitary installations, rural electrification, scientific and technical

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<sup>11</sup> Not printed.

schools and colleges, hospitals and health centers. This is one of the problems that will be considered in the review of Para. 24 of NSC 5613/1. The Development Loan Fund (DLF),<sup>12</sup> which among its other powers, can make loans for dollar costs on a local currency repayment basis, provides a means for meeting these problems in appropriate cases.

(2) *Financing Local Development Costs With U.S. Assistance.* There is a scarcity of funds in most of Latin America available for medium or long-term local currency development loans at reasonable rates to cover local costs of projects in the private and public sectors. In the public sector this applies to projects not ordinarily financed by private or government lending institutions such as farm-to-market or feeder roads, municipal water supply and sanitary installations, rural electrification, scientific and technical schools and colleges, hospital and health centers. Local currency generated by PL 480<sup>13</sup> sales has made and is expected to continue to make a useful contribution in regard to local currency financing of development projects in both the private and public sectors. However, the supply of such funds is limited and there are no PL 480 programs in many of the countries. In those few countries where Special Assistance programs prevail, local currency generated thereby can also help finance development. The DLF has approved two loans to help cover local currency costs of projects in Paraguay and Honduras.

b. *Congressional Appropriations Limitations.* During the first ten years of the existence of the Institute of Inter-American Affairs (1942–1952) it was possible to carry over funds from one year to another for the Latin American Technical Cooperation program, and for the Institute to adjust allocations between countries and projects in carrying out the program. As a consequence there was a flexibility in the utilization of the funds and it was possible to plan projects with the host governments on longer than a one-year basis. At present the amount of the funds made available for the Latin American program is reduced in an amount equivalent to those carried over from the previous year. In these circumstances, the inability to obtain Congressional authorization and appropriation beyond a one-year basis deprives the

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<sup>12</sup> The Development Loan Fund was established pursuant to a provision in the Mutual Security Act of 1957 as part of the International Cooperation Administration, to assist free peoples abroad to develop their economic resources and to increase their productive capacities. Its responsibilities were carried out subject to the foreign policy guidance of the Secretary of State. The Under Secretary of State for Economic Affairs served as Chairman of the Board of Directors of the DLF. For text of the Mutual Security Act of 1957 (Public Law 85–141), enacted August 14, 1957, see 71 Stat. 355.

<sup>13</sup> Reference is to the Agricultural Trade Development and Assistance Act of 1954, enacted July 10, 1954; for text, see 68 Stat. 454.

region of the flexibility previously enjoyed both in respect to longer range planning with the host governments and in utilization of the funds.

c. *Scarcity of Skilled Human Resources.* Scarcity of managerial and administrative personnel, as well as technicians, scientists, economists, researchers, teachers and engineers, exists because of the lack of business and public administration schools and education training facilities in the scientific and financial fields. This impedes economic development in both the private and public sectors and results in frustrations and resentments which give rise to excessive nationalism in many countries.

d. *Economic Development Problems.*

(1) *Diversification.* In countries whose economies are based on one or two commodities (i.e., Bolivia, tin; Brazil and Colombia, coffee; Chile, copper and nitrate; etc.), sudden or violent fluctuations in the demand or prices for these commodities bring about difficult economic situations. While steps to diversify the economy of these countries have been taken, diversification is a long-term problem affecting most of the area.

(2) *Basic Commodity Problems.* During the period under review rising production combined with a decline in prices and/or sales of most of Latin America's basic export products, i.e., sugar, coffee, fibers and minerals, has accentuated the economic problems of the area. The decline in mineral prices reflects in part a reduction in the U.S. stockpiling program and the slackening of business activity in the United States. Prices of minerals and other industrial raw materials may be expected to improve when economic activity in the United States resumes its normal growth. Coffee prices, on the other hand, are likely to continue downward since supplies in prospect over the next five years greatly exceed world requirements. In view of its long production cycle and the relatively inelastic short run demand for coffee, producing countries feel that they are faced with the alternatives of: (1) a sharp drop in coffee prices and decline in foreign exchange receipts; or (2) limiting exports to maximize dollar receipts and assuming the heavy financial burden of stockpiling surpluses. Any long term solution to the coffee problem must take account of the fact that at current prices world production of coffee is being stimulated beyond existing demand. Latin American countries have urged the negotiation of international commodity agreements in certain basic products as a means of stabilizing raw material prices. The United States has usually opposed this approach as at best offering only a temporary solution while limiting the function of the free market. The U.S. does, however, participate in the International Sugar Agreement<sup>14</sup> and the Interna-

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<sup>14</sup> For text, see 6 UST (pt. 1) 203.

tional Wheat Agreement<sup>15</sup> where important U.S. producing interests are involved. Since coffee accounts for almost twenty-three per cent of the total value of exports from Latin America and economic problem of this magnitude has serious political implications for U.S. relations with the area, the State Department has been authorized by the CFEP to participate in an international coffee study group and, as an exception to general policy, to discuss an international coffee agreement if proposed by another member of the group, provided that it does not imply either directly or indirectly that the United States would either participate in or assist in policing such an agreement.<sup>16</sup> As regards metals, the recent proposal of the Secretary of the Interior to subsidize domestic production of certain metals as an alternative to increasing restrictions on imports received some favorable comment in Latin America, but there were also expressions of fear that this may stimulate U.S. production and further reduce world prices.

(3) *Foreign Private Development of Petroleum Resources.* The resistance of certain countries, such as Argentina and Brazil, to admitting foreign capital in the development of the petroleum industry is another important problem. These countries have neither the capital nor the know-how to develop their petroleum resources at a rate which would keep pace with their increasing needs for petroleum products. They are, therefore, forced to allocate a very large portion of their dollar exchange for imports of petroleum in its various forms. If foreign interests were admitted to the full development of the oil resources, not only would savings in foreign exchange be effected, but the receipts from investments and from eventual exports of petroleum would produce additional foreign exchange for other needed imports. In view of the importance of the problem and because of the varied statements made by Frondizi, there is considerable interest and speculation as to the policy with respect to the development of petroleum resources which the new Argentine government will adopt. The Soviets are known to desire to exploit against the United States this problem of petroleum policy.

(4) *Foreign Investment Climate.* Notwithstanding the fact that U.S. private investment in Latin America is greater than in any other area, economic development has been retarded in certain countries where the climate is such as to discourage foreign private investment because of (a) unstable political conditions; (b) restrictive regulations governing the entry of foreign capital; (c) unreasonable impediments to remit-

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<sup>15</sup> For text, see 7 UST (pt. 3) 3275.

<sup>16</sup> Reference is to CFEP 569, an action taken by the Council at its meeting on May 20, 1958. The minutes of the meeting and the record of action are in the Eisenhower Library, CFEP Records.

tance of profits and repatriation of capital; and (d) pressures of various kinds on foreign investments in order to force sale to domestic private or Government enterprises.

*e. Trade and Commercial Problems.*

(1) *Import Restrictions.* Increased restrictions have been imposed on trade within the area and further restrictions are in prospect. The United States is considering proposals which would increase restrictions on imports of commodities important to the Latin American countries such as copper, lead, zinc, petroleum and tung oil. The outcome of the Administration's bill for the renewal of the Trade Agreements Act remains uncertain. On the Latin American side a number of countries have taken restrictive action in the form of higher duties, increased import restrictions and tighter exchange controls. Frequently these measures are designed to check the tendency toward higher imports generated by internal inflation. In some cases they are intended to protect domestic industry, reduce balance of payments difficulties and produce more government revenue.

(2) *Other Limitations Affecting Trade.* U.S. export trade to Latin America continues to be confronted by a number of adverse factors, such as (a) limitations on the freedom of the exporter in placing insurance on goods shipped to Latin America where he chooses (i.e., Argentina, Colombia, Cuba, Mexico, etc.); (b) legal difficulties in connection with the termination of services of agents or legal representatives (i.e., Cuba, the Dominican Republic); (c) extremely detailed and exacting requirements for documentation of shipments, and penalties for infractions thereof (Argentina, Brazil, Colombia, Cuba, Ecuador, etc.). The early completion of the Inter-American Highway will accentuate a problem regarding commercial use of this highway, arising from legal provisions in Mexico requiring trucking and bus firms to be composed of native-born Mexicans.

[Here follows a list of the Attachments. A Financial Annex and Pipeline Analysis are not printed.]

## **Annex A**

### **ADDITIONAL MAJOR DEVELOPMENTS**

8. *Increased Communist Activities.* There were increased communist activities throughout the area during the period. A conference of northern communists was held in Mexico in March; an increased number of Latin Americans attended conferences behind the Iron Curtain during the period; and there were increased offers of Soviet bloc trade. A meeting of Latin American communists in Moscow during the 40th Anniversary Celebration stressed the need for increased coordination of communist activities within Latin America. The surfacing of Brazil-

ian communist leader Luis Carlos Prestes after a court charge against him was revoked spurred communist political activity in Brazil. A Uruguayan trial purchase of crude oil from the Soviets and a Soviet offer to take an increased amount of wool tops directly from Uruguay were among the commercial agreements concluded. An increasing number of cultural visits from the bloc, the proposed visit of ten Soviet journalists to Latin America and the high-ranking delegations sent by the Soviet bloc to the Frondizi inauguration<sup>17</sup> were further evidence of increased USSR attention to the area.

9. *Soviet Bloc Diplomatic Relations.* No country in the area resumed diplomatic relations with the Soviet bloc during the period, although a Rumanian Legation was opened in Uruguay and a third Polish Consulate in Brazil in the last half of 1957. On the other hand, the governments of Ecuador and Peru expelled Czechoslovakian diplomats from their countries, and Peru actually broke diplomatic relations. Both Ecuador and Peru gave as reasons the interference in domestic affairs by the Czechoslovakian diplomats.

10. *Copper, Lead and Zinc.* The Secretary of Interior<sup>18</sup> presented a five-year Domestic Minerals Stabilization Plan, with the President's endorsement, intended as a substitute for proposals before the Administration for increasing barriers to importation of these minerals, which had been severely criticized in Latin America as a departure from U.S. liberal trade policy. He indicated the plan would shortly be introduced in Congress. Initial response to the proposal in Latin America was favorable in many countries; in others it met with serious misgivings.

11. *Development Loan Fund.* The first loans for Latin America by the Development Loan Fund (DLF) were authorized during the period. These were for road construction of \$2.5 million in Paraguay and \$5.0 million in Honduras.

12. *Engineer Construction Unit Program.* Engineer construction units are in process of being trained and equipped in Bolivia and Honduras culminating an effort over a period of three years to launch a program under which the Latin American military forces actively participate in projects contributing to economic development. These units are being trained in the use of civilian type construction equipment which is supplied under the program. They engage in public works projects of the host government such as roads, bridges, sewage, irrigation, rural electrification, airports, river navigation and port development.

Under the Technical Cooperation Program a number of related activities are being carried on. Units of the Paraguayan Army engaged in road building and maintenance are being assisted by a U.S. high-

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<sup>17</sup> Arturo Frondizi was inaugurated President of Argentina on May 1.

<sup>18</sup> Fred A. Seaton.

way engineer and are being provided technical advice and demonstration equipment. An agricultural experimental project renders advice to military units in El Salvador. The U.S. Army Mission has been requested to submit recommendations for the organization of an engineer construction unit from Salvadoran Army personnel. A project has been included in the Guatemalan program for FY 1958 which provides for agricultural and vocational training of army recruits.

Costa Rica and Mexico have expressed interest in engineer construction units under the President's program to help Latin American countries use their military forces for the construction of useful public works projects.

14. [*sic*] *Financial Reform*. The United States, in cooperation with the International Monetary Fund (IMF) and with private U.S. banks in some countries, entered into, or extended, financial arrangements with Bolivia, Chile, Nicaragua, Paraguay and Peru in support of efforts by these countries to achieve internal financial stability and balance of payments equilibrium. Colombia adopted various internal and external reform measures in the financial field and received assistance from IMF, Exim Bank and various commercial banks in connection with arrangements for consolidating its external commercial debt. Discussions are now being held with Brazil and Haiti regarding financial reforms. Latin American countries are increasingly utilizing the resources of the IMF to deal with temporary swings in their external payments positions.

15. *Training*. In the increased emphasis that is being placed on training of nationals within their own countries, important steps have been taken to build up local institutions, to assist local nationals in attending these institutions and to employ qualified local teachers trained under U.S. and UN programs instead of using additional American technicians. For instance, the Public Administration School at Sao Paulo is helping to strengthen the business community in Brazil by training persons in managerial and administrative skills. A Smathers loan<sup>19</sup> provides scientific and technical laboratory equipment for seven universities in Chile. Two technical universities in Chile are being aided in developing an industrial training program for skilled industrial personnel. We have assisted in the establishment of an agricultural college in Paraguay and are providing scholarships enabling local nationals to enroll in the college at about one-eighth the cost of training in the United States.

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<sup>19</sup> Smathers loans were authorized by an amendment to the Mutual Security Act of 1956, named after Senator George A. Smathers (D-Florida), designating a portion of defense support funds to promote health, education, and sanitation programs and land resettlement projects in Latin America. For text of the act (Public Law 726), enacted July 18, 1956, see 70 Stat. 555.



16. *Petroleum*. At the suggestion of the U.S. Government, consultations were held in March at Caracas, Venezuela between high-level representatives of the United States, Venezuela and Canada, regarding the U.S. voluntary limitations program on crude oil imports.<sup>20</sup> The U.S. objective for these discussions was to explain the need for a further slight curtailment in the level of crude oil imports and to obtain the tacit concurrence of Venezuela and Canada to continuance of the U.S. program on a voluntary basis without disruption of other trade relations, or challenge of the program as being in violation of the spirit if not the letter of basic trade agreements. The consultations were successful. Legislation has been introduced to substitute mandatory for voluntary limitation on crude oil imports and to extend controls to petroleum products. An important factor in avoiding possible enactment of such legislation, which would have serious foreign policy implications, will be the success which the voluntary program, with government-to-government consultation, has achieved.

17. *Implementation of Recommendations of the Inter-American Committee of Presidential Representatives*. Following the submission of its recommendations to the Presidents of the American Republics, the Inter-American Committee of Presidential Representatives adjourned and left to the governments and the Organization of American States (OAS) the implementation of their recommendations. In November 1957 the Council recorded approval *in principle* by the governments of these recommendations and appointed a number of committees to plan their implementation. Consideration is now being given to the statutes of an Inter-American Nuclear Energy Commission and to the revision of the Convention of the Inter-American Institute of Agricultural Sciences. The OAS fellowship program has been approved by the Council, and it is hoped that the program will first get under way in the fall of the current year.

18. *OAS-NATO Exchange*. At the Heads of Government Meeting in December 1957, the Secretary proposed that NATO and other Free World regional organizations establish informal contact with each other and exchange information of mutual interest.<sup>21</sup> After approval by the NATO Council, Secretary General Spaak of NATO wrote on February 24, 1958, to Secretary General Mora of the OAS, asking his views on such an exchange. Despite some initial coolness, the General Committee of the Council of the OAS approved Mora's draft reply, and it was dispatched to Spaak on March 26, 1958. This reply agreed

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<sup>20</sup> These consultations were held in Caracas, March 12-14, 1958; the Canadian Ambassador to Venezuela attended as an observer. Documents pertaining to this subject are in several Department of State Central Files, principally 411.006 and 831.2553.

<sup>21</sup> For documentation on the Heads of Government Meeting held in Paris, December 16-19, 1957, see *Foreign Relations, 1955-1957*, vol. iv, pp. 1 ff.

to an exchange of information but underlined the separate and distinct natures of the OAS and NATO. The net effect was thus to accept the NATO initiative, but without enthusiasm.

19. *Additional developments during the period were:*

a. In April, on the eve of his departure for Washington, President Ibanez of Chile cancelled his official visit to the United States. Although internal political conditions were given by Ibanez as the official reason for the cancellation, the immediate cause was believed to be a public statement by the United States Secretary of Interior a few days earlier endorsing proposals to reimpose at this time the import duty on copper rather than await its automatic reinstatement on July 1, 1958.<sup>22</sup> Chilean press and public reaction was overwhelmingly in support of President Ibanez' action and provided eloquent proof of the sensitiveness of Latin Americans to issues affecting their basic commodities. Ibanez' decision evoked demand in Chile for increased trade with the Soviet bloc.

b. Dr. Jose Ramon Villeda Morales, head of the Liberal Party, was named President of Honduras in November 1957 by a freely elected Constituent Assembly. It was the first time in twenty-five years that a Liberal government had been in power, and the Constituent Assembly election constituted one of the most important steps in Honduras' history toward representative government. The Villeda Government replaced a military junta which had ruled since the overthrow of the previous Lozano<sup>23</sup> regime.

c. Gen. Miguel Ydigoras Fuentes, the candidate supported by rightist elements, was elected President of Guatemala in January 1958. This election followed an election only three months previously which had been nullified after Ydigoras groups and leftist mobs took to the streets to protest the announced election of the Nationalist Democratic Movement (MDN) candidate. The January election was a culmination of a period of unrest and political turmoil following the assassination of President Castillo Armas. The election campaign saw the return to an active role of extreme leftist and communist groups. It has produced a situation in which the extreme left has now gained a powerful position in Guatemala's political scene.

d. Francois Duvalier was inaugurated as President of Haiti in October 1957 replacing the military government of General Kebreau, thus restoring constitutional civilian control to Haiti. Nevertheless, political and economic instability continued. The assassination by Haitian military and police authorities of an American citizen in Septem-

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<sup>22</sup> Regarding Seaton's statement, see the microfiche supplement to this volume.

<sup>23</sup> Julio Lozano Diaz, Honduran Head of State, December 6, 1954–October 21, 1956.

ber further complicated the political situation and caused strained relations with the United States until a satisfactory settlement of the United States diplomatic demands was reached.

e. Early in January 1958 the dictatorship of General Marcos Perez Jimenez was overthrown in Venezuela and a junta composed of military and civilian members assumed power and promised to hold elections within the near future. All political parties, including the communists, became active once again and a delicate political situation developed in which there was a tenuous balance between military and civilian groups. A few days after the Nixon trip the two civilian members of the junta resigned and were replaced by two other civilians, and the military seem to have assumed a stronger role. Further possible shifts in the junta have been rumored. On May 27 several important cabinet changes were made. The failure of the Venezuelan Government to take a responsible position concerning the causes for the violence against the Vice President is believed to be principally the result of the political turmoil and uncertainty which is continuing as Venezuela attempts to establish a more democratic form of government. The increasing importance and activity of the communists in Venezuela in practically all walks of life is being viewed with concern in the United States.

The ex-Chief of National Security Police, Pedro Estrada, departed voluntarily from the United States on May 17. Ex-President Perez Jimenez, whose visa case along with that of Estrada has been a serious point of issue between the Venezuelan Government and the United States, still remains in the United States. The Venezuelan Government has not as yet taken any steps to request extradition, even though Vice President Nixon made it clear that the responsibility for such action lay entirely with the Venezuelan Government.

f. On May 1, 1958 Dr. Arturo Frondizi was inaugurated as the new President of Argentina. The support of Peronists and communist groups made Frondizi's election a landslide. His future policies are a matter for conjecture. Frondizi succeeds the provisional government of General Aramburu<sup>24</sup> which assumed power in the aftermath of the overthrow of dictator Peron.<sup>25</sup> The latter is in the Dominican Republic. There are rumors he hopes to return to Argentina under a Frondizi amnesty, or failing this, go to Europe to live. Argentine-Dominican relations were "interrupted" prior to the Frondizi inauguration because of the presence of Peron in the Dominican Republic. The Argentine Government, however, renewed relations with Venezuela after Perez Jimenez was overthrown and Peron left that country.

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<sup>24</sup> Major General Pedro Eugenio Aramburu, Provisional President of Argentina, November 1955–February 1958.

<sup>25</sup> General Juan Domingo Perón, President of Argentina, February 1946–September 1955.

g. Dr. Alberto Lleras Camargo was elected President of Colombia on May 4, 1958 after bitter debate between the traditional Conservative and Liberal Parties over the selection of a single candidate. Political turmoil in Colombia continued and an attempted coup in which former dictator Rojas Pinilla was believed involved, two days before the elections, resulted in the arrest by the rebel forces of four of the five members of the governing junta and also of Dr. Lleras. Quick action by loyal army troops prevented the coup from succeeding. The election of Dr. Lleras presents a unique experiment in which the two dominant traditional parties of Colombia have agreed to rule the country jointly for the next 12-16 years in an effort to bring about political stability.

h. Violence and political turmoil increased in Cuba during the period. Constitutional guarantees were suspended, reinstated, and suspended again as a fight for power developed between Batista's government forces and those of rebel leader Fidel Castro. Castro's call for a general strike and a fight to the finish in April failed and his "army" was forced to flee again to its mountain stronghold. Batista has called for elections in November, but many opposition groups refuse to participate in "Batista-conducted" elections.

**3. Operations Plan for Latin America Prepared by the  
Operations Coordinating Board<sup>1</sup>**

*Washington, May 28, 1958.*

OPERATIONS PLAN FOR LATIN AMERICA

I. Introduction

*A. Special Operating Guidance*

1. *Objectives:*

a. Keep the other American Republics friendly toward the United States and retain their support of our world policies.

b. Encourage the development of stable political systems along democratic, representative lines.

c. Encourage the growth of sturdy, self-reliant economies based upon the free enterprise system.

d. Destroy or neutralize Soviet bloc and Communist influence in the area.

e. Obtain adequate production of and access to materials essential to our security.

f. Obtain the participation in and support of measures to defend the hemisphere.

2. In implementing our policies and seeking our objectives in Latin America, emphasis should be placed on the following principles and programs:

a. *Principle of Non-intervention.* This principle, proscribing intervention by the United States Government unilaterally in the internal affairs of the other American republics, is the cornerstone of our inter-American relations. It is a principle based on the cardinal U.S. policy for self-determination of peoples. It does not preclude multilateral action through the Organization of American States (OAS) against a government of the hemisphere. The concept that the United States attempts to maintain friendly relations with the governments of all the

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<sup>1</sup> Source: Department of State, S/S-OCB Files: Lot 62 D 430, Latin America—1958. Secret. The OCB concurred in this Operations Plan at its meeting on May 21. An undated covering memorandum by Staats indicates that the plan superseded the "Operations Plan for Latin America," dated April 18, 1957. For text of the earlier plan, see *Foreign Relations, 1955–1957*, vol. vi, p. 61.

Operations Plans described Executive branch programs and responsibilities for courses of action to implement NSC policy, for which the OCB was coordinating agency. Concurrence in Operations Plans by responsible agencies represented in the OCB did not automatically constitute authorization for operating officials to institute new programs or modify existing ones, but rather served as a basis for the development of appropriate operating instructions by each of the participating agencies. The Department of State ordinarily transmitted the text of approved Operations Plans for Latin America to the respective Chiefs of Mission.

other American republics without implying approbation or disapprobation of the domestic policies of those governments should be developed and publicized. There should be increased efforts to convince the governments and peoples of the democracies that U.S. action or discrimination against the dictatorships would be the very type of intervention they themselves so vigorously decry, and could often have an effect the opposite of what was intended. Nevertheless, while making clear our position of non-intervention in the internal developments of the Latin American countries, we should express our satisfaction and pleasure when the people of any country determinedly choose the road of democracy and freedom.

b. *Principle of Individual and Collective Aid.* This principle is based on solemn inter-American treaties and agreements, particularly the Rio Treaty<sup>2</sup> and the Caracas Resolutions,<sup>3</sup> which establish that an attack against one state is an attack against all and provide for individual or collective (OAS) aid to any one of the 21 republics against intervention, attack or communist subversion.

c. *Elimination of Soviet Bloc and Communist Intervention.* A continuous program to achieve this objective is consistent with the provisions of Article 93 of the Caracas Conference Resolutions.<sup>4</sup> It is of particular importance as the Soviets and communists increase their activities and seek to extend their influence in this hemisphere. The Latin American governments and peoples should be more fully informed and made aware of the use to which the Soviet Union and its satellites put their diplomatic, military, trade and other missions for purposes of subversion, intervention and direction of local communist activities.

d. *Development of Internal Security Programs.* The absolute strength of Latin American communist parties is not impressive at the present time. However, factors such as unstable political systems, ultra-nationalist sentiment, inadequate internal security forces, poverty and unstable economic conditions, are susceptible to exploitation by the communists. The United States should assist in strengthening the internal security forces in selected countries. In so doing, care should

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<sup>2</sup> Reference is to the Inter-American Treaty of Reciprocal Assistance (commonly called the Rio Treaty), opened for signature at Rio de Janeiro, September 2, 1947, and entered into force for the United States, December 3, 1948; for text, see Charles I. Bevans (comp.), *Treaties and Other International Agreements of the United States of America*, vol. 4, pp. 559-566.

<sup>3</sup> Reference is to the series of resolutions approved at the Tenth Inter-American Conference, held in Caracas, Venezuela, March 1-28, 1954; for documentation, see *Foreign Relations, 1952-1954*, vol. iv, pp. 264 ff.

<sup>4</sup> For text of Article 93, "Declaration of Solidarity for the Preservation of the Political Integrity of the American States Against the Intervention of International Communism," approved March 28, 1954, see *Tenth Inter-American Conference, Caracas, Venezuela, March 1-28, 1954: Report of the Delegation of the United States of America With Related Documents* (Department of State Publication 5692, Washington, 1955), pp. 156-157.

be taken to avoid creating the impression that the United States has abandoned the principle of non-intervention or has committed itself to the preservation of the status quo through repression of the non-communist political opposition. In the development of Overseas Internal Security Programs requiring the assignment of police technicians to the field, the basic anti-communist objective of the program must be strictly observed. Specific OISP programs for Bolivia, Brazil, Chile and Guatemala have been designated Annex A to this Operations Plan.<sup>5</sup>

e. *Encouragement of Private Enterprise.* Every opportunity should be taken to encourage the expansion or adoption of a system of free enterprise in the area. Without in any way attempting to impose our own methods, increased efforts should be made to explain adequately the benefits to be gained from this system. Achievements of free enterprise in the United States, in Latin America and elsewhere should be increasingly emphasized and publicized. The decision of certain governments to create state monopolies, particularly in the oil industry, has hampered their economic growth and development.

f. *Labor.* Constant attention should be given to encouraging in the area strong, free trade union movements capable of effective collective bargaining, as a bulwark against communism and totalitarianism as a factor in the free enterprise system, and as a force for political stability and economic development.

g. *Encouragement of Economic Development.* Each of the other republics should be encouraged to do all in its own power to set its house in order for economic development (especially through adoption of sound monetary and fiscal policies, utilization of free private enterprise, and maintenance of freedom from Soviet bloc or communist influence). Without committing the United States, the belief should be promoted within recipient governments that continued cooperation and assistance from the United States depend in part on their willingness and ability to cooperate with us in achieving common objectives. The maintenance of a genuine and effective anti-communist policy, and the requisite self-discipline to withstand those hardships which may be necessary to achieve greater economic vigor and stability are important in this regard.

h. *Encouragement of Trade Expansion.* Encouragement should be given throughout the area to trade expansion, and the reduction or elimination of barriers to such expansion.

### 3. *Special Considerations.*

a. *Unique Position of Latin America.* The Organization of American States is the oldest and most experienced of the world regional organizations. Latin Americans, proud and jealous of their sovereignty, nevertheless take pride in this unity and affinity with the United States

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<sup>5</sup> Not printed.

which is based on mutual interests, common beliefs and heritage, and on equality. Their almost unanimous, consistent support of our position in international affairs is unequalled elsewhere. This unique situation is one which must be recognized and preserved and not allowed to deteriorate or to splinter. American unity constitutes a bulwark against Soviet and communist expansion and is an important factor in the total economic and political strength of the Free World.

The rapid rate of population increase and economic growth in Latin America, portending as they do a greatly increased strength and importance for the area, should be taken into consideration in the execution of all our programs. The intense desire in Latin America for rapid economic progress and higher standards of living, and the increased Soviet bloc economic and political drive in the area emphasize the need for the United States to so implement its policies that the continued alignment of Latin America with the United States, and its unique position of solidarity against communism are assured.

b. *Latin American Attitudes.*

(1) *Low Priority Accorded Latin America.* A major threat to the achievement of U.S. policy objectives in Latin America is the feeling prevailing among Latin Americans that a much too low priority has been placed by the U.S. Government on operations in the area, particularly when compared to U.S. policies, objectives, programs and approaches in other parts of the world. Many Latin Americans feel the United States neglects them or takes them for granted. They point with resentment to the minuscule proportions of our total foreign economic and military assistance funds which have gone their way and tend to use these as a measure of our respect and consideration for them.

Many Latin Americans in their efforts to solve their economic problems are showing an interest in increased Soviet bloc offers of trade and economic assistance, particularly offers in those segments of the public sector in which the United States is reluctant to enter. Although, on the basis of past experience, there is some recognition in Latin America of the pitfalls involved in trade with the communists, there is a temptation to use Soviet bloc offers for bargaining purposes in negotiations with the United States.

U. S. economic assistance to neutralist and, on occasion, communist governments, is widely criticized in Latin America. Such assistance is contrasted to the allegedly niggardly share of U.S. public capital made available to Latin America. Latin Americans believe the United States should help them first; other areas later.

Consequently, in the entire range of U.S. relationships with Latin America, we should strive to convince the governments and peoples of the area that the United States is aware of and sympathizes with their legitimate interests and aspirations and considers them as equal partners in undertakings of mutual interest and benefit.

(2) *Ultra-Nationalism.* The strong nationalist sentiments prevailing in most countries of the hemisphere should be taken into account by all United States activities, whether government or private. The ex-



tre form—ultra-nationalism—is usually anti-U.S. in character and constitutes a major obstacle to the achievement of U.S. foreign policy objectives. The communists have allied themselves with the various ultra-nationalist groups in order to gain support for and to cloak their operations. The communists have used ultra-nationalism to obscure and disrupt the general progress in several countries and to intensify anti-U.S. sentiment and focus it on defeating U.S. objectives.

Ultra-nationalism breeds on resentments and frustrations which are all the more deep-seated because of widespread poverty and illiteracy existing side by side with islands of material wealth concentrated in the hands of a few. A serious lack of managerial and administrative personnel, researchers, teachers, scientists, engineers and technicians in almost all fields of endeavor tends to retard the development of indigenous food, mineral and industrial productivity potentials. Human and material resources are available but their development awaits the application of technology, managerial skills and the necessary finances for capital equipment.

(3) *Conflicts with U.S. Policy.* Latin American attitudes of ultra-nationalism and resentment against the alleged low priority given by the United States to the area are important and cannot be overlooked, since they tend to conflict with current U.S. economic policy with respect to Latin America. We place reliance and stress in economic development on the free enterprise system and private capital investment, with grant economic assistance being reserved for temporary emergencies which affect U.S. interests, supplemented by loans for sound economic projects for which private capital is not readily available. These policies often create in the minds of Latin Americans the misconception that our failure to provide all the help which they request just when they want it, indicates that the United States has relegated Latin America to a "back seat". Ultra-nationalist groups calling for increased national control, as opposed to foreign private enterprise, heighten these misconceptions and falsely interpret U.S. policy. The Soviets and the communists are also attempting to increase these misconceptions and foster the belief that the Soviets are willing to step in to aid Latin America and that the United States is neglecting the area. Those charged with implementation of the U.S. policy for Latin America should at every appropriate opportunity seek to disabuse Latin Americans of these misconceptions. They must, however, realize that such misconceptions do exist and take them into account in applying U.S. policy. Increased attention must be given to insure that this Government at all appropriate levels avoid pronouncements and actions which to Latin Americans could provide a basis for these misconceptions or could lend substance to their feelings that we underestimate them, ignore them, or slight them.

(4) *Colonialism and Intervention.* Latin Americans are sensitive to these issues. They resent any stand or action by the United States which tends to favor colonial policies or which seem in any way to be interventionist. Although Latin American groups (particularly the political "outs") at times call for United States intervention to support their cause, these same groups become the highly vocal opponents of intervention when they think that action by the United States might be directed against them. Only by strict adherence to an impartial application of our non-interventionist policy can criticism on this issue

be avoided or minimized. The United States has consistently abstained from discussions on colonialism in inter-American forums on the basis that the European colonial powers are not represented and therefore proper debate of the issue is not possible.

c. *Technical Cooperation Programs.* The United States Government has no technical cooperation programs of its own to "sell" the other Republics. We support programs of the host government in which the latter has a genuine interest and desire for our participation and where our participation makes a contribution toward the achievement of our foreign policy objectives commensurate with its cost. In a few countries programs may have to be retained on the basis of overriding political considerations.

d. *Development Loan Fund (DLF).* The newly established DLF provides a potential for aiding both the public and private sectors of various Latin American countries to help them overcome serious deficiencies.

e. *Military Programs.* Emphasis in U.S. military programs for the area is on persuading Latin American countries to limit their military objectives to those unilaterally determined by the U.S. Government to be necessary for their internal security and country and hemisphere defense needs.

In some cases it is in the United States interest to provide military equipment primarily for political reasons. This is especially true because of the unique political position of military groups in Latin America. It is important to the United States to maintain influence with these groups. Against these considerations must be balanced, on a case-by-case basis, the consideration that the purchase and maintenance of excessive military equipment by Latin American states generally reduce their capacity to develop their economies. In this connection, we should show sympathetic and helpful interest in any effort by Latin American states to work out a mutually acceptable plan for reducing arms expenditures so long as the basic military requirements as set forth in Courses of Action 34 and 35<sup>6</sup> were still adequately met.

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<sup>6</sup> Text of Courses of Action 34 and 35, assigned to the Department of Defense on a continuing basis, read as follows:

"B. Military

"34. Through the service missions, military assistance advisory groups, and the U.S. Delegations to the Inter-American Defense Board (IADB) and Joint Commissions, continue to encourage acceptance of the concepts of (1) U.S. primary responsibility for hemispheric military operations in the Atlantic and Pacific Oceans and the Caribbean Sea, including the sea and air approaches to the Panama Canal; (2) Latin American contribution to hemispheric defense by effective military and mobilization measures for the defense of coastal waters, ports, and approaches thereto, bases, strategic areas and installations located within its own territory, and lines of communication associated therewith; and (3) each Latin American state is responsible for maintaining its own internal security.

While it is recognized that reduction of military budgets by direct negotiation would be difficult, the possibility is suggested of diverting attention from costly military prestige items by promoting interest by their Governments and military services in projects tending to contribute to economic development such as those which could be undertaken by engineer construction units.

f. *Varying Conditions.* Although Latin America is treated as an area in this Operations Plan, the very different conditions which exist in these very different countries require flexible and imaginative implementation of U.S. policy and the OCB courses of action. For example, the extent to which the labor courses of action can or should be applied in the Dominican Republic is quite different from what can be done in Uruguay and Costa Rica. The position within the government of the military differs as among Mexico, Uruguay, Colombia and Argentina. Economic factors in Brazil are not necessarily the same as in Honduras. And, an approach to French-speaking Haiti or Portuguese-speaking Brazil may be different from that required for the other countries in which Spanish is the language.

g. *Attitudes Toward U.S. Personnel Overseas.* The Operations Coordinating Board has given particular attention over the past several years to ways and means of improving foreign attitudes toward U.S. personnel overseas. This involves both the positive actions which can be taken to improve these relationships as well as the removal of sources of friction and difficulties. The special report prepared by the Board, "United States Employees Overseas: An Inter-Agency Report," dated April 1958, is an effort to provide on an over-all governmental basis a common approach and guidance in this field. All supervisory employees in the field should familiarize themselves with the substance of this report and all U.S. personnel should know the substance of the conclusions and recommendations set forth in Section V of Volume I. Attention is directed to the President's remarks in the Foreword of the report.

#### 4. Conclusion

In the light of the foregoing and in carrying out our policy toward Latin America, it becomes necessary to make known more of the facts on all phases of U.S. interest in and assistance to Latin American development, including both public and private activities designed to help Latin America achieve its aspirations. The retrograde effects of

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"35. In exceptional cases, be prepared to accept participation by a Latin American state in combined operations in support of U.S. military responsibility under para. 34 above, where its location and resources make such participation feasible, and where political or hemisphere defense considerations make such a course of action in the interests of the security of the United States. If participation of Latin American military units is required in future extra-continental defense actions, provide logistical support, if necessary without reimbursement, to such forces."

ultra-nationalism and economic statism on economic and social development need to be exposed. The position of the United States as a world leader, in order to retain Latin American cooperation and admiration, must be highlighted by:

- a. Depicting the range, depth and freedom of U.S. culture;
- b. Demonstrating U.S. dedication to the preservation of political and personal freedoms; and
- c. Publicizing U.S. developments in the fields of science and applied technology.

Finally, it is important in overcoming some of Latin America's misconceptions to expose communism as an international conspiratorial movement which is not a local left-wing political party but instead a tool of Soviet imperialism. The perfidy and traitorous nature of the communists and others who would pervert legitimate nationalism for their own ends into an evil force working against the best interests of the nation must be disclosed and emphasized. In so doing, we should develop the understanding that the well-being of Latin American countries is closely tied to that of the United States as the Western world leader and that through unity of purpose hemispheric solidarity will be strengthened.

[Here follow section I. B. "Selected U.S. Arrangements with or pertaining to Latin America," referring readers to the Department of State publication *Treaties in Force*; section II. "Current and Projected Programs and Courses of Action," containing specific agency assignments; a list of National Intelligence Estimates pertaining to Latin America; and an Annex entitled "Pipeline Analysis, Mutual Security Program."]

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#### 4. Memorandum of Discussion at the 369th Meeting of the National Security Council, Washington, June 19, 1958<sup>1</sup>

[Here follow a paragraph listing the participants at the meeting and agenda items 1-4: "Basic National Security Policy," "U.S. Policy Toward the Soviet-Dominated Nations in Eastern Europe," "Significant World Developments Affecting U.S. Security," and "Wartime Organization for Overseas Psychological Operations."]

#### 5. U.S. Policy Toward Latin America (NSC 5613/1; OCB Report on NSC 5613/1, dated May 21, 1958<sup>2</sup>)

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Prepared by S. Everett Gleason on June 20.

<sup>2</sup> Document 2.

Mr. Karl Harr briefed the Council on the highlights of the OCB Report on Latin America making use of maps and overlays. Among the points stressed by Mr. Harr was the fact that U.S. trade with Latin America increased in 1957 while that of the Soviet Union with Latin America declined somewhat in volume despite the intensive efforts of the Soviet Union in the contrary direction. Mr. Allen Dulles interrupted to point out that a different trend was already detectable in 1958. Soviet trade with the Latin American countries was increasing, particularly in wool and petroleum. (A copy of Mr. Harr's briefing note is filed in the Minutes of the Meeting<sup>3</sup> and another is attached to this memorandum<sup>4</sup>).

The President said he had a point which he wished to emphasize. We have all often heard the generalization that the only force in the modern world capable of effectively combating communism is nationalism. Why then don't we go to our Latin American neighbors and preach ultra-nationalism to them, insisting that the goals of their nationalism can only be realized in conjunction with us. After all, we do want these Latin American republics to be sovereign associates of ourselves. In a sense we are ultra-nationalists so why not preach the same doctrine to our neighbors? Under this umbrella we could attempt to deal with the concrete economic problems faced by Latin America, either by ameliorating these problems or at least by fuzzing up our own connection with these problems. In short we ought to exploit the ultra-national feelings in the neighboring republics along the line of the slogan that if you can't beat them, join them.

Mr. Harr pointed out that ultra-nationalism in the Latin American countries was not in and by itself a stumbling block for the United States. The trouble was the use made of the force of nationalism by its irrational exponents. The President repeated his arguments, while General Cutler warned that we would have to be careful in preaching ultra-nationalism in certain Latin American republics such as Panama.

Secretary Dulles pointed out that we treat our Latin American neighbors scrupulously as political equals but there was no hiding the fact of the economic dependence of these nations upon the United States. It is on this fact that the Soviets capitalize and thus confront us with serious problems. The President agreed but again argued that we must try the formula of ultra-nationalism. We must exploit the power of this force in Latin America rather than trying to fight it.

The Vice President changed the subject slightly at this point by asking about the mechanics of the review of our current Latin American policy which was recommended in the OCB Report. General Cut-

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<sup>3</sup> The minutes of all National Security Council meetings are in the National Archives and Records Administration, RG 273, Records of the National Security Council, Official Meeting Minutes File.

<sup>4</sup> Not printed.

ler explained the normal manner by which policies were revised and said that he very much hoped that the Vice President would be able to talk with the Planning Board during the course of its drafting of the revised policy.

Secretary Dulles said he had one more word to speak on the aspects of our Latin American policy. In its forthcoming review the Planning Board should look at the problem of Latin America from something more than merely an intellectual analysis as to how to deal most effectively with the concrete problems which existed in our relations with Latin America. The most significant fact that we must recognize was the fact that throughout much of the world and certainly in Latin America there had been in recent years a tremendous surge in the direction of popular government by peoples who have practically no capacity for self-government and indeed are like children in facing this problem. He reminded the Council that he had told Prime Minister Macmillan on his recent visit to Washington<sup>5</sup> that when our own republic had been founded, our Founding Fathers realized that it would take some considerable time before the new United States could safely practice government by direct democracy. For this reason our Presidents were elected, not by direct suffrage, but through the device of the Electoral College.

Unlike ourselves, many of the Latin American states are leaping ahead to irresponsible self-government directly out of a semi-colonial status. This presents the Communists with an ideal situation to exploit. Accordingly in its study of a revised policy for Latin America, the Planning Board ought not to concentrate simply on the concrete problems involved in our relationships. It should also try to figure out by what means we can move in, take control over, or guide the mass movement toward democracy in many of the Latin American republics. Secretary Dulles felt that this was the correct approach because he was sure that the problem of irresponsible self-government would remain even if and even after all the concrete problems between the U.S. and the Latin American republics had been solved.

Secretary Dulles launched into a vivid account of the skill with which the Communists operate in this field and stated that we were hopelessly far behind the Soviets in developing controls over the minds and emotions of unsophisticated peoples.

Mr. Allen Dulles was about to take issue with Secretary Dulles on our relative capabilities in this field when the President interrupted and asked Mr. Allen Dulles whether it was the CIA or the USIA which had charge of monitoring the output of the daily radio broadcasts in

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<sup>5</sup> British Prime Minister Harold Macmillan visited the United States, June 7-11, 1958; he conferred informally with President Eisenhower and other U.S. officials in Washington.

foreign countries. The President went on to explain that what he wanted was a good analysis, over the period of one week, of the content of radio broadcast and newspaper views, both pro-American and anti-American, throughout the world. The President said he thought that in some areas the U.S. may be being treated better than in others. We should find out why and see if we can improve our standing in areas where it clearly needs improving.

Mr. Allen Dulles replied that it would be possible to carry out the President's desire if the analysis were confined to a single area in the world but it would be an overwhelming task to provide the President with an analysis of the radio and newspaper output on the U.S. for even so short a time as one week. With this qualification, he said that CIA could accomplish the task with the help of USIA. The President then directed that one South American country should be selected for such a test analysis.

Mr. Allen Dulles, taking issue with Secretary Dulles, then commented that the Communists control less than one-tenth of the press of Latin America. The Vice President agreed that this was an accurate statement but that it could be misleading. The significance lay not with those who publish papers in Latin America. The significant point was who supplied the views which were published in these papers and the journalists and reporters who supplied the views were mostly anti-American. The President agreed that what was important was what got into the newspaper or was heard over the radio. The Vice President agreed and said that what got into the newspaper was what the working press, the reporters, put in. This material was often anti-American and often even pro-Communist. The Vice President went on to say that as far as the job of USIA was concerned in Latin America, the performance was highly creditable as he had stated before but he wished to emphasize again that our overt propaganda and our hand-outs to the press were generally ineffective. [*1 sentence (1 line of source text) not declassified*] We must somehow manage to project our point of view among the working press and radio people. Beyond this we must strive for greater influence in the universities because after all it is from the universities that the journalists and radio people of the future are going to come.

Mr. Abbott Washburn pointed out that the Operations Coordinating Board was already engaged on plans for more intensive work to Latin American student groups even though our Latin American policy had not yet been revised.

The Vice President then stated that he wanted to return to the subject of the Planning Board's forthcoming revision of our Latin American policy. He thought that before the Planning Board sent its draft revision to the Council for final consideration, it would be useful for the Planning Board to show its draft and to consult with an unoffi-

cial non-Government group of Latin American experts. He would suggest a panel of consultants numbering eight or ten people such as Nelson Rockefeller and Milton Eisenhower. It would be useful to get the ideas of people like this before the Planning Board completed a draft statement of policy. Secretary Dulles also suggested the name of Walter Donnelly for such a group of consultants.

The Vice President then said he had a couple of other suggestions for the Planning Board to consider in the course of its work on the new Latin American policy. He warned that he believed that we must be much less rigid than in the past in our definitions of what constituted "democracy" or "self-government" as these related to Latin America. His second idea which he said might be regarded as a most revolutionary suggestion he would now proceed to unfold. He said that when he had returned from his first visit to Latin America, namely, to Central America,<sup>6</sup> he had strongly opposed the use of U.S. Government resources in assistance to nationalized enterprises in these countries. He had now come to change somewhat his point of view. Where funds are not available to support private enterprise in Latin America, the U.S. would have to look at the situation as it is and not as we might wish it to be. Accordingly, we will have to be more flexible in regard to our views on aiding nationalized enterprises in several of the Latin American republics. The Vice President repeated that this would seem a revolutionary idea and emphasized that he was not advocating precipitate loans to nationalized industries and enterprises in Latin America. He was merely pointing out that in certain countries such as Bolivia, we would have to follow a somewhat different policy of financial assistance.

*The National Security Council:*<sup>7</sup>

a. Noted and discussed the reference Report on the subject by the Operations Coordinating Board.

b. Directed the NSC Planning Board to review NSC 5613/1, as recommended by the Operations Coordinating Board, taking into account suggestions made at the Council meeting.

c. Noted the President's request that the Central Intelligence Agency and the United States Information Agency jointly prepare an analysis of the relative volume of pro- and anti-U.S. statements during one week in the press and radio of selected Latin American nations.<sup>8</sup>

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<sup>6</sup> Reference is to Vice President Nixon's good will tour of Central American and Caribbean countries February 6-March 5, 1955. Documents pertaining to his tour are in Department of State, Central File 033.1100-NI. For additional documentation, see Department of State *Bulletin*, April 11, 1955, pp. 587-597.

<sup>7</sup> Paragraphs a-c and the Note that follow constitute NSC Action No. 1930.

<sup>8</sup> A memorandum of a meeting with President Eisenhower on October 16 by Gordon Gray reads in part as follows:



*Note:* The action in c above, as approved by the President, subsequently transmitted to the Director of Central Intelligence and the Director, USIA, for appropriate implementation.

[Here follow agenda items 6 and 7: "Preparations for a Possible Summit Meeting," and "U.S. Policy Toward Germany."]

**S. Everett Gleason**

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"3. I reported briefly to the President on the USIA report of survey of 'Pro and Anti-U.S. Statements in press and radio of selected Latin American Countries.' This survey had been requested in connection with a Council discussion of U. S. Policy Toward Latin America (NSC Action No. 1930, June 19, 1958). This study had been concurred in by CIA. It involved Brazil, Uruguay and Argentina for the time period of June 25 to July 1, 1958. I reported to the President that the survey concluded that it is fairly accurate to state that the press in the three countries studied is not predominantly anti-U.S. USIA stated that the survey of press and radio opinion for the time period concerned tends to show a wide spectrum of opinion with some national bias but generally no more critical of U. S. policy on the average than is the U.S. press. I cautioned the President that this survey should not be considered an investigation in depth." (Eisenhower Library, Project Clean Up)

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## 5. Editorial Note

At its formal meeting on May 28, the Operations Coordinating Board, noting a suggestion by Vice President Nixon proposing the establishment of a special program relating to Latin American students, agreed to form an ad hoc working group under the chairmanship of a representative from the United States Information Agency (USIA) to develop concrete proposals for early consideration by the Board. The new committee also included representatives from the Department of State; Defense; and Health, Education and Welfare (HEW); the Central Intelligence Agency (CIA); the International Cooperation Agency (ICA); the OCB Staff, and other agencies as appropriate. (Minutes of OCB Meeting, approved June 4; Department of State, S/S-OCB Files: Lot 62 D 430)

Subsequent to this meeting, the OCB prepared "Draft Terms of Reference for the OCB Ad Hoc Committee on Special Latin American Youth Program," and circulated it to the Board Assistants for concurrence under cover of a June 2 memorandum from Staats. (*Ibid.*, Latin America—Documents) The Ad Hoc Committee initiated a series of meetings on June 4, at which it drafted, on the basis of the approved

terms of reference, an extensive paper entitled "Report of the OCB Ad Hoc Committee on Special Latin American Student Program," dated August 8, for submission to the OCB. (*Ibid.*)

In a memorandum to Under Secretary Douglas Dillon, August 8, commenting on the draft report and recommending its approval, Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom, Jr. stated in part:

"The principal difference between the proposed program and existing exchange program and other US Government activities among Latin American students is a shift of emphasis: current operations largely concentrate on bringing Latin American students to the United States to complete their studies and they thus have negligible impact on their own campuses since they return to their countries *after* graduation. The proposed program concentrates on influencing undergraduates who will return and remain at their universities." (*Ibid.*)

Some of the salient features of the proposed program included seminars on U.S. and Puerto Rican campuses for Latin American students, exchange programs for students and professors, establishment of binational student centers on Latin American campuses, and surveys undertaken at the request of Latin American universities to determine needs for the improvement of physical plants and faculties.

The OCB discussed, revised, and concurred in the major conclusions of the report at its meeting on August 13, and referred them for consideration to Executive departments and agencies responsible for developing programs concerned with Latin American students. Further discussion and clarification of certain proposals in the report took place at the OCB meetings on August 20 and 27. The final approved paper, entitled "Latin American Student Program," containing ten project proposals, was circulated under date of August 27, along with a request for a status report on the projects at the end of Fiscal Year 1959. (Minutes of OCB meetings, approved August 27; *ibid.*)

Upon adoption of the Latin American student program, the Ad Hoc Committee was replaced by a Subcommittee of the OCB Working Group on Latin America. The Subcommittee was charged with responsibility for monitoring the implementation of the program and evaluating additional program proposals. On January 12, 1959, it prepared a "Special Report on Latin American Student Program," which described the progress made on the ten project proposals approved by the OCB on August 27, 1958, summarized the results of a review of five additional proposals, and recommended that the responsible agencies consider implementing them along with the original proposals. The additional proposals involved seminars in the United States for English teachers, a study program for officials and leaders of teachers' organizations, seminars in teacher-training methods, seminars in

the United States for directors of schools of social work, and a series of projects that could be organized by private groups. (*Ibid.*, Latin America—Documents, 1959)

On January 4, 1960, the Subcommittee prepared a draft “Report on the Status of Latin American Student Program Proposals,” which stated that while generally satisfactory progress had been made in initiating the specific projects approved by the OCB, they had only a marginal effect in influencing Latin American student leaders to support friendly relations between their respective countries and the United States. The report also noted that deep-seated anti-U.S. attitudes could not be materially changed over such a brief period, and recommended the following: 1) that the departments and agencies involved consider allocating additional resources to expand activities relative to Latin American students, and 2) that they urge private organizations to increase their participation in exchange programs. A copy of the report and a memorandum from Assistant Secretary Rubottom to Under Secretary of State for Political Affairs Livingston T. Merchant, commenting on it, both dated January 4, 1960, are *ibid.*

The OCB concurred in the recommendations contained in the report at its meeting on January 6, 1960, and approved its circulation under date of January 13. (Minutes of OCB Meeting, approved January 13, 1960; *ibid.*)

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## 6. Editorial Note

At its meeting on June 27, the NSC Planning Board had preliminary discussion concerning the review of NSC 5613/1 directed by NSC Action No. 1930–b (see footnote 7, Document 4), and requested the Department of State representative on the Board to submit a revised draft of the “General Considerations” section of NSC 5613/1 for consideration by the Board on July 11. The Planning Board also agreed that other members who wished to submit proposed changes in the “Policy Guidance” section should do so by the same date, and that the Board’s Chairman should invite a group of experts to consult with the Board on a revised policy statement for Latin America. (Record of Meeting of the NSC Planning Board, June 27; Department of State, S/S–NSC Files: Lot 62 D 1)

Pursuant to the Board’s decision, Nelson Rockefeller attended its meeting on July 7, and on July 11, Milton Eisenhower, former Assistant Secretary of State for Inter-American Affairs Henry F. Holland, and former Ambassador Walter J. Donnelly (currently U.S. Steel Company

representative in Caracas) participated in the meeting. They discussed the draft revision of the "General Considerations" prepared by the Department of State, and the Board referred the draft to the NSC Board Assistants for further revision in light of the discussion. (Record of Meeting of the NSC Planning Board, July 7; *ibid.*) In a July 14 memorandum to Sherman Adams, commenting on the role of the consultants, Robert Cutler stated the following: "All three men [Milton Eisenhower, Holland, and Donnelly] made extremely useful contributions which will facilitate the Planning Board's task of reviewing our current Latin American policy. I can think of no more effective use of consultants on any Council assignment in recent years." (Eisenhower Library, Sp. Asst. for Nat. Sec. Affairs Records)

During the latter part of July, revisions of the "Policy Conclusions" and "General Courses of Action" sections of NSC 5613/1 were drafted in the Bureau of Inter-American Affairs, and submitted to the Planning Board under date of July 21. At its meeting on August 5, the Planning Board again discussed Latin American policy with Milton Eisenhower, who had recently returned from a trip to Central America (see Documents 58 ff.), and suggested numerous amendments to the Department of State draft. The Board then deferred further consideration of the matter to allow the NSC Board Assistants to make additional revisions.

On August 15, however, the Department of State representative on the Planning Board requested deferral of consideration of a revised policy statement on Latin America for three months to enable the Department to take account of recent developments, such as the proposed Inter-American Regional Development Institution, and reports by Vice President Nixon and Milton Eisenhower on their respective trips to Latin America. (Record of Meeting of the NSC Planning Board, August 5; Department of State, S/S-NSC Files: Lot 62 D 1) In a memorandum to Assistant Secretary Rubottom and Deputy Assistant Secretary William P. Snow, dated September 9, John C. Hill, Jr., stated in part the following: "Mr. Gray and the NSC Planning Board have agreed to postpone for three months the revision of the Policy Statement on Latin America. We are to revise the existing draft and submit it to the Planning Board in November with a view to approval of the new Policy Statement in December." (*Ibid.*, ARA Special Assistant's Files: Lot 60 D 513, NSC 5613/1—1958)

7. **Special Report by the Operations Coordinating Board to the National Security Council**<sup>1</sup>

*Washington, November 26, 1958.*

SPECIAL REPORT ON LATIN AMERICA (NSC 5613/1)

(Policy Approved by the President, September 25, 1956)

(Period Covered: From May 22, 1958 through November 26, 1958)

1. *Purpose*

To prepare an abbreviated Report to be used by the National Security Council in the review of policy towards Latin America.

2. *Current Status*

a. Since the submission of the last OCB report—issued on May 21 shortly after the Vice President's visit to South America—good progress has been made towards the development of an expanded program of U.S. Government operations designed to be more effective in achieving U.S. policy objectives for Latin America. But the underlying political and economic maladjustments in the area which were reported as the problems six months ago remain much the same and are not subject to rapid solution. The principal advances to date in US/Latin American relationships have been in the adoption by the United States of a more sympathetic and constructive interest in the problems of the area. Continued progress will depend on the ability of the United States and Latin American Governments to move smoothly from the phase of consultation and planning to the phase of concrete action which lies immediately ahead.

b. The implications of the new steps described below as well as the continued problems facing the achievement of U.S. objectives in the area are that NSC 5613/1 should now be reviewed as was recommended in the previous report, and as is now in process.

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<sup>1</sup> Source: Department of State, S/S–NSC Files: Lot 62 D 1, NSC 5613 Series. Secret.

On August 29, the OCB Board Assistants agreed that since a review of NSC policy toward Latin America had been approved, an abbreviated special report pursuant to NSC 5613/1 in place of the regular report, scheduled for OCB consideration in November, would meet current needs and not require consultation with field missions in its preparation. (Memorandum by OCB Acting Executive Officer Roy M. Melbourne to the OCB, November 13; *ibid.*, S/S–OCB Files: Lot 61 D 385, Latin America—Documents, 1958) The OCB concurred in the special report at its meeting on November 26, and it was transmitted to the NSC under cover of a memorandum from Melbourne to Lay, December 2.

This special report contains four annexes, two of which are printed below. The Financial Annex and Annex C, "Sino-Soviet Bloc Activities in Latin America" are not printed.

### 3. Recent Major U.S. Actions

The United States Government in recent months has taken key actions which contributed towards adopting a more constructive posture towards Latin America.

a. *Increased high-level attention* to Latin America was reflected in the visits to the area of the Vice President, the Secretary of State, and Dr. Milton Eisenhower, as well as by the informal meeting of Foreign Ministers held in Washington in September.<sup>2</sup>

b. *Inter-American Regional Economic Development Institution.* The United States decision to support a special regional lending institution for economic development met a long-standing Latin American desire.

c. *Regional Common Markets.* United States participation in the decision to prepare a report on this subject for the Inter-American Conference, to be held towards the end of 1959, represented another step towards working with Latin America in solving the area's problems.

d. *Commodity Agreements.* The United States played a helpful role in bringing about a new Inter-American coffee producers agreement.

e. *Special Committee of the Organization of American States (OAS).* The establishment of this body provided a mechanism for examining further economic proposals and assured that these would be handled within the framework of the OAS.

f. *Special Latin American Student Program* was approved by the Operations Coordinating Board (OCB) in an effort to influence attitudes of Latin American university students towards a more sympathetic view of the United States.

g. *Financial Assistance.* The United States has made considerable effort to encourage Latin American governments to confront more courageously their fiscal and balance of payments problems. Material assistance has also been given which included the approval during the six months period ending September 30, 1958 of loans amounting to \$261.7 million from the Eximbank; \$61.1 million from the International Bank for Reconstruction and Development (IBRD), and \$11.6 million from the Development Loan Fund (DLF). Net disbursements (disbursements less collections on principal only) amounted to \$184.5 million from the Eximbank and \$25.3 million from the IBRD, and none thus far from DLF. Additional loans authorized since September 30, 1958 amounted to \$86 million from the IBRD and \$2.6 million from the DLF; net additional disbursements by IBRD were \$826,000.

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<sup>2</sup> The informal meeting was held September 23-24; documentation is in Department of State, Central File 363; OAS Files: Lot 60 D 665; Rubottom Files: Lot 60 D 553; and Conference Files: Lot 64 D 559, CF 1117-CF 1121.

Taken together, these developments (described in greater detail in Annex A) represent a considerable adjustment of the U.S. position towards economic development and other key issues. Latin Americans are now watching closely to see if the United States carries out what they consider to be the implicit promise of greater support to the development of the area.

#### *4. Major Problems Confronting the United States*

Meanwhile, the underlying economic and political maladjustments which were outlined in the last OCB Report of May 21, 1958 as affecting the attainment of U.S. goals remain much the same. These problems and maladjustments (further described in Annex B) may be summarized as:

a. *Economic.* Despite some recent price rises, world prices and demand for the narrow range of basic commodities exported from Latin America remained below the level of recent years. This situation complicates their efforts to finance from their own resources what Latin America regards as a reasonable rate of economic development and rise in living standards. With demand for imports remaining on a high level, partly because of inability to control inflation, new strains were placed on the precarious balance of payments position of several countries. Monetary stabilization efforts in several countries were placed under added strain. Several of these governments continued to show a disturbing lack of effective actions in dealing with domestic financial instability and external payments problems and, in the area generally, there continued to be a lack of realistic economic planning and programming. Latin American governments among other things continued to show difficulties with preparing sound projects to present to various United States and international lending institutions. There also appeared to be some confusion among them as to the various criteria and policies of these banks. The interest of certain Latin American countries in maintaining large military establishments continued to have an adverse impact on their economies.

b. *U.S. Government Economic Activities.* Despite the more constructive attitude adopted by the United States towards the area's economic problems (see above) and U.S. loans to governments in financial difficulties, several steps taken during the period had an adverse effect on our relations with Latin America. The failure to renew the suspension of the U.S. copper import tax in July and the adoption of lead-zinc quotas in September, added to previous restrictions on the import of competitive commodities, represented to much of Latin American opinion a continued inability of the United States to follow liberal trade practices of benefit to them.

c. *Political instability*, a continuing problem in much of the area, was illustrated by the expansion of the civil war in Cuba as well as by attempted coups in Bolivia, Haiti, and Venezuela, and remained a serious hindrance to economic development.

d. *Major misunderstandings* by Latin Americans of the United States and of U.S. policy—such as the charge that the United States supports dictatorships—as well as lack of understanding in the United States of Latin American problems, continued to impede the development of fully harmonious relationships.

e. *Ultra-nationalist sentiment* continued to present an obstacle to effective U.S.-Latin American partnership as well as to admission of foreign capital for economic development. In this respect, however, the decision of the Argentine Government to modify its petroleum policy by admitting U. S. firms represented a beneficial development.

f. *Soviet Bloc and Communist Party activity*, aimed at fanning anti-American sentiment and stimulating more “neutralist” policies in Latin America, continued to make headway in the area despite some setbacks such as anti-Communist electoral victories in Brazil and Chile. The Communists continued to increase their influence over organized labor in most countries. Problems in disposing of commodities and related foreign exchange shortages continued to give impetus to desires to expand trade with the Soviet Bloc, while Bolivian difficulties in marketing tin were accentuated by Soviet tin dumping. The Communist Bloc continued to step up its political and propaganda emphasis on its economic and cultural offensive in Latin America and a number of new offers were made which may result in a future increase of Bloc trade with the area.

g. *Overseas Internal Security Programs*. Only moderate progress was made in carrying out these programs, and Latin American governments generally continued to place a low priority on limiting Communist subversion and penetration.

[Here follows a list of attachments.]

## Annex A

### MAJOR DEVELOPMENTS

5. *Increased High-Level U.S. Attention to the Area*. Increased high-level U.S. attention to the problems of Latin America has contributed toward reducing the feeling in Latin America that the United States neglects its closest neighbors while lavishing its attention and resources on Europe, the Middle East and Asia.

a. The Vice President's visit to Latin America was followed by an exchange of correspondence in June between President Kubitschek of Brazil and President Eisenhower in which the former proposed an



“Operation Pan America” to strengthen ties among the American republics and to devote greater attention to the problem of underdevelopment in Latin America. The President’s reply was carried to Brazil by the Assistant Secretary of State for Inter-American Affairs.<sup>3</sup> In August, the Secretary of State—making a favorable impression on Latin American opinion by devoting time to Latin American problems despite the pressures of the Lebanese crisis—visited Brazil to discuss “Operation Pan America” and US-Brazilian relations with President Kubitschek. In September, at the Secretary’s invitation, the Foreign Ministers of the American Republics held a successful informal meeting at which they took a number of steps in the economic field and agreed to recommend that their government instruct representatives on the Council of the OAS to consider the desirability of holding more frequently informal meetings for Foreign Ministers and other high ranking government representatives.

b. Meanwhile, in late July, Dr. Milton Eisenhower, accompanied by ranking officials of the Departments of State and Treasury and of the Export-Import Bank and the Development Loan Fund, completed a tour of Central America.<sup>4</sup> Dr. Eisenhower met with some 1,200 Government, business, labor, agricultural, and intellectual leaders and explored thoroughly with them the current problems confronting their countries and the relationship of the United States to them.

c. Progress has also been recorded during these months in briefing the governments of the other American republics through meetings between the Secretary of State and Latin American ambassadors and Foreign Ministers and through our Embassies in Latin America on the United States position and intentions with respect to major issues arising in the conflict between the free world and international communism, e.g., the Lebanon and Taiwan crises. While these measures necessarily fall short of the aspiration of some Latin Americans for full consultation and participation in the formulation of the United States decisions on major world problems, they are making an important contribution toward reducing apprehensions of Latin Americans that decisions affecting the security of the Western Hemisphere are made without taking their interests and views into account.

d. Special efforts were also made to inform and consult with Latin American governments on U.S. decisions and policies of special interest to them. Prior to the public announcement on September 22 of the

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<sup>3</sup> The exchange of letters between President Kubitschek and President Eisenhower, dated May 28 and June 5, is printed in Department of State *Bulletin*, June 30, 1958, pp. 1090–1091.

<sup>4</sup> Dr. Eisenhower’s factfinding tour of Central America, as the personal representative of the President, took place between July 12 and August 1, 1958. A brief report on the trip, released by the White House on August 1, is printed *ibid.*, August 25, 1958, pp. 309–310. See also Documents 58 ff.

imposition of quotas on the import of lead and zinc into the United States, the Latin American governments most immediately affected—Peru, Mexico, Bolivia and Guatemala—were privately informed at a high level, and although this did not prevent an adverse reaction it removed any bases for complaint that they were forewarned. Advance consultations were also held with Venezuela regarding the impact on that country of restrictions on oil imports.

e. The program of bringing Latin American Chiefs of State and other leaders to this country is also going forward. Visits to Washington have been scheduled for President Frondizi of Argentina in January and President Lemus of El Salvador in March. Frequent visits to the United States by Latin American Foreign Ministers and other Cabinet officers in connection with United Nations meetings and other activities have also afforded opportunities for personal contacts with senior U.S. officials.

f. U.S. Senate Study. Reflecting high level Congressional interest in the area, the Senate Committee on Foreign Relations has been authorized to make a full and complete study of United States relations with the American Republics. A sub-committee under Senator Morse will make the study. In the conduct of the study the sub-committee may use the experience, knowledge and advice of private organizations, schools, institutions, and individuals, in its discretion. It is also authorized to call on the departments and agencies for information and services required for the completion of the study. \$150,000 has been made available for this purpose.

6. *Economic.* In the economic field United States Government operations in the period since our last report have resulted in a number of measures adding up to a more positive approach toward Latin American aspirations for a greater United States contribution to their economic development. These measures included:

a. Inter-American Regional Development Institution — The United States re-examined its position with respect to U.S. participation in the establishment of a special regional lending institution to help finance Latin American economic development which had long been an objective of the Latin American countries. Under the immediate impact of a decision to support a regional Arab development institution as part of the solution of this summer's Middle East crisis, the Under Secretary of State for Economic Affairs announced on August 12 to the Inter-American Economic and Social Council (IA-ECOSOC) that the United States is now prepared to consider the establishment of an inter-American regional development institution which would re-

ceive support from all its member countries.<sup>5</sup> Following up on this announcement, the United States took the lead at the September Foreign Ministers Meeting in obtaining agreement that a specialized committee of government representatives should be convened by IA–ECOSOC in accordance with resolution XVIII of the 1957 Buenos Aires economic conference, and meet in continuous session until it completes draft articles for the institution.<sup>6</sup>

This development, which was widely interpreted as a reversal of United States policy and a “victory” for Latin America, was generally well received in the other American Republics although the ultimate reaction will depend much on the lending policies of the bank, the role of the Latin Americans in determining them, and the extent of United States as well as Latin American contributions to its resources.

b. Common Market—Following a UN Economic Commission on Latin America (ECLA)-sponsored meeting in Santiago, Chile, in February,<sup>7</sup> which proposed the organization of a regional Latin American market, the past months have brought renewed indications of interest in a general common market as well as in establishing smaller, regional common markets in Latin America.

The Central American republics signed subject to ratification by national parliaments a multilateral free trade agreement at the close of the 5th Session of the Central American Economic Cooperation Committee, June 4–10, at Tegucigalpa.<sup>8</sup> Colombia, Ecuador and Venezuela have established commissions to propose plans for the promotion of mutually beneficial trade among the three countries including possibly forming a regional common market.

In response to these signs of increased interest in Latin American regional markets, the United States played a more sympathetic role in encouraging their development and subscribed to the final communiqué of the September Foreign Ministers Meeting which provides for the submission of a report by the Inter-American Economic and Social Council (IA–ECOSOC) on regional common markets not later than the Eleventh Inter-American Conference scheduled to be held in Quito late in 1959. The United States also made known that it was prepared to assist financially in the establishment of sound industries, through

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<sup>5</sup> This statement by Under Secretary Dillon was issued by the Department of State as press release 463; it is printed in Department of State *Bulletin*, September 1, 1958, pp. 347–348.

<sup>6</sup> For text of the communiqué on this subject, approved at the informal meeting of Foreign Ministers in Washington on September 24, see *ibid.*, October 13, 1958, pp. 575–576.

<sup>7</sup> Apparent reference to the ECLA’s working group meeting in Santiago, February 3–11; details concerning the meeting were transmitted to the Department of State in despatch 802 from Santiago, February 14. (Department of State, Central Files, 340.210/2–1458)

<sup>8</sup> Documentation on this subject is *ibid.*, Central File 813.00.

appropriate agencies, under suitable conditions, with a view to promoting enjoyment of the benefits of regional markets through public and private investment.

c. Commodity Agreements—After prolonged negotiations under the auspices of the Coffee Study Group failed to bring an agreement on joint marketing controls binding both Latin American and African coffee producing countries, the Latin American producers signed a new inter-American producers agreement on September 27, 1958 to replace the Mexico City agreement which expired on September 30, 1958. The new agreement is based on retention of a fixed percentage of production, as was the Mexico City arrangement, with quantities varying from 5% for small exporters to 40% in the case of Brazil. The agreement was signed on September 27 by representatives of all 15 producing countries of this hemisphere, whereas last year's agreement had only seven signatories. These countries provide about 80% of the world exportable supply of coffee.

African producers, with the exception of the British colonies and Ethiopia, were prepared to join an agreement establishing specific export quotas for each signatory, but were unwilling to agree to a retention formula. Brazil refused to accept a fixed export quota, and the other Latin American producers were obliged, because of Brazil's preponderance in the market, to follow her lead.

The Coffee Study Group is continuing its consideration of the long-range problem of developing a better balance between supply and demand.

d. Loans Extended to Latin America—As of September 30, 1958, the Development Loan Fund had approved in all six loans totaling \$11.6 million for projects in Brazil, Honduras and Paraguay, and has under consideration loan applications totaling \$65.7 million. There has not been time as yet for disbursements.

The Export-Import Bank, 37% of whose outstanding loans are in the Latin American area, approved loans amounting to \$261 million in the six months ending September 30, 1958. Loan disbursements less repayments on principal for the six months ending September 30 were \$184.5 million. Undisbursed commitments amounted to \$644.5 million on September 30, 1958.

In the same period the International Bank for Reconstruction and Development approved loans amounting to \$61.1 million. The net disbursements made by IBRD for the period were \$25.3 million. Undisbursed commitments amounted to \$177.8 million on Sept. 30, 1958.

The International Monetary Fund authorized drawings of \$85 million to Latin America during the six months ending September 30, 1958. Drawings less repayments amounted to \$39 million.

e. Increase in Lending Authority Public Law 85-424, which increased the lending authority of the Export-Import Bank by \$2 billion

to \$7 billion, was approved May 22, 1958.<sup>9</sup> As of September 30, 1958 the uncommitted lending authority of the Bank amounted to \$2.2 billion.

f. Increase in Resources of International Monetary Fund and International Bank for Reconstruction and Development—At the request of the President, the Secretary of the Treasury<sup>10</sup> in his capacity as United States Governor of the International Bank and International Monetary Fund proposed at the October annual meetings of the Fund and Bank at New Delhi prompt consideration by the Executive Director of the advisability of a general increase in Fund quotas, and an increase in the authorized capital of the Bank. The U.S. resolutions calling for such consideration by the Executive Directors were adopted unanimously.<sup>11</sup> Member governments of the IBRD were invited to exchange views informally with the United States on the subject of the proposed International Development Association. It was indicated that further action by the United States would depend on the tenor of the views expressed by interested governments and on the results of additional study within the U.S. Government.<sup>12</sup>

*Note:* Additional loans authorized since September 30, 1958 amounted to \$2.6 million from the DLF; \$86 million from the IBRD; and \$1.3 million from the IMF.

g. Amendment to Tax Regulations—The Treasury has initiated an amendment of tax regulations so that the allocation of profits between domestic and foreign sources may proceed on a basis other than the formula now in the regulations if this would “more clearly reflect proper source of income”. First urged by Costa Rica and the United Fruit Company, the change in regulations would apply where there is no independent price for a commodity produced in one country and sold in another. Under the new regulations, a taxpayer may present its case for allocating a larger share of profits to its foreign operations than heretofore. If the United Fruit case is persuasive, financial benefits would accrue to it and to countries abroad in which it operates. This could be interpreted as a demonstration of the United States’ desire to promote the wellbeing of the countries affected.

h. Master Program Book—A programming process has been developed by ICA, with the approval of the Department of State, for the FY 1960 submission for the Mutual Security Program which represents

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<sup>9</sup> For text of the act, see 72 Stat. 133.

<sup>10</sup> Robert B. Anderson.

<sup>11</sup> Documents pertaining to the annual meetings of the IMF and IBRD at New Delhi, October 6–10, 1958, are in Department of State, Central Files 398.13 and 891.00.

<sup>12</sup> For text of a report on the proposed International Development Association submitted on behalf of the NAC by Secretary of the Treasury Anderson to the Senate Foreign Relations Committee on August 14, see Senate Document 45, 86th Cong., 1st Sess.

a basic innovation for Latin American USOMs. A Master Program Book for each country has been developed which, in the context of over-all U.S. policies and objectives identifies problems and conditions in the field of economic development which face these objectives, and then activities which address the problem and conditions. The Master Program Book is conceived as a country team effort periodically to examine in each country the requirements for, and availability of, resources from all sources (local, foreign and U.S. resources, both public and private, and among U.S. resources, non-MSP as well as MSP) to deal with those problems in a country which must be solved if U.S. objectives in relation to that country are to be achieved. It is not intended to modify the project approach for assistance to Latin America.

i. Shift in Argentine Petroleum Policy—A noteworthy development with reference to the sustained United States policy of not making public funds available for development projects for which private capital is available on equitable terms, was the Argentine Government's action in negotiating with United States oil companies and other private firms with the result that on July 24, modifying Argentina's opposition to investment of private foreign capital to develop its oil resources, President Frondizi announced agreements with foreign private companies, involving nearly \$1 billion of foreign capital in the development of the petroleum industry. Most of these agreements were not definite contracts but require further steps to reach definite implementation. They involve United States interests (about \$900 million) and West German and Belgian companies. In addition Soviet Russia has offered and Argentina accepted on October 27 for future delivery petroleum equipment valued at 400 million rubles (officially \$100 million), to be repaid by Argentine products.

The Argentine announcement on petroleum development had an appreciable impact on Brazil's thinking on its nationalistic economic policy. Fears of Argentine predominance in the region were expressed. The Brazilian Government, still unwilling openly to face a modification, again raised with Secretary Dulles the possibility of U.S. Government financing for Brazilian petroleum development. However, a public opinion poll in Brazil showed 31.9% of 16,737 replies in favor of joint exploration by Petrobras and national and foreign interests; 20.4% in favor of Petrobras and Brazilian private interests only; and only 11.3% in favor of Petrobras only. Nonetheless, the elements which have traditionally supported Petrobras have reiterated their intention to support the national oil monopoly.

7. *Information, Educational and Cultural Activities*—Among information, educational and cultural activities, the major developments were the appropriation by the Congress of an additional \$2 million for Educational Exchange Activities and the approval by the Operations

Coordinating Board (OCB) of a special Student Program for Latin America. The aim of this program is to improve the attitude of the Latin American students toward the people and policies of the United States, and in a relatively short time to influence them to support friendly relations between their countries and the United States. The university students were made the subjects of this intensive program of pro-United States orientation because the students are taking not only an active and direct role in political affairs but also provide a key element of the increasingly numerous and influential intellectual groups in Latin America. The planned expenditure of the student program was a minimum total of \$7,328,837 and a maximum of \$11,495,307 in FY 1959. This included the additional appropriation of \$2,000,000 mentioned above. In addition, the Department of Defense plans to spend a total of \$13,764,200 in FY 1959 for its Latin American training program.

8. *Student Program*—Salient features of the Student program include:

a. Seminars for Latin American students on U.S. and Puerto Rican campuses.

b. Sending U.S. students to Latin American universities.

c. Increasing the grants for the exchange of U.S. and Latin American professors.

d. The encouragement of Puerto Rico to increase exchanges of students and professors with the Latin American countries.

e. Extension of Binational Center activities onto university campuses, including the establishment of new branch centers where these are deemed essential.

f. Increasing the variety and number of U.S.-authorized textbooks available to Latin American university students in key subjects.

g. Selected assistance in the improvement of plant and equipment of Latin American universities subject to approval under ICA programming.

Detailed planning for the use of \$2 million appropriation and implementation of the special student program has been completed. Some projects are already under way. Additional projects are being considered by a subcommittee of the Latin American Working Group.

9. *Military*—The United States has continued efforts to develop current and future U.S. military programs in Latin America in consonance with national policy and objectives. The immediate objective continues to be to gain and maintain the acceptance and understanding by the Latin American countries of the role that the U.S. visualizes for them in the defense of the Western Hemisphere.

a. *Review of Military Plans*—The Joint Chiefs of Staff reviewed bilateral military plans with Latin American countries taking into account the latest U.S. national policy. Proposed revisions to the plans serve to emphasize the role of the Latin American military establish-

ment in contributing to Western Hemisphere defense, through the defense of the coastal waters, ports, and approaches thereto, bases, strategic areas and installations located within each nation's own territory, and routes of communications associated therewith, and to remove provisions which commit certain forces to the sole task of assisting in the protection of the Panama Canal.

b. *Military Rights in the Latin American Area*—Military discussions with Brazil arising from the Fernando de Noronha Agreement have continued within the Joint Brazil–United States Defense Commission. On July 18, 1958, the United States offered to Brazil military equipment valued at \$87.5 million. This proposal, which was proffered in the expectation of providing final settlement of Article 6 of the Noronha Agreement, received general (unofficial) approval by Brazilian Air Force and Navy authorities, but was not fully satisfactory to the Brazilian Army. The Brazilians accepted the offer and the Fernando de Noronha negotiations can now be concluded.

No progress has been made with respect to U.S. proposals to revise the Mexico–United States Defense Plan, to reflect U.S. requirements in the area of Air Defense operations, rights and agreements. Realizing the requirement for greater security measures in the Mexican–United States border area, the reluctance of Mexico to discuss mutual security matters in the joint Mexico–U.S. Defense Commission is a subject of much concern to U.S. military agencies.

10. *The Overseas Internal Security Program (OISP)*—Little progress was made during the reporting period on the implementation of the courses of action listed in the OISP Annex to the Latin American Operations Plan, dated January 17, 1958, except in Brazil and Bolivia. While an organization has been established in Guatemala to combat communism, it is too early to judge its effectiveness. In Chile no further action was taken pending the fall elections and the installation of a new government. In Brazil the National Intelligence Agency referred to in the OISP Annex has been established though it is not yet effective. Also in Brazil a new program (\$124,000) has been proposed for consideration but no further action was taken with respect to the traffic survey for Sao Paulo or the other proposals. In the general field of internal security, surveys were initiated in Ecuador, Panama and Costa Rica but programs have not yet been agreed upon. A decision by the Director of ICA,<sup>13</sup> not yet reviewed by other agencies, to restrict the supply of equipment under the OISP program for demonstration and training purposes (subject to exceptions under special conditions)

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<sup>13</sup> James H. Smith, Jr.



has implications for current programs which contemplate a grant of equipment.<sup>14</sup>

## Annex B

### MAJOR OPERATING PROBLEMS AND DIFFICULTIES FACING THE UNITED STATES

11. The six months since our last report have brought further illustrations of the basic economic, political, psychological and other problems which affect the attainment of U. S. operational goals in Latin America. The magnitude of these problems, the principal of which are summarized below, should dispel any expectation that the steps recently initiated by the United States will of themselves provide quick solutions to the deep-seated maladjustments of the area.

12. *Political and Economic Aspirations.* Since the close of World War II, the Latin Americas, in common with peoples of other underdeveloped areas, have increasingly aspired to higher living standards, industrialization and other symbols of economic development, greater popular participation in government, and greater civil liberties. These popular aspirations for a better life are a natural consequence of urbanization and improvements in communications and education which have made Latin Americans increasingly aware of the standards achieved by the industrialized nations. They have been greatly accelerated by the practice of local political leaders as well as by communist propaganda of presenting these aspirations of the public as achievable goals. The area's rising aspirations are also to some extent the product of idealism stimulated by two World Wars which accentuated the rights of individuals to freedom and participation in government and the rights of nations to freedom from external political and economic domination. However, in Latin America—as also in other areas—these aspirations have increased a great deal more quickly than the practical possibilities of attaining them as quickly as desired. Even if the Latin American countries should develop the unity and self-discipline necessary to make the most of the resources, and even if these are supplemented by resources from abroad, a gap will continue to exist between their aspirations and accomplishments.

13. In the resulting frustration, Latin Americans have inevitably become more sensitive to the actions of the United States, tending to judge everything that does not in their eyes contribute sufficiently to the achievement of these aspirations as obstructionism. Underlying

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<sup>14</sup> An OCB memorandum to James Lay, dated December 22, contains a brief updating supplement to the "Major Developments" section of this report. (Department of State, S/S-OCB Files: Lot 61 D 385, Latin America—Documents 1958)

these frustrations is a concept held by large segments of Latin American opinion that the United States—rather than the Latin American peoples and governments themselves—is primarily responsible for the solution of Latin American economic and political problems. Since the United States Government has no practical way either of deflating ambitions which are not immediately achievable or of fully satisfying them, its pronouncements and policies have sought both to encourage the Latin Americans to accept responsibility for their own economic development while at the same time accentuating U. S. willingness to assist in the process by providing technical and other assistance to Latin America. In practice, it has been extremely difficult to strike a balance between these two components. Experience has shown that Latin Americans frequently react negatively to exhortations from the United States to put their houses in order, especially when made in public, yet external pressure from the United States and international lending agencies has made an important contribution to such development of sound fiscal and economic policies as has been recently made in the area. Similarly, Latin American responses to announcement of U.S. economic policies have fluctuated between exaggerated expectations of large-scale U.S. underwriting of the area's modernization to hyper-critical condemnation of the United States disregard for Latin American needs. In this atmosphere, we have not found—and it may not be possible to find—an approach which will entirely meet the problem of identifying the United States satisfactorily as a wholly constructive force in the area.

14. *Major Economic Problems.* A series of adverse economic developments have sharpened Latin American discontent with the state of their economies. Taken together these developments represent a decline in the area's rate of economic growth at a time when the population is rapidly expanding.

a. *Balance of Payments and Inflation.* Latin America's export difficulties, coupled with rising demands for imports, have produced sizeable unfavorable trade balances, and inflationary pressures have contributed heavily to this situation in much of the area. Between 1950–1957 the area's exports of goods and services rose by 22.9% while its imports—stimulated by population increases and industrialization as well as by inflationary fiscal policies—of these items rose 56.5%, measured in 1950 prices. The United States, aided considerably by the International Monetary Fund (IMF), has made substantial effort to encourage Latin American governments to confront more courageously their fiscal and balance of payments problems. It has also given considerable material assistance, some 42% of the Eximbank's disbursements since 1953 having consisted of credits designed to give general support to import requirements of the countries concerned from the United States and thus aiding the difficult balance

of payment problems. However, under domestic political pressures (especially reluctance to hold down wages and thus to oppose aspirations for higher living standards), many Latin American governments have shown timidity about taking measures to check inflation and inability or unwillingness to institute sound fiscal and economic policies. The Bolivian and Chilean stabilization programs are running into serious troubles and inflation has been continuing, especially in Argentina and Brazil.

b. *Commodity Problems.* Seventy-three per cent of Latin America's exports consist of petroleum, coffee, sugar, non-ferrous metals, cotton, grains, bananas, and wool, and the area depends principally on these to finance imported items for current consumption and economic development. In general, world market conditions in 1957–58 have not been favorable for these products, although the economic upturn in the United States has recently been reflected in increased prices. In some cases, action taken by the United States in protection of its own producers or processing industries have appeared to Latin Americans to add further injury to a difficult situation. *Petroleum*, 26% of Latin America's foreign earnings, is the only major export of Latin America which has enjoyed relatively stable prices, but discontent about U. S. voluntary import restrictions on petroleum is contributing to demands for a much larger Government share in profits of the oil industry. In the case of *coffee*, 20% of Latin America's exports, mid-1958 reports indicate increasing coffee surpluses due to anticipated significantly higher production in the next two years with no foreseeable parallel increase in exports or consumption. The Inter-American Producer's Agreement, which the United States helped to work out (see Para. 6.c., Annex A above) may serve to bolster prices for another year, but no fundamental attack has yet been made on the problem of oversupply. In the case of *non-ferrous metals* (7%), copper is currently recovering from a 1957–58 depression in prices but market fluctuations have been a persisting source of dissatisfaction. On July 1, the United States again imposed a 1.7 cents per pound tax on copper imports, which had been suspended for some years. In the case of lead and zinc, whose prices have declined, the United States, on September 22, imposed quotas limiting imports to 80% of average. The economic effects will be felt principally by Bolivia, Mexico, and Peru. In the latter, particularly, public and official reaction was markedly anti-U.S. In the case of tin, Soviet dumping in 1957–1958 added to the softening of the market following the suspension of U.S. stockpiling and brought a sharp decline in prices which threatened to undermine Bolivia's economy and stabilization program. In the case of *wool* (2%), Uruguay, partially due to its own exchange practices, faced difficulties in marketing wool in the Free World and turned to the Soviet Bloc to dispose of its surplus. The countervailing duties on wool tops imposed by the

United States in 1953 continued to be a political issue despite the fact that the United States offered to remove this duty at any time that Uruguay could show that their exchange practices did not have the effect of subsidizing these exports. In the case of *cotton* (4%) and *grains* (3%), world market conditions have not improved and there is some tendency to blame United States sales of agricultural surpluses.

c. *Capital Movement*. The annual gross flow of foreign capital—official and private—into Latin America has risen markedly in recent years from \$1,610 million in 1956 to \$2,167 million in 1957, while the net flow rose from \$1,040 million to \$1,587 million in the same period. A large share has been channeled into the extractive industries, especially Venezuelan oil, which accounted for about one-third of the 1957 total. Excluding Venezuela from both gross and net figures, the United Nations Economic Commission for Latin America (ECLA) estimated a net capital inflow of \$826 million for 1957. These figures include private direct investment, medium-term private credit, and short-term credit, as well as official loans and grants. Of course, all of this flow does not directly finance new productive investment. In many countries the climate for private U.S. investment remains unfavorable, although, as indicated elsewhere in this Report, there were some signs of improvement in Argentina.

The Development Loan Fund (DLF) has not made a significant contribution to the area's requirements for capital assistance. As of October 3, 1958, \$11.6 million had been approved for six projects in three countries (see Para. 6.d. above). Forty-seven per cent of all loan applications withdrawn from consideration by DLF were applications from Latin America and only 4% of the loan applications under consideration by the Fund were from that area. The reasons for the small amount being loaned by the DLF to Latin America are complex, involving, inter alia, the fact that relatively few documented applications have been presented from Latin America, the lack of soundness of many of these applications, the availability of funds from other private and public sources, and the relative priorities assigned the other areas for the available funds. But the fact remains that the DLF has not developed into an important instrument to meet Latin American economic problems. In the same period, \$149 million in DLF loans were approved for South Asia, \$48 million for the Far East, and \$22 million for Africa, although account should be taken of the fact that Eximbank has concentrated on Latin America.

d. *Rates of Economic Growth*. During the immediate post-war years, under the impetus of strong foreign demand for the area's products and the expenditure of wartime savings, Latin America achieved a significant rate of economic growth. From 1945 to 1950, the annual increase in per capita gross national product averaged about 2.5%, measured in 1950 prices. In 1956–57, the comparable figure

declined to 2.1%. Moreover, many of the countries and large segments of the population were untouched by these advances, which were unevenly distributed. The higher rates of growth in Cuba, Mexico, and Venezuela had an important effect of raising the overall average in both periods. There were also wide fluctuations in rates of progress (1952-3 and 1956 were years of stagnation) due principally to fluctuations in the markets for Latin American exports. Agricultural production for the area as a whole has barely kept pace with population growth. It appears that there has been little or no growth in the real earnings of unskilled urban workers, even in some countries where the gross national product has risen substantially. Such factors, while necessarily giving a superficial impression of an extremely varied and complex situation in 20 countries, lie at the root of Latin America's feeling that it is not making satisfactory progress.

e. *Problems Connected with Setting up Priorities, Determining Sources of Loans and Preparing Projects.* The large number of public international and U.S. lending institutions, with differing criteria and requirements for economic data, has somewhat bewildered the Latin American governments as to which is the proper institution to apply for what project. These governments also find it difficult to collect and present the necessary economic data and to establish an orderly system of priorities for projects which they have tentatively examined but have not taken concrete form. These two difficulties bear a share of responsibility for the failure of Latin American governments generally to make fully effective call on funds available for loans. In order to overcome these difficulties some governments have engaged the services of U.S. private consultants and/or have made attempts at establishing centralized economic planning bodies. However, these solutions have nowhere been fully effective and there is no centralized point in any Latin American capital in which the process of developing projects, particularly the public sector, and establishing priorities can be coordinated with the activities of the U. S. Government and international lending institutions.

f. *Problem of Coordination.* Latin American countries continued to have difficulties with the problem of coordinating borrowing of the dollar component and local currency component of project loans. The local currency component is of particular importance in some Latin American countries because imbalance, inflation and other problems restrict their ability to mobilize the local currency necessary to undertake projects in the public sector even when the foreign exchange component may be available from U.S. or international lending institutions. Consequently such countries are not in a position to initiate sound applications for projects which might otherwise make a contribution to economic development.

15. *Political Instability.* Political instability continued to be a cause as well as a symptom of lack of fully satisfactory progress toward economic development and the establishment of representative governments. Since the last Report, *Cuba* has continued to be torn with domestic strife and, at this writing, there appears to be little prospect of orderly transition from the presidency of General Batista to a freely elected and stable government. In *Bolivia* and *Haiti* there have been active attempts to overthrow the elected governments. In *Venezuela* two abortive coups by military elements against the Junta which succeeded the dictatorship of General Marcos Perez Jimenez complicated the process of establishing an elected, representative government in elections scheduled for December, and gave further scope for the Communists who took full advantage of the situation to increase their influence rapidly. In *Argentina*, *Guatemala*, and *Panama* continuous intrigue and rumors of plotting reflected less than satisfactory progress toward constitutionality and stable governments. In *Mexico*, where the election of Adolfo Lopez Mateos to succeed President Ruiz Cortinez took place without event,<sup>15</sup> the late summer was marred by politically-motivated strikes and riots through which dissident elements, including Communists, sought to impose extra-legal pressures on government policies.

In many of these countries, political instability has probably been a significant factor in the recorded slowing down of the flow of domestic and foreign private capital into developmental channels in recent months. This fact again illustrates that stable and orderly governments, responsive to the aspirations of their peoples, are among the most important prerequisites to progress toward meeting Latin American aspiration for more rapid economic progress.

In contrast, the election of Jorge Alessandri, the pro-American, free enterprise candidate as President of *Chile*,<sup>16</sup> and the inauguration of Alberto Lleras Camargo as President of *Colombia*,<sup>17</sup> represent solid advances, although each faced formidable economic and political problems. Earlier in 1958, some progress had also been made in *Argentina*, *Venezuela*, and *Honduras* toward the development of institutional and free governments; and, taken altogether, the trend of the movement in Latin America is away from governments based on de facto alliances between the military and a narrow segment of wealthy

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<sup>15</sup> Adolfo Lopez Mateos was elected on July 6 and inaugurated on December 1 for a 6-year term.

<sup>16</sup> Jorge Alessandri Rodríguez, after winning a plurality in the presidential elections, was formally elected by the Chilean Congress on October 24 and inaugurated on November 3 for a 6-year term.

<sup>17</sup> Alberto Lleras Camargo was elected on May 24 and inaugurated on August 27.

agricultural elements toward governments more responsive to the emerging urban middle classes and the increasingly influential and articulate intellectual elements.

16. *Problems of Non-Intervention.* For the past quarter century, in Latin America forcible changes in governments have characteristically been brought about by swift coups d'état in the capital city or by relatively short-lived revolutions. Consequently, apart from ad hoc measures for the protection of American lives and property, the United States has been able to deal with the situation within the framework of the inter-American system. However, the inter-American system has no adequate provision for dealing with situations in which central governments are not in control of the national territory. This was illustrated in Cuba by the "26 of July" rebel movement of Fidel Castro which last summer gained effective control of the countryside in the eastern part of the island. In June the rebels kidnapped 47 American citizens and have since presented a continued threat to U. S. personnel and property. Although the release of the Americans kidnaped was brought about by various pressures, the case illuminated the difficulties of dealing with this guerrilla-type activity—reminiscent of the days of Pancho Villa—with the techniques and policies which have been primarily developed in the context of dealing with or through governments in effective control of their national territories.

17. *Misunderstandings of the United States,* its policies and objectives also continued to be a major impediment to the realization of United States goals in Latin America. This serves to underline the need for U.S. Government agencies to contribute to a coordinated and vigorous explanation of what the United States' aims are in the area and of what it expects the Latin Americans to contribute to the solution of the individual and common problems of the nations of the area.

A review of the misunderstandings of which a few major instances are sketched below, indicated that appearances were involved fully as much as reality. The actions and aims of the United States were sometimes *willfully* distorted by the opposition to the United States, but in other cases our failure to win understanding and support of the Latin Americans was due to our not being sufficiently mindful of Latin American interests, emotional prejudices and sensitivities to assess fully in advance how our actions would be received. In other words, the U. S. problem was not only to be good but also to look good.

a. *The United States Supports Dictatorships in Latin America.* This charge has a disturbing acceptance in Latin America especially among the articulate elements. It is particularly difficult to deal with, because (1) it is illogical in the sense that these same elements strongly hold to the view that the United States should abide by its non-intervention commitments and would strongly resent U.S. interference in internal

affairs, and (2) it disregards both the U.S. record of combatting Nazi and Communist dictatorships and of giving material and moral support to popularly based governments in Latin America. Nonetheless, some of those opposed to dictatorships in Latin America feel that the entire pattern of U.S. relationships with authoritarian regimes indicates support for dictatorships. Among specific actions singled out as evidence of support are U.S. aid, particularly military training and assistance, to authoritarian regimes and personal attention given to dictators by the United States. Although Latin American governments of all kinds often themselves take actions which could be equally interpreted as support of dictatorships, Latin American opinion does not attach as much significance to them as to the actions of the United States which in this field, as in others, provoke intense reactions because of this country's enormous power and influence in comparison to any Latin American country. Maintaining the proper balance of emphasis between observance of the non-intervention policy and taking appropriate occasions to identify the United States with Latin America's aspirations for greater democracy is likely to remain a problem for United States policy for some time.

Some measures have been taken to clarify for Latin American opinion our support of the current emergence of more democratic regimes. The statement of President Eisenhower, on the occasion of the presentation of the credentials of new Venezuelan Ambassador expressing the United States' good wishes for the establishment of an elected government in Venezuela was well received in Latin America and contributed toward dispelling this misunderstanding. More positive actions of this kind are desirable as and when appropriate occasions arise.

b. *The United States neglects Latin America* while concentrating its attention and resources on Europe, the Middle East and Asia, remains a persistent complaint of Latin Americans only partially softened by the recent attention devoted to Latin America by the highest leaders of the U.S. Government (see Annex A, Para. 6, above). Despite such increased attention, however, the United States is likely to be subject to this criticism so long as the entire U. S. Government aid to Latin America remains a small proportion of the total that the United States extends to foreign countries.

c. *The United States has unlimited resources* is also a concept which is tenaciously held in the area, leading Latin Americans to conclude that the United States "failure" to solve their problems of economic and social development is the result of American indifference or malevolence. Although some thoughtful Latin Americans have an intellectual grasp of the burdens imposed on United States resources by defense and foreign aid, many are unable to comprehend why the United States cannot, if it only would, devote an effort to Latin



America of the scope of the Marshall Plan in Europe or of our aid programs in Asia in recent years. At the same time, it is not in the interest of the United States to admit to economic limitations in such a way as to give the impression that the United States is less able or willing to assist with their problems than, for example, the Soviet Union.

d. *Prices paid for Latin American commodities are fixed at low levels by the United States Government and/or large American corporations* is another widespread misconception among Latin Americans, who also believe that the United States and American companies set artificially high prices on manufactured goods exported to Latin America.

The correction of these misunderstandings and misconceptions must remain a high-priority project for leading officials of the Government in their public pronouncements and actions and private contacts, as well as a continuing objective of the agencies of the Government concerned with the dissemination of information about the United States which will reach Latin American audiences.

Underlying these assumptions, it will be noted, is a concept held by large segments of Latin American opinion that the United States—rather than the Latin American peoples and governments themselves—is primarily responsible for the solution of Latin American economic and political problems. A correction of this concept—probably involving a more forthright assertion of the primary responsibilities of Latin American governments for their own welfare and of the necessarily limited manner in which we can help—has been accepted as a target by all agencies concerned.

18. *Labor.* Since the last Report on Latin America was prepared economic conditions of workers have continued to deteriorate through inflationary developments as well as unemployment caused by market weakness for basic Latin American export products. This and intensified exploitation thereof by leftist elements have resulted in discontent which has flared in numerous strikes and demonstrations, the most pronounced of which were in Mexico where pro-Communist leaders have been able to win an election in the important railway workers' union. In Argentina the Peronistas seem destined to control the entire labor movement by virtue of a newly adopted labor law permitting only one registered union in each industry. In Venezuela the non-Communist trade unions have accepted the cooperation of Communists, considering that for the present the threat of dictatorship is greater to democracy and individual freedom than the Communists. The recent repeal of the Law for the Defense of Democracy in Chile gave greater scope for overt Communist actions and unless this trend is checked in the forthcoming Alessandri administration, Communism may exert greater influence over Chilean labor.

19. *Soviet Bloc Activities.* Although actual Soviet Bloc trade with Latin America continued to decline (down 24% in value for the first six months of 1958 as contrasted with 1957), the Communist Bloc continued to step up its political and propaganda emphasis on its economic and cultural offensive in Latin America and a number of new offers were made which may result in a future increase of Bloc trade with the area.

In a characteristic maneuver, the Soviets—discovering that they were buying Uruguayan wool on the Netherlands market—transferred their buying operations directly to Montevideo and, while actually purchasing less wool, made substantial political capital by presenting themselves as saviors of Uruguay from the vagaries of the capitalist market while at the same time bringing pressure on Uruguay to import from the Communist Bloc.

In the information and cultural field—through such measures as arranging Latin American tours of the Bolshoi Ballet, Moscow's "Dynamo" football team, and a large Chinese Communist acrobatic team—the Communist countries have sought to gain added prestige in Latin American opinion and to diminish the significance of Latin America's traditional cultural ties with and dependence on the United States and Western Europe. Sino-Soviet Bloc radio broadcasting and publications activities have also increased. United States programs to expose and counter the Communist offensive require more coordinated and continuing attention by the agencies concerned.

20. *Communist Party Activities.* With the assistance of the Communist Bloc's economic and cultural offensive, local Communist parties in Latin America have assiduously devoted their efforts to the primary aim of disrupting Latin America's traditional friendly ties with the United States. In general, they—like the Communist parties in Asia, the Middle East, and certain parts of Europe—have tended to suppress revolutionary Communist aims and emphasized collaboration with nationalist, left-wing socialist and, indeed, any elements which might be expected to oppose United States influence. While Communist leaders in Latin America retain the Communist control of the state apparatus as their ultimate aim, they have increasingly in 1958 focused on the development in Latin America of "neutralist" governments on the model of Nasser's Egypt, Nehru's India, or Sukarno's Indonesia as the immediate and more achievable aim of Communist tactics.

In Venezuela, profiting from their association with the overthrow of the Perez Jimenez regime, the Communists have in recent months sought with disturbing success to insinuate themselves as full partners in the successor "democratic" coalition and to influence that coalition into anti-American channels. In the Chilean presidential election, the Communists made common cause with the Socialists and gave their

full support, suppressing Communist revolutionary objectives, to Senator Salvador Allende in the unrealized hopes of bringing to power an anti-American "neutralist" government there. In such varied countries as Brazil and Guatemala, Communists have aligned themselves with nationalist elements of the far right as well as of the left in order to limit the capability of local governments to pursue policies of firm support of the United States and to tempt them to adopt a neutral position in world politics.

21. *United States Government Operations.* From the U.S. viewpoint current Communist tactics pose a number of difficult problems. As a result of their suppression of their objective of forcible overthrow of non-Communist governments and their current emphasis on "parliamentary" tactics, Communists in a number of areas in Latin America were gaining increasing acceptability as "legitimate" political parties and their close alignment with non-Communist nationalist elements has met with a sympathetic response.

One result has been that the United States Overseas Internal Security Program (OISP) has not generally gained the interest and support of the Latin American governments which, with the exception of Bolivia, did not feel sufficiently threatened by Communism to overcome local political problems inherent in establishing new security organs. There were, for example, indications that some of the legally constituted law enforcement and military bodies, as well as the non-Communist opposition, resented and feared the introduction of new security agencies designed to combat Communist subversion, fearing they would be used (as they have in some cases) as political weapons under the control of the existing governments primarily directed at the political opposition as such, and function to the detriment of existing security organs. In Brazil, lack of high-level government interest in combatting Communist infiltration has retarded the development of the program. In Chile, President Ibanez' recent decision to accede to the repeal of the Law for the Defense of Democracy, thereby relegalizing the Communists' activities, underscored the limitations on United States efforts to assist in the control of Communist subversive activities. In Peru, the hesitancy of the Government with respect to pushing effective legislation to control Communist activities and the inactivity of three successive Ministers of the Interior with respect to implementing recommendations of a U.S. survey of the internal security situation reflected the low priority given to anti-Communist measures.

It has thus become increasingly apparent that, if the United States hopes for success in aiding Latin American governments to combat internal Communist subversion, there must be greater public and governmental awareness of the nature and immediate objectives of current Communist tactics. To assist in their process, there has recently

been instituted among the government agencies immediately concerned a special Task Force charged with the exposure, [*less than 1 line of source text not declassified*] of Communist activities as they relate to Latin America. To the extent that it is successful in bringing about a greater awareness of Communist operations in Latin America and of their conformity to Soviet objectives, it should prove easier to encourage Latin American governments to take a firmer stand against Communist activities in their countries.

## 22. Military Problems

a. *Inter-American Military Relations.* Despite U.S. efforts to influence Latin American countries to limit the size and types of their military forces, there is a continuing problem of resistance on the part of Latin American countries to suggestions that they design and employ their military forces in consonance with the roles and missions of maintaining their own internal security, and furnishing a contribution to Western Hemisphere defense through defense of coastal waters, ports, and approaches thereto, bases, strategic areas, and installations located within each nation's own territory, and routes of communication associated therewith. Relations with Cuba have been rendered particularly difficult by the U.S. Government's decision to suspend U.S. arms shipments to Cuba, some of which have already been paid for. Additionally, this action has prompted the Government of Cuba to purchase arms from other Free World countries, notably the United Kingdom. In the Dominican Republic, following the failure of General Rafael Trujillo, Jr. to complete successfully the course at the U.S. Staff and Command School at Ft. Leavenworth, the scope and effectiveness of the U.S. Military Program was subjected to increased criticism in the Dominican Republic. The future of this program is unresolved, and US/Dominican Republic relations are strained.

b. *Latin American Interest in Excessive Military Equipment.* It continues to be the general policy of the United States to discourage Latin American countries from acquiring military equipment through either grant or sale programs, which is not suited to the objectives envisaged in U.S. national policy and current strategic concepts. Despite the constant U.S. efforts in this vein, it can be expected that the desires of Latin American countries for such equipment will continue, as will their procurement from non-U.S. sources, principally Western Europe.

c. *Presidential Determination.* Under an amendment to the Mutual Security Act (Section 105(b)(4)) proposed by Senator Morse, it has become necessary for the President annually to make a determination that the mission of Latin American forces assisted by the United States is important to the defense of the hemisphere and that U.S. military assistance is required to enable them to fulfill this mission. Documentation for the Presidential determination is now under preparation.

d. *Military Programming*. Starting with fiscal years 1959 and 1960, increased emphasis is being placed in programming for military assistance to Latin America on developing anti-submarine warfare capabilities. In this connection a ship loan bill passed by the 85th Congress would allow the transfer of up to 19 ships to Latin American countries to assist them in this aspect of hemisphere defense.

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## 8. National Intelligence Estimate<sup>1</sup>

NIE 80/90–58

*Washington, December 2, 1958.*

### LATIN AMERICAN ATTITUDES TOWARD THE US

#### The Problem

To analyze Latin American attitudes toward the United States in the light of general conditions and trends in Latin America and with reference to their bearing on inter-American relations.

#### Conclusions

1. Latin American attitudes toward the US are ambivalent. Many Latin Americans, especially among the wealthy and the military, although frequently critical of US policy, admire the US for its achievements, its strength, and its wealth. They feel a kinship with the US in a common Western social and cultural tradition. Many others, especially among the middle groups, including the intellectuals, and urban labor, are less friendly and more critical of the US. These groups, subject to urban pressures, acute economic problems, and rising nationalism, are more aware of the differences in culture and living standards between the US and Latin America than of the common heritage. They are emotional concerning past US interventions in Latin American affairs, the role of US companies in their economies, and recent US relations

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<sup>1</sup> Source: Department of State, INR Files. Secret. National Intelligence Estimates (NIEs) were high-level interdepartmental reports containing analyses of vital foreign policy issues. They were drafted by officers from those agencies represented on the United States Intelligence Board (USIB), and coordinated and disseminated by the Central Intelligence Agency to the White House, NSC, Departments of State and Defense, OCB, Atomic Energy Commission (AEC), and the Federal Bureau of Investigation (FBI). According to a note on the cover sheet, the CIA and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the USIB concurred in the estimate on December 2. The AEC and FBI representatives to the USIB abstained on the grounds that the subject was outside their jurisdiction.

with dictators: they are envious of US wealth and displeased that the US will not give them a greater share in the form of assistance. (Paras. 6, 32–39)

2. We believe there is little likelihood that Latin American attitudes toward the US will change substantially for the better during the next few years. In most of the area, a mushrooming population together with soaring economic expectations will cause governments increasingly to attempt economic development beyond their own capabilities. In consequence, governments will press with greater vigor for increased US assistance and, to the extent the US is unable to satisfy such requests, they will adopt the attitude that the US is being unsympathetic. Statism and nationalism will impede new foreign investment in development of basic resources and impose new burdens or restrictions on existing investment, preventing a maximum contribution by private capital to the area's economic development. Many of the national political leaders, seeking both to gain a greater popular following and to shift the blame for their own shortcomings, will probably increasingly attempt to make the US the whipping boy for the continued slow pace of economic improvement. (Paras. 8–10, 20, 26–29, 40–44, 54–57)

3. Political instability in Latin America will continue as a major obstacle to improvement in relations with the US. Public pressures for social change, economic improvement, and governments more responsive to popular demands will persist and will keep the area in political ferment. While the present political trend is toward representative governments, such governments will find themselves hard pressed and ill-equipped to deal with the wide variety of national problems and political forces at work. In the major countries, even the military—still the decisive force in times of national crisis—can no longer be depended upon to stabilize the political situation for more than limited periods of time. (Paras. 11–19)

4. Despite the likelihood of continued and increasing frictions in US-Latin American relations, we believe that Latin America's basic attachment to the West, and especially its general support for the US position in international affairs, is not likely to change in the foreseeable future. At the same time, the Latin Americans will probably become more vocal and independent in their attitude in the UN on matters involving colonialism, intervention, and economic policy. (Paras. 32–33, 50–54)

5. We believe that, in general, the Latin Americans are unlikely to consider themselves seriously threatened by the Soviet Bloc and the international Communist movement. They will probably continue to believe that they are outside the main arena of East-West conflict and that in any case the US, for its own interests, will protect Latin America from any overt Soviet threat. Because of their great need for

external economic assistance, many Latin American countries will be willing to give sympathetic attention to Bloc offers of increased trade and, in some cases, of economic aid. Few Latin American governments will consider local Communists as a serious threat and, accordingly, in much of the area Communists will be able to operate with relative freedom. For their part, the Communists are not likely to come to dominate any government, but their efforts are directed less to this end than toward worsening relations between Latin America and the US. The existence of anti-US attitudes gives them a relatively fertile field to cultivate. (Paras. 15–17, 45–49, 58)

## Discussion

### *I. Introduction*

6. The Latin American countries have certain basic ties with the US through a common West European and Christian background, geographic proximity, and economic relations. The attitudes of Latin Americans toward the US are in part a result of their experience, over the past hundred years, with Americans and with US policy. In this respect, Latin Americans remember with nostalgia the period of the “Good Neighbor Policy,” and with distaste, and on occasion anger, such historical events as the Mexican War and US military intervention in the Caribbean. Latin American attitudes are also being affected by the rapid social and economic changes now occurring in Latin America, and by evergrowing popular expectations. Although some attitudes affecting US relations are common to all countries and social classes, there are also important differences in points of view deriving from national and class interests.

7. To determine the nature of these attitudes and to estimate the manner in which they are likely to affect US relations with the area, we have in the following paragraphs: (a) reviewed generally the basic trends within Latin America; (b) analyzed Latin American attitudes on problems in their relations with the US; and (c) set forth our judgments as to the effects these trends and attitudes will have on the future course of US-Latin American relations.

### *II. Basic Trends in Latin America*

8. In recent decades Latin America has experienced substantial changes in the size, distribution, occupations, and expectations of its population. Changes in traditional social patterns have taken place at an accelerating rate, particularly in the larger countries, with a direct and at times profound impact upon political and economic institutions. These changes have given rise to pressures for further adjustments that cannot be easily accommodated within the existing social structure.

9. Probably the strongest single force for change has been the sustained population growth, which exceeds that of any other major world area. Since 1920, the total population of Latin America has more than doubled. It is now about 190 million. There is great disparity in population among the twenty Latin American republics, with 60 percent of the total located in Brazil, Mexico, and Argentina. Twelve of the remaining states have smaller populations than the Buenos Aires metropolitan area.

10. The rate of urbanization has been even more spectacular. The rapid expansion of the cities is a fairly recent development and is in part associated with the drive of Latin American governments for rapid industrialization of their economies. Literally hundreds of thousands of persons, attracted by the city lights and the prospect of better pay through employment in industrial establishments, service industries, or the burgeoning government bureaucracies, have moved into the capitals or other urban centers from rural areas and small towns in the interior.

#### *A. Political Trends*

11. The tremendous surge of population to the cities has, in most countries, undermined the political control traditionally exercised by the landed aristocracy, and has led to the growth of groups which are competing with increasing vigor for political power. In the more highly developed countries, a wealthy urban propertied class has become strong and exercises a major influence in political affairs. In addition a professional and salaried middle group, ranging down to low-paid white-collar employees in business and government, and a wage-earning urban labor force have mushroomed in size and have attained considerable political stature. Intellectuals and students exercise an important leadership, primarily through the middle and labor groups. However, in most countries the military remains a potent influence in national political life and its action is often the deciding factor in times of crisis.

12. It is the urban middle group that today is expressing most effectively discontent with the status quo. Its members are articulate, active in politics, and often willing to endorse radical solutions to pressing economic problems. They often furnish the leadership of the larger political parties. Realizing the significance of the mass vote represented by urban labor, they seek its support by advocating social legislation and economic reform.

13. Urban labor, numerically the most rapidly increasing group in much of Latin America, is as yet not a cohesive political force in most countries. The bulk of the labor force remains unorganized, despite the rapid growth of trade unions in the cities and the extractive industries. Most labor organizations are closely associated with the government



or with particular political parties; independent, nonpolitical labor unions are not important in the labor movement. The labor vote is generally divided among competing leftist parties, but the workers can be united on the basis of protest against their low incomes and poor living conditions. The influx of workers into the large cities has been so great that most governments have been unable to cope with the resulting economic, social, and political problems which it has created. To force political action on these problems, urban labor can increasingly exercise not only the power of the vote, but also that of the strike and mob action. This power can also be exploited by other groups for political purposes.

14. Intellectuals and students have greatly increased in numbers with the rapid growth of the middle groups in urban areas. Their interest in quick solutions to national problems has predisposed many of them to accept Marxism as a ready-made analysis of the situation in which they find themselves and as a prescription for remedying it. This tendency renders them especially susceptible to Communist influence. As a group, they have an exaggerated sense of national pride, fear and resent foreign influence, and oppose military rule. The influence of intellectuals and students is exerted not only in partisan politics, demonstrations, and mob action, but less directly through employment in the bureaucracy, in the communications media, and in university and secondary schools. The students, though often irresponsible, enjoy considerable freedom because traditionally governments have been reluctant to take forceful action against them.

15. The Communists are not numerically strong in Latin America, but are adept at identifying themselves with popular sentiments already prevalent and exploiting them for their own purposes. They present themselves as the most ardent and patriotic democrats and nationalists in sight, thus gaining respectability and forcing the pace of change. They foster the tendency of intellectuals, students, and other leaders of opinion to interpret both the local situation and US relations in Marxist terms. Their immediate objective is to gain such influence in other radical parties, in the bureaucracy, in organized labor, and with the populace as to be able to turn governmental policies in neutralist and anti-US directions.

16. The political influence of the Roman Catholic Church in Latin America is limited by its association with the traditional social and political order and by the prevalence of anticlericalism. In only a few countries, notably Argentina and Colombia, does the Church now exercise a significant political power. The Church, however, has begun to accommodate itself to social and political change by emphasizing the need for improvement in the lot of the working people, in accord-

ance with the relevant papal encyclicals. This trend is likely to continue and to increase the Church's influence. The Church is the steadfast opponent of communism.

17. Despite the evolution of new political forces, the military retain the ultimate political sanction in most of Latin America, but the character and attitude of the military is itself changing in response to the general social change. Formerly allied with the traditional ruling class and equally interested in the preservation of the status quo, military officers now come increasingly from the middle groups of society and are interested in national development. Elections being still generally ineffectual as a means of bringing about significant political change, such changes usually occur only when the military conclude that they are necessary. As the guardians of national order, the military has deposed some governments whose continuance in office was deemed likely to lead to serious disorder. The deposition of the Perez Jimenez dictatorship in Venezuela under the pressure of an effective general strike is a recent example. The military remain jealous of their privileged position and distrustful of radical politicians, but show a tendency to prefer acceptable civil governments to the burdens of outright military rule.

18. In contrast to the highly personal politics of the Latin American past, the changes in government which have occurred during the last fifteen years generally reflect recognition of growing social and political pressures. During the war years and immediately thereafter, a number of demagogic, labor-based regimes emerged, committed to rapid and radical social reform (e.g., Peron in Argentina). A subsequent reaction to this tendency produced, in several countries, conservative regimes generally military in character (e.g., Odría in Peru). The current trend, indicated in Argentina, Brazil, Colombia, and Venezuela, is toward duly elected, constitutional regimes, brought to power with military sanction, but reformist in character. The leaders of these reformist governments have shown a greater awareness of the limitations imposed on them by economic realities and have generally used greater moderation in their appeals to labor than did those of the immediate postwar period.

19. Although most governments are undoubtedly more sensitive to the pressures building up in their societies, they have generally avoided actions calculated to undermine the position of the domestic propertied interests. Yet few of the governments have had the inclination or the strength to attempt forcefully to suppress the growth of competing political groups which are in fact threatening the position of the wealthy classes. As a result, there is a high degree of political ferment throughout much of the area and the countries generally are politically unstable.

*B. Economic Trends*

20. The principal Latin American countries have made substantial progress in developing more balanced economies, but continued progress is threatened by the pressure of a rapidly increasing population and by the uneven rate of development in the urban and rural sectors. The accumulation of capital needed to maintain a satisfactory rate of development has lagged because of low productivity and limited export prospects for the foodstuffs and raw materials on which Latin America still depends for essential foreign exchange.

21. During 1945–1957 rates of economic growth in Latin America permitted an annual increase in per capita GNP which in real terms averaged about 2.2 percent. This average, however, conceals wide variations during the period and between countries. In the early postwar period, 1945–1950, there was an increase of 2.5 percent annually owing to strong foreign demand for the area's exports and an accumulation of wartime savings. These sources provided capital support for economic development designed to lessen vulnerability to fluctuations in world demand and to provide employment for expanding urban populations. A slowdown toward the end of the period was arrested by Korean War demand, but in 1952–1953 and again in 1956 levels of real per capita GNP declined or stagnated as a result of the expenditure of reserves and the decline in world demand for many Latin American exports.

22. Among the six countries (Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela) which account for more than 80 percent of GNP in Latin America, there have been wide variations. The growth rates in the early postwar years were especially high in Argentina, Brazil, Colombia, and Venezuela. Over the whole period, however, growth has been best sustained in Mexico and Venezuela, on the basis of relatively heavy constant receipts of foreign exchange income or investment. Argentina and Chile rank lowest in the group, while Brazil and Colombia occupy an intermediate position.

23. A critical problem in many Latin American countries is the failure of investment in basic production sectors to keep pace with the rising population, especially in urban areas. Local investors have been reluctant to expand operations in domestic markets, which are still relatively small because of low productivity and low consumer income. This attitude, combined with limited government investment capabilities, has kept the rate of growth of urban employment opportunities below that of the growth in the labor force. As a result, many governments have turned to subsidizing the maintenance of surplus workers in public utilities and other services, often with highly inflationary results and in part at the expense of primary producers.

24. Even though the rate of industrial development has slowed down, there has been little if any slackening of the migration of farm workers to the cities. This, together with the lack of investment in agriculture, has resulted in a level of agricultural production for domestic consumption which has barely kept up with the population growth. After a postwar slump, there was a slow rise in per capita production of export crops in terms of volume. Only in 1957, however, did such production return to near prewar levels owing to good weather and other temporary favoring factors.

25. Latin America's basic economic problem is that which confronts all underdeveloped areas, namely, that of obtaining sufficient capital to exploit more fully their own natural resources, to expand and to make more efficient existing economic activities, and to diversify their economies so as to reduce their dependence on the export of a few raw materials. Gross investment levels in the area—including the renewal of existing capital as well as new investment of fixed capital—improved slightly during 1955–1957, averaging about 18 percent of GNP as compared to 14.5 percent in 1953–1954. However, in countries such as those in Latin America where population growth is rapid and productivity relatively low, annual investment probably has to be 12–15 percent of GNP even to maintain existing per capita endowment of capital goods. Thus, the investment levels realized by some countries probably do not represent a substantial addition to capita stock of productive equipment.

26. Latin America, in view of its growing economic aspirations and the probability that its terms of trade will not substantially improve during the next few years, almost certainly cannot provide from its own resources sufficient capital to maintain a satisfactory rate of economic development. In particular, most countries will have great difficulty with respect to the foreign exchange increment of investment. The general level of prices for Latin America's primary products has declined since 1954 while world prices for manufactures have risen.<sup>2</sup> Export volume has failed to compensate for losses in earning power and for increased demands for imports in part responding to greater needs for energy, transport supplies, industrial raw materials, and heavy equipment. Moreover, the ability to increase earnings by the export of traditional products is restricted by world oversupply in most important export commodities, such as coffee, cotton, wheat, wool and nonferrous metals, by US sales of competitive surplus products, and, in some cases, by domestic production problems and rising costs.

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<sup>2</sup> Thirteen primary products account for more than 70 percent of Latin America's export earnings—petroleum accounts for 26 percent; coffee, 20; and a variety of other agricultural commodities and nonferrous metals make up the remainder. [Footnote in the source text.]

27. Despite their obvious shortages of foreign exchange, the Latin American countries have pressed the import of capital equipment. This, together with rising imports of consumer goods, has resulted in sizeable trade deficits over the past few years. These have been covered by sales of gold and foreign exchange reserves, by overseas commercial credits, by official loans, and by investment of capital from abroad. The gross inflow of outside capital has more than doubled, but net receipts have been considerably reduced by outflows of amortization, repayments of official debts, and remittances on private investment. Of Export-Import Bank disbursements to the area, which totalled \$1.2 billion between 1950 and 1957, 42 percent were for balance of payments purposes, including the payment of past debts created by the importation of consumer as well as capital goods. The bulk of capital inflow has been to Venezuela, Brazil, and Mexico.

28. Despite Latin America's need for economic development capital, most governments are reluctant to encourage a flow of private foreign investments. In all cases, they are under pressure from nationalist groups, and in some, the governments themselves believe that the public should own and develop basic resources. Chile, Venezuela, and Peru, which have accepted investment in large-scale mining and petroleum operations, have been the main exceptions to this general rule in recent years. In Argentina and Bolivia, the governments have become increasingly aware of the potential contribution that private foreign capital can make to economic development, and they are attempting to open the way for large-scale foreign private participation in the development of petroleum. There has also been private foreign capital invested in manufacturing, especially in Mexico and Brazil where domestic markets are relatively large.

29. In Latin America the state has traditionally played an important role in the economy and there is in the area a widespread preference for state economic initiative, particularly as against foreign private enterprise. State intervention has recently received a strong impulse from rapid change in the society that in many cases has almost forced the state to take a more active role. Domestic capital, typically organized on a family basis and limited in quantity, has been unequal to the task of developing basic industries and exploiting national resources, while private foreign capital has been excluded in certain areas, principally petroleum, by nationalist opposition.

### *C. Summary*

30. In sum, Latin America generally is well into a period of accelerating change. Traditional social patterns are being eroded, and in some cases shattered, competition for political power is increasing, and aspirations for economic and social improvement are rapidly outdistancing financial and technical capabilities. Adjustment to change by

the various elements in the social order has in general proceeded more rapidly in those countries with superior physical resources and large populations, e.g. Argentina, Brazil, and Mexico. But in all countries there are severe strains, and at least for the next decade Latin America will continue to be an area of instability.

31. As a major aspect of this change, national leadership generally has passed from the hands of the wealthy rural landowners, who were culturally part of the West European world, to the newly expanding urban business-professional classes, which tend to be less cosmopolitan and more nationalistic in outlook. These feelings of nationalism, shared by intellectuals and labor, have been major factors influencing the attitudes of Latin Americans toward external affairs, especially Latin American relations with the US.

### *III. Attitudes Affecting Latin American Relations With the US*

32. Latin America's attachment to Western society is strong, based on cultural tradition and historic, political, and economic associations. Iberian Catholic culture was superimposed on the Indian civilization during the three centuries of Spanish and Portuguese rule. In the 19th century, the Latin American ruling groups extended their contacts to include France and England, and gradually the US. However, the Latin American countries differ greatly in cultural and political patterns and economic development from the US and other pace-setting countries of the Western world. US-Latin American differences of language, religion, race, and institutions, and the disparities resulting from Latin America's economic lag are emphasized in the present period of change and widespread insecurity in the area.

33. Although the bulk of the Latin Americans consider themselves part of Western society, they are preoccupied with local problems and are generally apathetic toward events outside their own area. This self-centered and passive attitude is encouraged by the area's geographic remoteness from centers of international friction, by reliance on US protection from overseas interference, and by an awareness of limited ability to influence global politics. Only a few governments manifest concern with world affairs; and these are often motivated by a desire to gain international prestige or to establish a claim upon the US for reciprocal services.

#### *A. General Attitudes Toward the US*

34. Latin American attitudes toward the US are ambivalent. Informed Latin Americans generally admire the advanced technology and material prosperity of the US and desire the same for themselves, but they also express envy by disparaging US materialism. They admire the stability and flexibility of US democratic processes and desire stable yet representative government in their own countries, but they

are also keenly aware of imperfections in US democracy and highly sensitive to any supposed suggestion of Anglo-Saxon superiority over Latin or colored peoples in US relations with them. They subscribe to the concept of Hemisphere solidarity for idealistic as well as mercenary reasons, but they also know themselves to be markedly different from North Americans in many respects. They rely on the US to protect them in the event of war, but they feel little obligation on that account, since they assume that the US must do so for its own security. They do feel, however, that the US is under obligation to render them preferential economic and military aid, since they have been aligned with the US in both world wars and have supplied valuable raw materials. At the same time that they demand such aid, they are acutely fearful of the bogey of US economic imperialism. They can at one and the same time condemn any supposed US interference in their internal affairs and denounce the US for permitting dictatorship to exist in any Latin American country.

35. Within this framework, the attitude of an individual Latin American toward the US is conditioned by the stratum of society to which he belongs. It tends to be more favorable among the wealthy or well-to-do, who now seem to look more to the US than to Europe. Many are well acquainted with the US by reason of education, travel, or business. They have large financial interests in the US and tend to send their children to US universities. A favorable opinion of the US, however, does not necessarily lead them to support private US investment, which in their view often competes with their own interests and carries the threat of economic imperialism.

36. The growing urban middle and lower classes are generally less well disposed toward the US than are the wealthy classes. They, especially the vocal intellectual group, have been deeply and unfavorably impressed by past US actions from which fervent and influential writers derived and made popular such slogans as "dollar diplomacy," the "big stick," "Yankee imperialism," and the "Colossus of the North." They look back upon the "Good Neighbor Policy" as a happier period in US-Latin American relations, but consider that the present US attitude toward Latin America falls short of that standard. Members of these groups generally have had few direct associations with the US or other Western societies, which they tend to view in terms of their own essentially parochial experience, and often in terms of anticapitalist indoctrination. They view US racial barriers as a contradiction to our professed democratic principles and resent them on personal or moral grounds.

37. Especially among these classes there are elements who feel that the US, for its own selfish reasons, has stood in the way of the development of more representative government by maintaining unnecessarily close relations with dictatorial regimes. They view US mili-

tary aid to dictators, not as meeting the requirements of Hemisphere defense, but rather as a mode of supplying those dictators with weapons for use against popular opposition, and cite US economic aid and diplomatic courtesies to dictators as further evidence of our predilection for them. This attitude has been a major problem in our political relations with certain Latin American countries, and was reflected in the demonstrations against Vice President Nixon during his visit to Venezuela.

*B. The Attitude of the Military Toward the US*

38. Despite increasing responsiveness to nationalist influence, the attitude of most of the Latin American military officer corps toward the US is generally favorable. Military leaders probably have a closer identification with US hemispheric interests than do leaders of other groups in Latin America. They tend to regard common defense arrangements with professional favor, and are generally active in the Inter-American Defense Board. Twelve countries have entered into bilateral security agreements with the US. The military leaders seek to associate with US military power for reasons of prestige and self-interest and look to the US for assistance in improving the effectiveness of their limited armed forces. They have availed themselves of the services of US military missions and of training at service schools in the Canal Zone and in the US. Officers attending these schools have been impressed by the professional standards of the US military, including their detachment from party politics.

39. Nevertheless, the military displays dissatisfaction with US policies from time to time. It is resentful over the fact that US military assistance to Latin America has amounted to slightly less than two percent of US worldwide military aid. Latin American military leaders feel that, as neighbors and constant allies, they merit as much, if not more, consideration as that given other, less reliable recipients of US aid. Some—stirred by area rivalries, mutual suspicions, and concern for national prestige—complain of inequities in the distribution of US military aid in Latin America. On the other hand, some civilian political leaders consider that military aid is unproductive, that it only increases the burden on their limited financial resources, and that it enhances the political power of the military and the danger of military dictatorship.

*C. Attitudes on Economic Matters*

40. Latin American attitudes toward the US are to a considerable extent shaped by the fact that the US is the area's principal trading



partner and chief source of investment capital.<sup>3</sup> Because the economies of most Latin American countries depend on advantageous sale abroad of the primary raw materials which they produce, there is a tendency to blame the US, as the biggest buyer, for the domestic economic difficulties which result from any deterioration in terms of trade. Furthermore, many Latin American countries too poor to undertake large-scale economic development programs are increasingly taking the position that the US has an obligation to contribute to such programs.

41. The Latin American view of the US has also been colored by the fact that much of US investment in the area has been made by large US private enterprises, which have often conducted their affairs in a high-handed manner. Nationalist attacks have been particularly violent against large US firms in such fields as mining, agriculture, and public utilities. Some of these enterprises enjoy special concessions which would not be granted in present circumstances. As a result, many Latin Americans continue to visualize US foreign economic policy in terms of Wall Street, the big stick, and robber barons.

42. While there is great similarity of view throughout Latin America with respect to the US and its economic policies, there are also some important differences, at least in government policies. These differences among the countries are in large part traceable to the wide variation in the rate of economic and social change, in the degree of political stability, and in historic relationships with the US. Public resentment against foreign companies is most deep-seated and persistent in those countries where US capital plays a major role in the national economies.

43. On the other hand, the larger countries, which are drawing away from their smaller neighbors at an accelerating rate, are showing signs of taking a more responsible attitude in relation to their own problems of economic development. In these countries, determination to achieve economic progress has combined with a greater national self-confidence to produce some improvement in official attitudes toward US private investment. However, only in Mexico has the government, over the past two decades, been able to develop a stable environment for foreign investment complementing national enterprise. Argentina seems to be making headway toward an accommodation with foreign capital, although the authorities must move cautiously because of the strength of antforeign feelings among labor and other groups. Brazil, with the greatest resource and population potential of any Latin American country, has not yet been able to overcome opposition to foreign capital in petroleum.

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<sup>3</sup> US private long-term investment in Latin America totals 9.7 billion, or about 30 percent of such US private investment abroad. [Footnote in the source text.]

44. Given this complex of attitudes and severe economic problems, Latin American grievances against the US on specific issues have multiplied since 1945, not only among the public, but also among government officials. For example:

a. Latin Americans believe that the US has denied their area the consideration to which it is entitled on grounds of neighborhood and of past and prospective wartime cooperation. They are dissatisfied with the outcome of recent formal OAS meetings—Rio de Janeiro (1954),<sup>4</sup> Panama (1956),<sup>5</sup> and Buenos Aires (1957)<sup>6</sup>—at which economic development was discussed, but nothing of a substantive nature was decided upon. They are particularly sensitive over their failure to receive financial and military aid commensurate with that given by the US to other areas of the world.<sup>7</sup>

b. Latin Americans are critical of US trade policy which, though favoring freer trade in principle, continues to add to restrictions on imports. Since certain of these restrictions apply to important Latin American exports, they take their imposition as evidence of a lack of US good will toward Latin America and of the unreliability of the US as a commercial partner. Peru, Bolivia, and Mexico reacted sharply to US imposition of import quotas on lead and zinc. Venezuela's resentment of US restrictions on petroleum imports was out of proportion to its economic injury. Chile and Uruguay have shown irritation at the increase in US import duties on copper and wool.

c. Since the US is their major market, Latin Americans hold it largely responsible for the great fluctuations in world price for Latin American exports. They have been especially irritated by US refusal to participate in schemes for the stabilization of markets and prices for such commodities as coffee, zinc, tin, and cotton. Latin American governments also resent US sales abroad of those surplus agricultural commodities which compete with their own exports.

d. The unwillingness of the US to give direct financial support to certain government operated agencies—such as those concerned with oil development in Mexico, Bolivia, Brazil, and Argentina—has been an irritant to many Latin Americans, especially since the US has assisted other types of state enterprises in Latin America and elsewhere in the world.

e. Latin Americans are critical of what they believe to be the tight US loan policy, long delays in the handling of loan applications, and the stringent conditions of US public loans, which they regard as

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<sup>4</sup> Meeting of ministers of finance or economy of the American Republics at the Fourth Extraordinary Meeting of the Inter-American Economic and Social Council (commonly called the Rio Economic Conference), held at Quitandinha, Brazil, November 22–December 2, 1954; for documentation, see *Foreign Relations, 1952–1954*, vol. iv, pp. 313 ff.

<sup>5</sup> Meeting of the Presidents of the American Republics, held in Panamá, July 21–22, 1956; for documentation, see *ibid.*, 1955–1957, vol. vi, pp. 437 ff.

<sup>6</sup> The Economic Conference of the Organization of American States, held in Buenos Aires, August 15–September 4, 1957; for documentation, see *ibid.*, pp. 497 ff.

<sup>7</sup> About two percent of total US foreign aid since World War II has been allotted to Latin American nations and most of this has been in the form of repayable interest-bearing loans. [Footnote in the source text.]

unwarranted interference in their internal affairs. Their irritation is heightened by their difficulties in drafting projects which are considered acceptable by the US and thus eligible for a loan. The Latin Americans hold the US responsible for the similarly stringent conditions imposed by the International Bank and the International Monetary Fund. In particular, most Latin American countries oppose suggestions that they adopt anti-inflationary measures, since they believe that inflation is a necessary accompaniment of economic development. There is a wide variation in reactions among the Latin American countries to other conditions for loan assistance. Mexico, with a relatively even financial income, adequate administrative agencies, and the greatest ability in managing resources for economic development, has the best working relations with the US and international lending agencies. At the other extreme, Brazil resists strongly such conditions, especially those which require austerity.

#### *D. Attitudes Toward Communism*

45. Latin Americans tend to consider themselves outside the arena of East-West conflict and therefore not directly threatened by either the military and political power of the Sino-Soviet Bloc or the subversive potential of the international Communist movement. Their governments generally support the US on issues with the Bloc, but they feel that the US tends to exaggerate both the danger of general war and the threat of international communism. Most countries of the area maintain no active diplomatic relations with the Bloc because, in their detached situation, they perceive nothing to be gained thereby which would offset giving offense to the US. Yet they tend to resent the suggestion that they are not mature enough to be permitted to do what the US itself does.

46. Six states—Argentina, Bolivia, Brazil, Colombia, Mexico, and Uruguay—have accepted resident diplomatic or consular representatives from Soviet Bloc countries. The countries of the River Plate and, more recently, Brazil and Chile have been the only significant theaters of Bloc operations in Latin America measured in terms of offers of trade or aid. These latter countries—all suffering from severe economic difficulties—have treated such offers with respect, and in a number of cases have accepted them. Also, the governments, concerned with economic deterioration and seeking to improve bargaining power with the US, at times have sought to build up trade and aid possibilities with the Bloc.

47. Latin American attitudes toward indigenous Communists have varied with time and place. The prewar authoritarian regimes harried the Communists as they did all radical reformists whom they considered dangerous. This common experience of persecution tended to establish a bond of sympathy between the Communists and liberal elements also opposed to the old regimes. Thus many liberal leaders in Latin America have some youthful association with Communists and

are often accused of being crypto-Communists. The immediate post-war radical regimes were disposed to insist on political liberty for Communists as a mark of their liberal character. With the onset of the cold war and the establishment of more conservative governments in many countries the trend was reversed. Some Communist parties were outlawed and Communist activities generally were restricted. As in Venezuela, however, some military dictatorships feared the non-Communist opposition more than they did the Communists and permitted the Communists a limited freedom of action in order to weaken and divide their opponents.

48. Now, with the installation of more representative governments, the trend is toward increasing toleration for Communist political activity. Unless the Communists are obviously and effectively working against the essential interests of the regime or interfering with public order through strikes and violence—a situation which Latin American Communists have generally sought to avoid in recent years—most public officials see little need for repression. Some regimes, however, have used the threat of communism as an excuse to repress opposition parties as well as to curry favor with the US. In the past year Communist parties have been legalized in Chile, Colombia, and Venezuela, bringing the number of legal parties in the area to eight; they retain legal standing in Bolivia, Mexico, Ecuador, Argentina, and Uruguay. Communist parties are active, even though illegal, in Brazil, Peru, Cuba, and Guatemala.

49. All Latin American countries except Mexico now subscribe to the US-sponsored anti-Communist resolutions of the inter-American conference at Caracas in 1954, but few do so with conviction. They have tended to regard US pressure for more effective implementation of these resolutions as unwarranted interference in their domestic affairs. In the face of the current trend, the resolutions are likely to be increasingly disregarded.

#### *E. Attitude Toward Cooperation In International Organizations*

50. The Latin American countries generally support the US position in world affairs, particularly on issues between the US and the Soviet Bloc. In the United Nations they have provided voting strength required to maintain the Western position. However, on issues involving economic development, colonialism or intervention, points regarding which Latin Americans are extremely sensitive, individual countries have at times taken positions opposed to that of the US.

51. The Latin Americans value the Organization of American States as an expression of Hemisphere solidarity (with implications regarding a US obligation to render neighborly assistance), as a convenient means for dealing with some regional problems, and as a mechanism through which they can bring their combined influence to bear

on the US. The Latin Americans, however, seem to have little interest in programs to which they must contribute more than they expect to receive and are reluctant to support any proposed activity which might infringe on their sovereign prerogatives.

#### *IV. The Prospects for Latin American-US Relations*

52. Latin America's basic attachment to the West, and especially its general support for the US position in international affairs, is not likely to change in the foreseeable future. However, the Latin American vote in the UN will almost certainly be less reliable on matters involving colonialism, intervention, and economic policy. As Latin American support becomes more essential to the US with the admission of new Asian and African states, Latin American governments will press for increased rewards from the US.

53. Latin American military cooperation with the US is almost certain to continue in the foreseeable future. There will be frictions arising out of the amount of assistance programmed and the priorities given delivery of arms to Latin America. The pro-US attitude of the military and their continuing interest in collective defense in the Hemisphere bear heavily in favor of US retention of base rights in the area. However, there will be new pressures to increase national benefits from these base rights and from the Canal Zone in the case of Panama. It is also possible that renegotiation of US base rights outside Latin America will strengthen these pressures.

54. Over the next few years, the countries of Latin America will almost certainly seek greater external assistance. Because of the rapidly increasing population and rising expectations, the various countries will be hard put to meet current consumption and almost certainly will not have sufficient resources substantially to expand their own productive capacities. In this situation, most Latin American countries, individually and collectively in the OAS, will seek greater US governmental assistance and will press the US, as the area's major trading partner, to take steps to maintain Latin America's income from its exports.

55. Growing capital requirements will probably cause some governments to look more favorably upon foreign private investment. Such investment in manufacturing, particularly in Mexico and Brazil, is likely to expand, but investment in mining will probably not reach the high levels of the past decade. Governments of some countries will probably accept private foreign investment to initiate or expand petroleum production, but under terms which will be less favorable to the investor than in the past.

56. On the other hand, frictions in several countries are likely to continue with respect to existing foreign investment in oil, utilities, mines, and fruit plantations, and in all likelihood some of the rules

under which foreign firms operate will be changed. In Venezuela, where potential for increased oil production is enormous, there will probably be increased pressure to renegotiate existing concessions to give the country a greater share of the profits. There will be increased pressure toward nationalization of the remaining foreign owned power companies and railways. Difficulties with the fruit companies will persist, particularly in Guatemala, Honduras, Costa Rica, and Panama, but they will almost certainly be permitted to continue their operations.

57. Progress toward a Latin American common market will be slow, but steps being taken to establish regional trade or payments arrangements offer some hope of a further improvement of the area's economic status. Nationalism, which adversely affects relations with the US, also is an obstacle to closer economic integration of Latin America. The general reluctance of Latin American governments to narrow their field for independent action is intensified by traditional hostility between some of the countries and by difficulties in adjusting the interests of the larger countries to those of their smaller neighbors. US agreement to discuss the formation of a regional development bank has at least temporarily assuaged Latin American desires for a special financial organization to serve the area.

58. In general, the climate for Communist activities in Latin America will continue to improve over the next few years. Most governments will probably continue to be reluctant to take effective measures to prevent an over-all strengthening of the Communist position in the area. The Communists are not likely to come to dominate any government, but their efforts are directed less toward this end than toward worsening relations between Latin America and the US. To achieve this purpose, the Bloc governments can be expected to offer Latin America increasing opportunities for aid and trade, while the local Communists will step up their efforts to channel the growing Latin American nationalism into a neutralism hostile toward the US. Economic ties between the Bloc and some South American countries, particularly Argentina and Uruguay, will probably increase, while a further exchange of diplomatic missions between the Bloc and Latin America is likely to take place. Soviet and local Communist capabilities to disturb relations between Latin America and the US will reinforce those anti-US attitudes which already exist there.

## 9. Editorial Note

During the latter part of December 1958, the NSC Planning Board undertook consideration of a new draft statement of policy toward Latin America prepared in the Department of State, dated December 18, and referred portions of it to the Board Assistants for revision. The Board Assistants subsequently prepared a revised version under date of January 22, 1959. At its meeting on January 30, the Planning Board amended and concurred in the revised version, and approved its submission to the Council as NSC 5902 for consideration at its meeting on February 12. (Record of Meeting of the NSC Planning Board, January 30, 1959; Department of State, S/S-NSC Files: Lot 60 D 1)

In its revision of the new draft statement of policy, the Planning Board took into account suggestions made at the NSC meeting of June 19, 1958 (see Document 4), the views of several consultants who had met with the Board (see Document 5), and the December 27 report by Milton Eisenhower to the President concerning U.S. relations with Latin America. (Department of State *Bulletin*, January 19, 1959, pages 89–105) (Note from Gleason to the NSC, January 30; Department of State, S/S-NSC Files: Lot 66 D 95, NSC 5902/1)

In a memorandum to the Acting Secretary of State, February 9, summarizing the contents of NSC 5902, Deputy Assistant Secretary Snow stated in part the following:

“The principal differences of emphasis from the 1956 paper [NSC 5613/1] may be summarized as greater recognition of the importance of Latin American attitudes, greater acceptance that Latin American economic development will require an additional flow of private and public capital from the US and greater stress on increased cultural exchanges and informational activities. Recently adopted courses of action, such as the establishment of the Inter-American Bank, are recorded and greater flexibility is given in meeting critical economic problems. Those of Dr. Eisenhower’s recommendations which affect policy, as distinct from projects and operations, are reflected in the paper, although there is perhaps *slightly* more emphasis in this paper on positive, long-range action to encourage democratic forces and less on maintaining cool relations with the few remaining dictatorships.” (*Ibid.*, NSC 5902—Memoranda) Snow noted further that the only unresolved issues in NSC 5902 were 1) the split between the State and Treasury Departments concerning the proposed policy of encouraging Latin American countries to take individual and collective action to limit Communist activities and contacts with the Sino-Soviet bloc, which Treasury believed should be subordinated to maintaining Latin American good will and friendship and 2) the split between the Defense Department and the Bureau of the Budget relative to financing military training in non-MDAP countries.

At its meeting on February 10, the Planning Board discussed suggested changes in NSC 5902 proposed by Milton Eisenhower on February 6. These suggestions were incorporated into a February memorandum from Philip J. Halla to Gordon Gray and subsequently submitted to the Planning Board. (Eisenhower Library, Project Cleanup) As a result of the Planning Board's discussions, it agreed to recommend to the Council revisions in paragraphs 25-a, 27-c-(7), and 37-b of NSC 5902, dealing, respectively, with the Panama Canal Zone, prevention of trade with the Soviet bloc, and the role of private enterprise in benefiting the common people of Latin America. (Record of Meeting of the NSC Planning Board, February 10; Department of State, S/S-NSC Files: Lot 62 D 1) The specific rationale for accepting these changes is contained in a memorandum from Snow to the Acting Secretary of State, February 11. (*Ibid.*, Lot 66 D 95, NSC 5902—Memoranda)

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**10. Memorandum of Discussion at the 396th Meeting of the National Security Council, Washington, February 12, 1959<sup>1</sup>**

[Here follows a paragraph listing the participants at the meeting.]

1. *U.S. Policy Toward Latin America* (NSC 5902; NSC 5613/1; OCB Report, November 23, 1958, on NSC 5613/1; NSC Action No. 1930; NIE 80/90-58)

Mr. Gray requested the Director of Central Intelligence to provide the Council now with that portion of his regular intelligence briefing which dealt with Latin America.

Mr. Allen Dulles in agreeing with this suggestion pointed out to the President that his run-down of developments in Latin America would naturally tend to be gloomy since he would be touching upon trouble spots rather than upon those areas of Latin America where conditions were favorable from the point of view of the United States. Of these trouble spots Mr. Dulles indicated that Cuba was the most worrisome. In Cuba, he pointed out, we were threatened with a partial breakdown of the machinery of government. Thanks to the thoroughness of Castro's recent revolution, there were very few trained government personnel remaining to undertake the routine tasks of administration. While President Urrutia was a good man, he was indecisive.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Prepared by Gleason on February 12.



Accordingly, Castro, who was only thirty-two years old and had no previous experience in government, was obliged to make all the important decisions. Meanwhile labor unrest in Cuba was spreading and this might affect the current sugar harvest. There were also evidences of growing unemployment, a fact which the Communist Party, which was now in the open, would seek to take advantage of. Finally, Castro considers himself the man on horseback, destined not only to liberate Cuba but to liberate all the other dictatorships in Latin America, including Puerto Rico. However, Betancourt in Venezuela and Munoz Marin apparently exerted considerable influence on Castro.

Secretary Anderson interrupted at this point to state that 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 \$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 U.S. Government was going to go in support of the Castro Government.

The President commented that he found it difficult to comprehend how we could do anything to stabilize the Cuban currency until the Government of Cuba itself had become stabilized. Secretary Anderson replied that as far as we knew in the Treasury Department, Cuban finances were not in particularly bad shape if we could rely on their figures. On the other hand, he felt that the President was right as to the requirement for a stabilized government prior to a stabilized currency.

Secretary Dillon expressed the opinion that such matters as Secretary Anderson had brought up could not be decided quickly. They must be gone into very thoroughly. He warned that a financial blow-up in Cuba could very well lead to a blow-up of 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.

Turning to the conflict between Nicaragua and Honduras, Mr. Dulles stated that the regime in Honduras was threatened by a revolt which had been started on Nicaraguan soil. The American Ambassadors in Honduras and Nicaragua were working on the problem. As a result Nicaragua may deport the Honduran rebels working on Nicaraguan soil. If this occurred, the revolt might abruptly end.

In Panama Mr. Dulles pointed out that the Administration was being threatened by political opponents who were preparing for the 1960 elections in Panama. While the opposition to the present Administration was divided, there could be trouble.

From Mexico, continued Mr. Dulles, came certain reports to the effect that Leftists and labor groups might organize demonstrations against the President when he made his forthcoming visit to Mexico. Mr. Dulles doubted whether such demonstrations, if carried out, would amount to very much. The President said that he doubted that he need anticipate any trouble in Mexico. No American visitors have encountered significant trouble in Mexico in the recent past.

In Venezuela Mr. Dulles suggested that there might be some agitation and riots tomorrow when the new President, Betancourt, was to be inaugurated. While Betancourt was very popular in the country as a whole, he was not well thought of by the majority in the city of Caracas.

Mr. Dulles felt that President Frondizi had returned to Argentina strengthened by his recent visit to the United States. While Frondizi is threatened by enemies of his austerity program for Argentina—the only program that can save the country—Mr. Dulles predicted that Frondizi would nevertheless do his best to carry out this program.

Chile was still beset by its traditional problems. It had nevertheless at the present time one of the best governments in the history of the country.

At the conclusion of Mr. Allen Dulles's run-down of recent developments in Latin America, Mr. Gray began to brief the National Security Council on the new draft statement of policy which had been prepared by the NSC Planning Board (a copy of Mr. Gray's briefing note is filed in the Minutes of the Meeting and another is attached to this Memorandum).<sup>2</sup> He pointed out in his briefing note that the Vice President, who was unable to be present at this morning's meeting, found the new draft generally acceptable. The draft had also been submitted to Dr. Milton Eisenhower who had likewise generally approved of it but had made certain specific suggestions for revision. Several of these suggestions had been agreed to by the NSC Planning Board. Other suggestions of Dr. Eisenhower had not found favor with the Planning Board although Mr. Gray stated he would nevertheless in the course of his briefing indicate these revisions as proposed by Dr. Eisenhower.

After briefly noting the main characteristics of NSC 5902 and indicating the views of the Joint Chiefs of Staff with respect to the paper as a whole, Mr. Gray suggested that the Council withhold judgment as to the wisdom of the proposal of the Joint Chiefs of Staff that the paper be returned to the Planning Board for revision, until the Council had had an opportunity to go through the main provisions of the new draft paper. After noting a number of specific new points contained in NSC 5902, many of which followed recommendations by

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<sup>2</sup> Not found.

the Vice President or Dr. Eisenhower, Mr. Gray said he wished to call attention to two split views in the paper which the Planning Board had been unable to resolve and on which he hoped the Council could come to a decision today. The first of these occurred in Paragraph 27—on Page 13 reading as follows:

“To the extent feasible [taking into account the need to maintain a spirit of partnership and equality, and also the U.S. policy of expanding U.S.-Soviet bloc exchanges and encouraging the selective expansion of Free World-Soviet bloc exchanges,]<sup>3</sup> encourage individual and collective action by the other American Republics against Sino-Soviet bloc influence and Communist or other anti-U.S. subversion, including:”

After explaining to the best of his ability the nature of the disagreement about the above-mentioned sub-paragraph and noting that the bracketed language had been proposed for insertion by the representatives of Treasury, Budget, and the Joint Chiefs of Staff, Mr. Gray called on Secretary Anderson to elaborate, if he wished, on the reasons why the Treasury felt it desirable to include the bracketed language.

Secretary Anderson commenced by stating that he realized that the problem set forth in this paragraph was essentially a matter falling under the jurisdiction of the State Department. He nevertheless wanted to explain the Treasury point of view. He called attention to the fact that the U.S. Government, in dealing with this problem, was in the habit of differentiating between what we say for propaganda purposes and what we actually do in the matter of encouraging exchanges and trade between the U.S. and the Sino-Soviet Bloc. Whatever we may say for propaganda purposes, we decide on exchanges and trade with the Bloc on a case by case basis. However, as long as we continue to take this kind of propaganda stance and at the same time try to dissuade our Latin American friends from similarly engaging in exchanges with the Soviet Bloc, they will inevitably feel that we are talking down to them. Moreover, there are occasions when, for instance, the Russian offer to take Brazilian coffee (even though the Russians do not drink much coffee), such transactions take a burden off of the United States.

Secretary Dillon said he still believed it would be best if the bracketed language proposed by Treasury, Budget, and the Joint Chiefs of Staff were deleted. We in the State Department did recognize that there was some inconsistency with respect to our policy on exchanges between Latin American countries and the countries of the Soviet Bloc. Nevertheless, ever since the Caracas meeting it has been basic U.S. policy to stress the danger of Communism in the Latin American countries. We have always felt that Latin Americans were

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<sup>3</sup> Brackets in the source text.

insufficiently aware of the dangers of international Communism so that if we were to let down all barriers to exchanges between the Latin American countries and countries of the Soviet Bloc, the Latin American countries would go far beyond our own restrained program governing such exchanges. For these reasons we in the State Department feel that we should continue to discourage too free a policy of exchanges by the Latin American Republics.

There was yet another reason, said Secretary Dillon, which supported the deletion of the proposed language; namely, the existence in the earlier portions of the paper of language stressing the desire of the U.S. for an expression of partnership and equality among the Latin American Republics. Secretary Dillon felt that this kind of guidance belonged where it was found under the section headed General Guidance rather than in the specific guidance concerning the threat of Communism in Latin America.

Turning to the matter of trade between the Latin American Republics and the Soviet Bloc, Secretary Dillon emphasized that the present paper already contains a considerable revision of our previously more stringent objective of preventing such trade as dangerous (Paragraph 27-a-(7)). In addition to this revision in favor of encouraging larger trade between the Latin American countries and the Sino-Soviet Bloc proposed by the Planning Board there had been a further revision in the same direction as a result of suggestions made by Dr. Eisenhower. Thus while we may have gone too far in the past in trying to prevent trade in such surplus Latin American products as coffee and cocoa, these restrictions have been considerably eased in NSC 5902. Accordingly, this matter no longer seemed to Secretary Dillon to be a real issue. Still more to the point was the fact that the U.S.S.R. had only three embassies in Latin America; namely, in Montevideo, Buenos Aires, and Mexico City. All three of these were lively centers of espionage and propaganda and we hope that we can prevent the establishment of Soviet embassies in any other Latin American countries. Mr. Allen Dulles commented that a Soviet embassy might well be re-established in Cuba.

With respect to the problem raised by Paragraph 27-c and the proposal of the Treasury, Budget, and the Joint Chiefs of Staff to include the bracketed language, the President observed that the problem seemed to be related chiefly to methods of operation and implementation. He felt that it would be a pretty slick and sensitive matter to carry out the injunction in Paragraph c to try to encourage action by the other American Republics against Communist or Sino-Soviet Bloc influence. It could be successfully done if the operators knew how to operate but the U.S. has often been criticized in the past for taking on a superior attitude on such matters. It is this, said the President, that worried him.

Mr. George Allen said there was yet another aspect of the problem of restricting the influence of Communism in the Latin American Republics which had not yet been mentioned. In a number of instances when Latin American musicians, scientists and the like were invited to visit the Soviet Union, they came to us and asked us whether they should accept such invitations. Moreover, they went further and asked whether, if they accepted a Soviet invitation, the U.S. would subsequently refuse to provide them with a visa to visit the U.S. Indeed, one of the main reasons for Latin American anger against the U.S. was the feeling that we treated Latin Americans with condescension. Accordingly, Mr. George Allen said, he was inclined to go along with Secretary Anderson's suggestion that the U.S. should not continue to have a double standard with respect to exchanges between Free World countries and the Sino-Soviet Bloc.

The President said that he understood Mr. Allen's remarks and added that we flatter ourselves that we are more sophisticated than our Latin American neighbors which of course presented a problem as to how we can discourage exchanges between Latin American countries and the Sino-Soviet Bloc without seeming to assume a superior attitude. For these reasons, the President said he believed that we should insert in this part of the paper a clear directive which would state that efforts to encourage action by the other American Republics against Communist influence would have to be approved by the Latin American desk in the State Department. In fact, continued the President, this whole matter was so tricky that it almost required a handbook of directions in order to be successfully carried out. Secretary Dillon stated his agreement with the President's point. The President added that the essence of the problem was how we carried out the guidance against Communism in Paragraph 27-c without giving offense to our Latin American friends and without doing more harm than good to ourselves.

Mr. Allen Dulles commented that the language seemed to him a little strong and indicated that President Frondizi had personally asked Mr. Allen Dulles what he, Frondizi, should do about Communism in Argentina. The President again called for a statement containing very precise guidance on procedures for encouraging action by the other Latin American Republics against Soviet and Communist influence. Mr. Allen Dulles added the point that we had in the past very often given very detailed guidance to Latin American Governments on this point.

The Director of the Bureau of the Budget then suggested that he might have a solution. Could we not drop the present bracketed language in Paragraph 27-c and substitute for it more general language such as "taking into account other related U.S. policies"? This might avoid the risk of alienating our Latin American friends by too much

rigidity or too great pressure. The President, however, felt that the language proposed by Mr. Stans was still somewhat too weak and suggested instead language to the effect that we should encourage action by the other American Republics against Sino-Soviet Bloc and Communist influence under methods of procedure which would be prescribed by the State Department for operations in this field. The President again stressed the need for the opinions of experts and specialists in dealing with this problem.

Secretary Dillon said that the State Department would agree to such an approach as this and insisted that we did not wish to be in a position of preaching to our Latin American neighbors. On the other hand, he thought the problem which was being discussed was essentially a matter of operations rather than of policy although he could see no objection to putting in a directive along the lines suggested by the President to insure the compliance of the operators. The President cited various past experiences in support of his argument and again stressed the vital necessity to avoid giving rise to injured feelings by the other American Republics. Mr. Gray pointed out that in due course the Operations Coordinating Board would prepare an operational plan to carry out the policies agreed to by the Council on Latin America and that perhaps this OCB operational plan would be the best place to cover the President's point about a directive to the operators with respect to the problem of Paragraph 27-c. The President, however, still insisted that the problem was primarily a matter for the State Department and he wanted the responsibility clearly placed on the Department of State. Mr. Gray indicated that he would work out language which would meet the President's point.

At this juncture Secretary Anderson asked permission to have the floor. He stated that almost from the beginning of its existence the Export-Import Bank had as a matter of policy steadfastly declined to make loans to newspapers, radio stations, television stations, and other opinion-forming enterprises in Latin America. Secretary Anderson said he felt that was an incorrect policy on the part of the Export-Import Bank and as a result of it very few American nationals were now engaged in publishing newspapers or other such activities in any of the Latin American countries. The vacuum had been filled by the nationals of other countries. He therefore asked whether we should not change the policies of the Export-Import Bank to permit the Bank to lend money to U.S. nationals desiring to enter into the newspaper or radio field in Latin America.

The President said that he agreed with the view expressed by Secretary Anderson. Secretary Dillon added the view that if policy-makers are in agreement on the desirability of loans to such enterprises, the policies of the Export-Import Bank should not stand in the way.

At this stage Mr. Gordon Gray asked the President's permission to quote Scripture illustrating the dilemma which had been posed by the problem of the U.S. desire on the one hand to treat other American Republics on a basis of partnership and equality in the matter of exchanges with the Sino-Soviet Bloc and on the other hand the U.S. desire to encourage the other American Republics to take action against Communist influence. He then read St. Paul's Epistle to the Romans, Chapter 14:21 reading as follows: "It is good neither to eat flesh, nor to drink wine, nor any thing whereby thy brother stumbleth, or is offended, or is made weak."

Thereafter, Mr. Gray asked permission to turn to the second split view in NSC 5902 occurring in Paragraph 53 on Page 27 and reading as follows:

"53. Provide adequate quotas for qualified personnel for training in U.S. armed forces schools and training centers.

*Majority*

"Seek appropriate legislative authority to permit the military assistance program to bear the complete cost of training military personnel of all Latin American countries in U.S. armed forces schools and training centers.

*Budget*

"Seek, as appropriate, new legislative authority to facilitate provision of the training authorized by para. 45-a.

"Encourage Latin American states to fill their authorized quotas at the three Service Academies."

He explained that the Majority opinion believed that such legislation was necessary to cover situations where there was no bilateral agreement with a country which we may desire to assist with training so that a special Presidential determination was necessary. On the other hand, the Budget Representative had pointed out that while this problem affected Latin America primarily, it also applied to certain other situations such as Burma and might be better treated in our statement of Basic National Security Policy. He then called on Mr. Stans who said that the essential issue was simple and that this particular Latin American paper was the wrong forum for handling such matters. They should instead be handled by the Mutual Security Steering Group. He therefore favored deletion of both the Majority and the Budget version although if some language still seemed to be needed he would prefer the Budget version.

The President inquired whether it had not long been our practice to provide special inducements to Latin American officers to study at our U.S. Service Academies and training centers. If this were not the case the President thought that we should certainly provide such special inducements and privileges.

Secretary Dillon said that the State Department's only objection to the Budget version of Paragraph 53 was that it limited the provision of training of Latin American military personnel to the kind of training prescribed in Paragraph 45-a; namely, the training necessary to assist the Latin American armed forces to carry out measures related to hemispheric defense. Secretary Dillon, on the other hand, believed that the criteria for training Latin American military personnel in the U.S. Service schools should be broader than that suggested in Paragraph 45-a. Such training might well be offered for political rather than for strictly defense reasons. Mr. Stans said he did not disagree with the point made by Secretary Dillon.

After further discussion the President turned to General Twining and asked how the expense for the training of Latin American personnel in U.S. Service schools was absorbed. The President said he would like to see the several U.S. Military Services take all of this in hand, and pay for everything except the board bills and the transportation of the Latin American personnel. He would ask for funds to accomplish this in authorization bills for the Department of Defense.

Mr. Gray then proposed substitute language for the two versions of Paragraph 53 running as follows: "Seek, as appropriate, new legislative authority to facilitate such training." The Council agreed to accept Mr. Gray's proposal.

Mr. Gray then asked the President's permission to run through briefly the suggestions for changes in NSC 5902 which had been proposed by Dr. Milton Eisenhower but which the NSC Planning Board had found it impossible to accept. The first of these, he said, related to the problem of non-intervention with particular respect to Paragraphs 21-a and -b on Page 8 reading as follows:

*"21. Exceptions to Non-Intervention*

a. In the event of threatened or actual domination of any American state by Communism, promote and cooperate through the OAS in the application of measures available under the Treaty of Rio de Janeiro to the extent necessary to remove the threat to the security of the hemisphere, taking overt unilateral action only as a last resort.

*[paragraph 21-b (7½ lines of source text) not declassified ]*

*[1 paragraph (8 lines of source text) not declassified]*

*[18½ lines of source text not declassified]* The President indicated his acceptance of language of the sort proposed by Secretary Anderson. General Twining also signified his agreement and said that Paragraphs 20 and 21 of NSC 5902 illustrated some of the "inconsist-



encies" which the Joint Chiefs of Staff had found fault with in their comments on this report. After further brief discussion the President suggested the language which seemed to be appropriate to him to cover Paragraphs 21–a and –b which language is set forth in the action which followed the Council consideration of this paper.

Mr. Gray then turned to the second of the suggestions made by Dr. Eisenhower which the Planning Board had felt unable to accept. This was Dr. Eisenhower's feeling that the U.S. should do everything that it could to encourage Latin American countries to divert every available resource to economic development except for the minimum sums needed to maintain military forces for internal security purposes only.

Mr. Gray indicated that the Planning Board, while generally sympathetic to the substance of Dr. Eisenhower's view, felt that his language was too restrictive and therefore preferred the language of the paper as set forth in Paragraph 44 Page 24. This latter paragraph reflected the view that Latin American countries would have a role to play in hemisphere defense and that in any case they will maintain military forces whatever representations the U.S. made to them.

The President said he believed that the most satisfactory solution would be maintenance by the Latin American Republics of the minimum levels of military forces agreed upon by the U.S. and the Latin American Republics which sought our assistance in maintaining military forces. He again expressed the view that this was likewise an example of an excess of caution by his brother and that no revision was really required to meet his point.

Mr. Gray next turned to Dr. Eisenhower's belief that if there were to be U.S. military assistance to Latin American states, such military assistance should not be extended to dictatorships. Mr. Gray pointed out that the majority of the Planning Board, while again sympathetic to the motives underlying this comment, felt that such a policy could not be applied solely to Latin America and that it would create serious problems if this were applied world-wide. For this and for other reasons the Planning Board favored the existing language.

The President commented that in respect to this problem, the policy statement should at least contain a word of caution with regard to the extension of U.S. military assistance to Latin American dictatorships. We could at least drag our feet in extending such assistance and besides considering the effect in Latin America of extending U.S. military assistance to dictatorships, we have to consider the effect of such action on our American domestic opinion. Mr. Gray read other portions of the paper, particularly Paragraph 22–b which the majority of the Planning Board believed sought to meet the point raised by Dr. Eisenhower and to counter any impression that the U.S. favored dictatorships, whether of the Right or Left. Mr. Gray went on to point out

and to cite figures indicating that at the present time the U.S. was giving only negligible military assistance to the two or three dictatorships still in existence; namely, Paraguay, the Dominican Republic, and perhaps Nicaragua. Mr. Gray pointed out that we were providing such assistance to the Dominican Republic because we had a missile-tracking station in that country and the military assistance was essentially (as was the case in Brazil) a quid pro quo for permission to maintain a missile-tracking station.

The President asked why it was essential that a missile-tracking station be maintained in the Dominican Republic. Could we not construct such stations in the Virgin Islands, in Puerto Rico, or in other such areas? Secretary Quarles replied that the missile-tracking site in the Dominican Republic had been very carefully surveyed before it was built and that there were sound technical reasons for the construction of the station in the Dominican Republic. The other areas noted by the President as suitable for such stations were also being used.

Secretary Dillon brought the discussion back to the general point and explained that the State Department felt that in the matter of dealing with dictatorships, it was important for the U.S. to maintain an adequate degree of flexibility, inasmuch as many of the governments of many of the Latin American countries were subject to frequent change. While he did not want a hard and fast prohibition against providing military assistance to any dictatorship in Latin America, he would have no objection to cautionary language with respect to such deals. Mr. George Allen commented that it was often thought that there were both good and bad dictatorships in the world.

After agreement on the introduction of a cautionary statement in the matter of extension of U.S. military assistance to dictatorships, Mr. Gray briefly summarized the remaining points on which Dr. Eisenhower had made suggestions. He indicated that the Planning Board had taken account of certain of these suggestions but that it believed that in the matter of providing for additional flow of external private and public capital, the Planning Board believed that the language set forth in Paragraph 38 on Pages 19-21 provided adequate guidance to U.S. Government agencies. As to Dr. Eisenhower's doubts as to whether the amounts of economic assistance of various types, projected in the Financial Appendix, were of sufficient magnitude, the Planning Board had pointed out that the proposed Inter-American Development Banking Institution would provide a new and additional means for increased economic development in the hemisphere. The President did not press for the inclusion of Dr. Eisenhower's views on these issues.

Mr. Gray stated that these were all the points which he felt it necessary to raise and asked if Secretary Dillon or General Twining had any other points to make. Secretary Dillon said he thought the

language in the paper was adequate while General Twining expressed the opinion that many of the revisions made in the paper during the course of the discussion had met the complaints of the Joint Chiefs of Staff in their written views. The Joint Chiefs he said had called for U.S. competition with the U.S.S.R. in Latin America. They believed that our attitude toward Communism in Latin America was too negative as apparently Dr. Eisenhower had also thought.

At the end of the discussion Mr. Gray announced that he would undertake to make certain revisions in the text of NSC 5902 as suggested at the meeting after which it would be possible to determine whether or not the paper as a whole needed to come back to the Council for another look.

*The National Security Council:*<sup>4</sup>

a. Discussed the draft statement of policy on the subject contained in NSC 5902, and revisions thereto subsequently proposed by the NSC Planning Board in the light of the views of the Joint Chiefs of Staff thereon, as presented at the meeting, and an oral briefing by the Director of Central Intelligence on current developments in certain Latin American countries.

b. Adopted the statement of policy in NSC 5902, subject to the following amendments:

(1) *Page 8, paragraph 21-a:* Place a period after the word "hemisphere" and add the following sentence: [*quoted sentence (23 words) not declassified*]

(2) *Page 8, paragraph 21-b:* Revise to read as follows: [*1 paragraph (7½ lines of source text) not declassified*]

(3) *Page 11, paragraph 25-a:* Add the following words:

" ; seeking positive means of diverting Panamanian attention from the Canal problem to economic development."

(4) *Page 13, paragraph 27-c:* Delete the bracketed words and the footnote thereto and insert in place thereof the words "and under methods and procedures that are prescribed by the Department of State of guide personnel operating in the field,".

(5) *Page 14, paragraph 27-c(7):* Add the following sentence: "Within these limitations, normally refrain from discouraging Latin American countries from trading non-strategic surplus commodities to the European Soviet bloc for consumer goods or other products they can use."

(6) *Page 25, paragraph 45:* Add the following sub-paragraph:

"d. In making military equipment and training available to Latin American countries, take into account the provisions of paragraph 22-b relative to the type of Government involved, exercising caution in the provision of such assistance to dictatorships."

<sup>4</sup> Paragraphs a-c and the Note that follow constitute NSC Action No. 2046.

(7) *Page 27, paragraph 53*: Delete the alternative versions of the second sentence and substitute therefor the following: "Seek, as appropriate, new legislative authority to facilitate provision of such training to personnel from all Latin American countries."

c. Requested the Director, Office of Civil and Defense Mobilization, to undertake in coordination with other interested agencies, including the Departments of State and Defense, a special study to identify the potential contribution of Latin American resources, production and skills to U.S. recovery following a nuclear attack; reporting to the Council any policy recommendations found appropriate or necessary.

*Note*: NSC 5902, as amended by the action in b above, subsequently approved by the President; circulated as NSC 5902/1 for implementation by all departments and agencies of the U.S. Government; and referred to the Operations Coordinating Board as the coordinating agency designated by the President.

The action in c above, as approved by the President, subsequently transmitted to the Director, Office of Civil and Defense Mobilization, for implementation.

[Here follow agenda items 2) "Significant World Developments Affecting U.S. Security," and 3) "U.S. Policy Toward Germany."]

**S. Everett Gleason**

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## 11. National Security Council Report<sup>1</sup>

NSC 5902/1

*Washington, February 16, 1959.*

### STATEMENT OF U.S. POLICY TOWARD LATIN AMERICA<sup>2</sup>

#### Introduction

1. Latin American plays a key role in the security of the United States. In the face of the anticipated prolonged threat from Communist expansionism, the United States must rely heavily on the moral and political support of Latin America for U.S. policies designed to counter

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<sup>1</sup> Source: Department of State, S/S-NSC Files: Lot 62 D 1, NSC 5902 Series. Secret. A title sheet, a February 16 transmittal note by Lay, and a table of contents are not printed. NSC 5902/1 was approved by the President on February 16, superseding NSC 5613/1.

<sup>2</sup> Except as specifically stated herein, this statement of policy does not apply to dependent overseas territories of European powers. [Footnote in the source text.]

this threat. A defection by any significant number of Latin American countries to the ranks of neutralism, or the exercise of a controlling Communist influence over their governments, would seriously impair the ability of the United States to exercise effective leadership of the Free World, particularly in the UN, and constitute a blow to U.S. prestige. Apart from the Communist threat, the long term security of the United States requires the maintenance of harmonious relations with the other American Republics, whose rapidly growing population and expanding economies will make them of increasing importance.

2. Latin America is and must be dealt with primarily as an underdeveloped area. Its peoples' aspirations for higher living standards, more industrialization and popularly-based governments are rising more rapidly than they are being satisfied. Although the area as a whole has averaged an encouraging annual rate of growth of over 4 percent in gross national product, much of the gain is offset by the explosive growth of population—the Free World's highest—which it is estimated will increase Latin America's population of approximately 190 million at present to some 500 million by the year 2000. Growth in per capita gross national product has been on the order of 2–2.5 percent, but is unevenly distributed so that in many areas urban living standards are showing a tendency to stagnate. Despite a recent general trend away from dictatorships, the area generally has not yet established stable, representative governments or orderly constitutional processes. Discontent with the rate of economic and political progress is basic to present Latin American attitudes toward the United States.

3. Latin Americans look to the United States for encouragement and concrete support for the achievement of their economic and political objectives. Strongly nationalistic, they focus their interests on their own internal problems. Their responsiveness to U.S. leadership in world affairs is conditioned more by their assessment of the degree of positive interest in these objectives than by their own appreciation of the threat of Sino-Soviet power or of Communist infiltration, which they tend to view as remote from their affairs.

4. A key problem in U.S.-Latin American relationships is psychological. Latin American attitudes towards the United States have deteriorated somewhat from the high point achieved during World War II. Contributing to this are: the feeling of Latin Americans that the United States has neglected them while devoting attention and resources to more distant areas in order to combat Communism, the tendency of Latin Americans to shift to the United States the blame for lack of satisfactory progress, and the growth of nationalism characteristic of underdeveloped areas but especially directed towards the United States in Latin America because of the U.S.'s dominant economic, military and political position in the hemisphere. A series of misconceptions about the United States and its policies have gained currency

and constitute a serious impediment to better relations. As a result, what we do may be no more important to the achievement of our objectives than how we do it.

5. Nevertheless the situation in Latin America is more favorable to attainment of U.S. objectives than in other major underdeveloped areas. Alone of the underdeveloped areas, it shares our Western cultural, religious, and historical heritage and emerged from European colonialism over a century ago. None of the Latin American nations faces an immediate threat of overt Communist aggression or takeover. Consequently, in comparison with other underdeveloped countries, defense and internal security need not constitute as great a charge on Latin American energies and resources, leaving them relatively more free to concentrate constructively on strengthening their economies and political institutions.

6. On the other hand, we must reckon with the likelihood of a much more intensive Bloc political and economic effort in Latin America. The Communists have at present limited capabilities there, but are utilizing their resources vigorously and intelligently. Their immediate objectives are to disrupt friendly relations with the United States and to promote neutralist foreign policies. Latin American Communist parties have sought with mixed success to de-emphasize their revolutionary aims and to align themselves and work with all elements actually or potentially hostile to the United States in an effort to influence Latin American governments to disengage themselves from U.S. leadership. At the same time, the Sino-Soviet bloc is complementing the efforts of the local Communist parties by a growing economic, cultural, and propaganda effort designed to hold out inducements for a more impartial position in East-West affairs and to portray the United States as the major obstacle to Latin American progress. The effective countering of this effort, by constructive policies as well as by more direct anti-Communist measures, must be an increasingly important element of U.S. Latin American policies.

### Objectives

7. Greater friendship, mutual respect and sense of interdependence among governments and peoples of the American Republics.

8. Greater Latin American understanding and support of U.S. world policies as well as greater recognition of the constructive U.S. interest in Latin American aspirations.

9. Sound and growing economies capable of providing rising living standards within the general framework of a free enterprise system.

10. Increased flow of U.S. and other Free World investment capital to Latin America, and increased trade among Latin American countries and between them and the United States and other Free World countries.

11. Evolutionary development of democratic governments supported by stable political, economic and social institutions compatible with, though not necessarily identical with, those of the United States.

12. Maximum limitation of Communist and Sino-Soviet bloc influence and greater awareness of the nature and threat of international Communism in Latin America.

13. Latin American participation in and support of measures to defend the hemisphere under U.S. leadership.

14. Adequate production of and access to resources and materials essential to U.S. security and identification of such resources and skills as may be capable of making a significant contribution to U.S. recovery in the event of nuclear attack.

15. Emergence of Latin America as a strong component part of the Western community of nations.

16. Further development of Western Hemisphere regional cooperation for the maintenance of peace, regional security and economic and social advancement.

### Policy Guidance

#### *General*

17. Recognize that, as seen by the Latin Americans, the role and responsibility of the United States is to provide leadership and assistance within a framework of hemispheric partnership which will assist Latin America to achieve political and socio-economic development and sound institutions.

18. Conduct U.S. relations with Latin America in full recognition that pride, disparities of power and standards of living between the United States and Latin America, population pressures, dependence on one-commodity economies and U.S. markets, and opportunities for assistance from the Soviet bloc, are important factors, among others, influencing the present dominant Latin American attitude that the United States should assume a greater measure of responsibility in assisting Latin America toward its goals.

19. a. When feasible and possible, associate U.S. policies with the legitimate aspirations of the Latin American peoples and states, and seek to assure that they contribute, insofar as possible, to better Latin American attitudes toward the United States.

b. In the conduct of relations with Latin America, reflect acceptance by the United States of a spirit of partnership and equality among the American Republics and a sympathetic understanding by the United States of the special problems and interests of Latin America, especially when these differ from our own.

### *Political*

20. *Non-Intervention Policy.* Continue to adhere to the policy of not intervening unilaterally in the internal affairs of the other American Republics.

[*paragraphs 21-a and 21-b (16½ lines of source text) not declassified*]

### 22. *Recognition.*

a. Recognize all Latin American governments qualifying for recognition under the accepted criteria of international law (unless a substantial question should arise with respect to Communist control).

b. Maintain correct diplomatic and other relations with all recognized governments. Where possible, give special encouragement to those governments which have a genuinely popular base and are effectively striving towards the establishment of representative and democratic governments. Seek to counter any impression that the United States favors dictatorships, either of the right or the left.

### 23. *Hemispheric Solidarity.* Strengthen hemisphere solidarity by:

a. Strongly supporting and strengthening the OAS, utilizing it whenever feasible as a principal means of achieving our objectives and as a major forum for multilateral discussions of political and economic questions affecting the hemisphere.

b. As may be appropriate, seek to bring the Inter-American Defense Board into closer relationship with the Council of the OAS and to utilize the Advisory Defense Committee of the OAS.

c. Obtaining greater understanding and acceptance by Latin American countries of the inter-relationship of the security of the Western Hemisphere and the security of other areas of the Free World.

d. Maintaining close liaison with the other American Republics with a view to maintaining their support for the U.S. position on key issues arising in the United Nations affecting the security of the Free World, but: (1) refraining from placing heavy pressure on Latin American governments on less important issues, and (2) recognizing the differences between the position of the United States and of most Latin American states on issues concerning economic assistance to underdeveloped areas, intervention, and colonialism, among others.

e. Consulting with Latin American states, whenever possible, before taking actions which will affect them or for which we wish their support.

f. Promoting with appropriate Latin American leaders close personal relationships and encouraging reciprocal visits by appropriate high government officials and distinguished personages.



g. When feasible, bringing Canada, Puerto Rico (and, as it gains greater autonomy in foreign affairs, the West-Indian Federation) into closer relationship with the inter-American system.

24. *Maintenance of Peace within the Hemisphere.* Take all practicable measures, within the limitations of the non-intervention policy, to prevent armed conflicts between states in the Western Hemisphere:

a. Encourage and support actions by the OAS designed to solve peaceably disputes involving, or likely to involve, armed conflict between American states.

b. Insist that, in accordance with the UN Charter, the OAS has priority of responsibility over the UN Security Council with respect to threats to peace arising among the American Republics.

c. Assist American states resisting pressures from their neighbors, when such pressures are inimical to U.S. interests and to the peace of the hemisphere.

d. Fulfill U.S. obligations in conjunction with Brazil, Argentina, and Chile as co-guarantor of the Peruvian-Ecuadoran boundary; work toward a peaceful settlement of the Nicaraguan-Honduran boundary dispute; and seek to prevent other boundary and territorial disputes from developing into threats to the peace and/or a justification for the maintenance of armaments by the disputants.

25. *Canal Zone and Three-Mile Limit.*

a. Maintain in force all the rights, power and authority granted the United States by the Convention of 1903 with Panama, as the basic treaty covering the status of the Canal Zone; seeking positive means of diverting Panamanian attention from the Canal problem to economic development.

b. Unless and until other criteria are accepted, refrain from giving juridical or de facto recognition to claims by Latin American governments to sovereignty beyond the three-mile limit and endeavor to obtain support for or acquiescence in the U.S. position.

26. *Colonialism.*

a. Encourage acceptance and implementation by the interested European states of the principle that dependent and colonial peoples in this hemisphere should progress by orderly processes toward an appropriate form of self-government.

b. When disputes between American and non-American states over dependent territories cannot be settled by direct negotiations, encourage peaceful settlements by other methods available to the parties.

27. *Communism.*

a. Seek to create greater awareness of the specific threats posed to Latin America as well as to world security by Communism by (1) exposing, [1 line of source text not declassified] the activities of local Communist parties and of the Soviet bloc as they relate to Latin

America; and (2) carrying out, as appropriate, a prudent exchange of information with Latin American governments on Communist and Communist bloc activities.

b. Obtain maximum recognition by those states which have ratified Resolution 32 of the Ninth Inter-American Conference at Bogota and/or Resolution 93 of the Tenth Inter-American Conference at Caracas<sup>2</sup> of their continuing obligations under these articles with respect to Communism.

c. To the extent feasible and under methods and procedures that are prescribed by the Department of State to guide personnel operating in the field, encourage individual and collective action by the other American Republics against Sino-Soviet bloc influence and Communist or other anti-U.S. subversion, including:

(1) Adoption and enforcement of adequate laws to control Communist activities.

(2) Restriction on the entry, production, and dissemination of Communist and bloc information and propaganda material.

(3) Restriction on the admission to Latin American countries of identified Communists and of individuals or groups from the bloc when the intent is to raise the prestige of Communism and the Communist countries.

(4) Limitation of trips by Latin American nationals to bloc countries and to Communist international front meetings.

(5) Prevention of the opening of new diplomatic and consular establishments by bloc countries and limitation on the size of the staffs and the activities of existing establishments.

(6) Prevention of direct or indirect trade in strategic materials with the Sino-Soviet bloc.

(7) Prevention of trade with the bloc (a) on prejudicial terms, or (b) at levels or in fields which would create damaging dependence on the bloc or result in a significant bloc influence over the international actions of the country. Within these limitations, normally refrain from discouraging Latin American countries from trading non-strategic surplus commodities to the European Soviet bloc for consumer goods or other products they can use.

(8) Rejection of bloc aid in sensitive areas and exclusion of bloc specialists and technicians.

28. *Sanction Against Close Bloc Ties.* If a Latin American state should establish with the Soviet bloc close ties of such a nature as materially to prejudice our interests, be prepared to diminish or suspend governmental economic and financial cooperation with that country and to take any other political, economic or military actions deemed appropriate.

29. *National Leaders.* Increase efforts to influence present and potential political, military and labor leaders, journalists, radio commentators, educators, and others exercising substantial influence over the opinion-forming process.

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<sup>2</sup> See Annex A. [Footnote in the source text. Annex A is not printed.]

30. *Moderate Leftists.* Utilize, as appropriate, the potential of moderate elements of anti-Communist leftist and/or nationalist political and labor movements and other groupings as a means of limiting and countering Communist influence.

31. *Opposition Elements.* Maintain contact with elements of the opposition to recognized governments to the extent and at a level which (a) will not seriously impede the achievement of U.S. objectives through the recognized government; (b) will not associate the United States with efforts to overthrow recognized governments by unconstitutional means; or (c) will not create an impression that the United States supports or condones the establishment of authoritarian regimes, either rightist or leftist; these limitations not necessarily to apply to a country in which there is a reasonable expectation that the government will act in the interest of Communism.

32. *Intellectuals and Students.* Devote increased attention to the development of attitudes favorable to U.S. policy objectives among the Latin American teaching profession, students and intellectuals by such means as (a) exchange programs specifically designed to influence attitudes in educational systems; (b) cultural, sports and information programs specifically planned to enhance U.S. prestige among such groups; (c) encouraging private U.S. organizations capable of increasing their efforts in these and related fields; and (d) encouraging other Free World governments, groups and individuals to supplement U.S. efforts in these respects.

33. *Labor.*

a. Encourage non-Communist labor organizations.

b. Encourage U.S. labor organizations to carry out sound programs designed to strengthen free labor in Latin America.

c. Encourage and support the training of anti-Communist labor leaders in the United States and other countries of the hemisphere.

d. Encourage, as may be appropriate in individual countries, the activities of the *Organizacion Regional Inter-Americana de Trabajadores* (ORIT) and other Free World labor organizations.

e. In the employment of local labor by the U.S. Government pursue exemplary labor practices and encourage such practices on the part of private U.S. employers.

f. Encourage Latin American countries to increase incentives tending to influence labor toward a democratic system based on free enterprise.

g. As may be appropriate, encourage and/or conduct labor information activities designed to counteract Communist infiltration in labor organizations and to assist them in learning the purposes and methods of free trade union organization.

*Internal Security*

34. Proceed as feasible in selected countries with the implementation of the program for strengthening the capabilities of the local public safety forces and activities necessary to maintain internal security and to render ineffective the Communist apparatus, but take into account the dangers of U.S. association with local public safety forces which adopt extra-legal and repressive measures repugnant to a free society.

*Economic*

35. *Technical Assistance.* Strengthen and program, on a longer term basis, technical cooperation; provided, always, that each recipient country has a genuine interest in and desire for our participation in programs undertaken by it, and that our participation makes a contribution toward the achievement of our foreign policy objectives commensurate with its cost. Within these policy limits, increase specialized training of Latin Americans in host countries, the United States, including Puerto Rico, and third countries.

36. *Trading Policies.* In order to expand inter-American trade:

a. Make every effort to maintain stable, long-term trading policies and avoid, to the maximum extent possible, restrictive practices which affect key Latin American exports to the United States.

b. Work toward a reduction of tariff and other trade barriers with due regard to total national advantage.

c. Encourage those American Republics which are not now members of GATT to accede to GATT and to negotiate reductions of trade barriers within the GATT framework.

d. Demonstrate U.S. concern for the commodity problems of Latin American nations. In an effort to find cooperative solutions, be prepared to discuss and explore possible approaches to such problems in accordance with U.S. policy on international commodity agreements.

e. Encourage and endorse the establishment of customs unions or free trade areas in Latin America which conform to GATT criteria.

f. Be prepared to endorse proposals for regional preference arrangements which do not conform to GATT criteria, if consistent with over-all foreign economic policy.

37. *Economic Development.* Recognizing the sovereign right of Latin American states to undertake such economic measures as they may conclude are best adapted to their own conditions, encourage the Latin American nations:

a. To make maximum contribution to their own economic development.

b. To base their economies on a system of free private enterprise adapted to local conditions.

c. As far as practicable, to curtail diversion of public funds to uneconomic state-owned industries.

d. To take all feasible steps to create a political and economic climate conducive to private investment, both foreign and domestic.

e. Where appropriate, to diversify their economies on a sound basis.

38. Recognizing that Latin American economic development will require an additional flow of external private and public capital:

a. Encourage Latin American countries to look to private capital and international lending institutions as major sources of external capital for development, negotiating wherever feasible (1) suitable income tax agreements designed to reduce obstacles to international trade and investment and to give recognition to tax incentives offered by Latin American countries, (2) investment guarantee agreements, and (3) where needed, Treaties of Friendship, Commerce and Navigation.

b. Be prepared to extend public loans which are consistent with relevant U.S. loan policy considerations, seeking by the use of appropriate U.S. Government lending institutions to make a substantial flow of capital available for Latin American economic development, to alleviate balance of payments crises, and to stimulate economic reforms.

c. Facilitate as appropriate favorable consideration of applications to international institutions for credits consistent with U.S. loan policies and support the approval of such applications by the Boards of these institutions.

d. Encourage efforts by international lending institutions to bring about desirable financial and economic reforms.

e. Cooperate with the Latin American countries to establish at an early date an Inter-American Development Institution which will seek to collaborate with other development institutions and sources of public and private capital with a view to expanding the resources for financing economic development. Support incorporation in it of a highly qualified technical staff capable of assisting Latin American countries in development planning and with preparation and engineering of development projects.

f. Be prepared to extend limited amounts of special economic assistance on a grant or loan basis in those exceptional circumstances when other means are inadequate to achieve economic and political stability essential to U.S. interests.

g. Encourage other Free World countries to provide capital and technical assistance to Latin America.

h. Continue to assist in the financing of the Inter-American Highway and the Rama Road in accordance with existing agreements and established legislative authority.

39. In carrying out programs involving disposal of U.S. agricultural surpluses abroad:

a. Negotiate with Latin American governments sales of surplus agricultural commodities where appropriate.

b. Give particular attention to the economic vulnerabilities of the Latin American countries and avoid, to the maximum extent practicable, detracting from the ability of these countries to market their own exportable produce.

c. Encourage the use in the purchasing countries of the local currency proceeds of sale for loans for economic development purposes, with particular emphasis on private enterprise.

40. Encourage the use in peacetime of selected Latin American military personnel and units in development projects where such use will not interfere with the capability of the units involved to perform their military missions or to meet the military requirements for which they were organized. Activities along this line may include training and equipping engineer units with construction equipment where such activities will contribute to economic development through the construction of public service projects, including communications.

#### *Informational and Cultural*

41. In addition to lines of action indicated above place special emphasis, as a matter of urgency, on increased U.S. informational and cultural activities designed to:

a. Present the United States as a constructive force cooperating with Latin America on a basis of partnership toward the achievement of a greater measure of political and economic progress.

b. Promote greater understanding and acceptance by Latin American countries and peoples of primary responsibility for progress.

c. Obtain a better mutual understanding by the peoples of Latin America and of the United States of each others' special characteristics and problems.

d. Obtain the cooperation of the American Republics in assuming a large measure of responsibility for promoting better mutual understanding within their own countries through such means as the establishment of national commissions of distinguished citizens to work for these purposes.

42. To the extent feasible encourage U.S. nationals, including business and industry represented in Latin America, to participate broadly in efforts to achieve the purposes of the preceding paragraph.

#### *Military*

43. Assume primary responsibility for hemispheric military operations in the Atlantic and Pacific Oceans and the Caribbean Sea, including the sea and air approaches to the Panama Canal, and seek, in our military and other relations with the states concerned, acceptance of U.S. military control of the defense of these sea areas.

44. a. Encourage acceptance of the concept that each of the Latin American states is responsible for providing, through effective military and mobilization measures, a contribution to the defense of the hemisphere by insuring its internal security and by the defense of its coastal

waters, ports and approaches thereto, bases, strategic areas and installations located within its own territory, and routes of communication associated therewith.

b. In exceptional cases, be prepared to accept participation by a Latin American state in combined operations in support of U.S. military responsibility under paragraph 43 above, where its location and resources make such participation feasible, and where political or hemisphere defense considerations make such a course of action desirable in the interest of the security of the United States.

45. a. Make available to Latin American states, on a grant basis if necessary, the training and minimum military equipment necessary to assist them to carry out the missions relevant to hemispheric defense in the preceding paragraph, except that internal security requirements shall not normally be the basis for grant military assistance.

b. Discourage Latin American governments from purchasing military equipment not essential to the missions in paragraph 44. However, if a Latin American government cannot be dissuaded from purchasing unneeded military equipment, and if it is essential for U.S. political interests, make additional equipment available on a cash, credit or, under extraordinary circumstances, grant basis, if appropriate.

c. In order to be in a position effectively to supply military equipment on a reimbursable basis in accordance with a and b above, make equipment available to Latin American countries on terms which insofar as feasible are sufficiently favorable to encourage the Latin American governments to obtain such equipment from the United States rather than from another source.

d. In making military equipment and training available to Latin American countries, take into account the provisions of paragraph 22–b, relative to the type of Government involved, exercising caution in the provision of such assistance to dictatorships.

46. Encourage, to the maximum extent consistent with the needs and capabilities of each Latin American nation, the standardization along U.S. lines of military doctrine, unit organization and training. Except when it will create undue demand on the United States seek, in the interests of standardization as well as for other reasons, to discourage purchases by Latin American governments of military equipment from other countries, especially Communist countries, primarily by assuring the Latin American countries that we will endeavor to fill their essential requirements expeditiously and on reasonable terms. Where appropriate, seek to prevent other Free World countries from selling military equipment to Latin American states.

47. Seek to develop a conviction that collaboration, including military purchases, by any of the American states with Communist nations would be a serious hazard to all of the nations of this hemisphere.

48. If participation of Latin American military units is required in future extra-continental defense actions, provide logistical support, if necessary without reimbursement, to such forces.

49. Take action as necessary, including military action, to insure the continued availability to the United States of bases and base rights in Latin America that are considered vital to the security of the United States.

50. Seek the continued cooperation of the Latin American states in carrying out the hemisphere mapping program.

51. Continue our active participation in the Joint Military Commissions we have with Brazil and Mexico, and make effective use of the IADB to achieve our military objectives.

52. Foster close military relations with the Latin American armed forces in order to increase their understanding of, and orientation toward, U.S. objectives and policies, and to promote democratic concepts and foster pro-American sentiments among Latin American military personnel.

53. Provide adequate quotas for qualified personnel for training in U.S. armed forces schools and training centers. Seek, as appropriate, new legislative authority to facilitate provision of such training to personnel from all Latin American countries. Encourage Latin American states to fill their authorized quotas at the three Service Academies.

54. Continue, and establish where appropriate, military training missions in Latin American states, countering any trend toward the establishment of military missions, or agencies or individuals with a similar function, other than those of the American Republics.

55. Conduct a special study of the potential contribution of Latin American resources, production and skills to U.S. recovery following a nuclear attack.

[Here follows a 21-page Financial Appendix.]



## Annex B

### GENERAL CONSIDERATIONS

#### I. Importance of Latin America

1. Latin America plays a key role in the security of the United States. In the face of the anticipated prolonged threat from Communist expansionism, the United States must rely heavily in the coming years on the moral and political support of Latin America for its policies designed to counter this threat.

2. Over the next half century, Latin America is likely to play an increasingly important role in world affairs. With a population expected to reach some 500 million by the end of this century and possessing a wide range of undeveloped resources, it represents a large potential of economic and political power. If this potential is realized and applied on the side of the Free World, the capability of the United States and its Western allies to deal successfully with Communist expansionism for an indefinite period will be enhanced. The availability of Latin American resources and political support could be of considerable importance to the military defense of the Free World. But if Latin America fails to progress, the area is likely to become a drain on the energies and resources of the United States.

3. In the coming decade, a significant drift by Latin America away from its traditional alignment with the United States towards a position of "neutralism" would profoundly alter the world political balance to the disadvantage of the United States. A defection by any significant number of Latin American countries to the ranks of neutralism, or the exercise of a controlling Communist influence over their governments, would seriously impair the ability of the United States to exercise effective leadership of the Free World, particularly in the UN, and constitute a blow to U.S. prestige.

4. A shift of any significant number of Latin American countries to neutralism would also have serious repercussions on the security situation elsewhere. It would adversely affect the capability of the United States to carry out its policy towards Communist China and to retain the support of SEATO and Baghdad Pact powers, which would feel increasingly isolated by the then-dominant neutralist trend of the underdeveloped world.

#### II. Communist Strategy in Latin America

5. Since the ascendancy of Khrushchev in 1953–54 and the overthrow of the Communist-controlled regime in Guatemala in 1954, Communist strategy has increasingly focused on the short-term objective of generating pressures on Latin American governments to

weaken their ties with the United States in the hope of eventually transforming Latin America into another neutralist area. The Communists, recognizing that Communist doctrine has had little persuasive ideological appeal to most Latin Americans, accepted the fact that Communist parties at present are not in a position to come to power in any Latin American country. They have evidently learned from their Guatemalan experience that, even if opportune, an isolated Communist seizure of control tends to undercut over-all Communist objectives for the area by alarming and rallying the hemisphere against international Communism. They have, accordingly, directed Communist parties in Latin America to camouflage their revolutionary aims, to identify themselves with nationalist aspirations, and to cultivate all elements susceptible of being guided or incited into actions inimical to cooperation between Latin America and the United States.

6. The Communists have had considerable success in capitalizing on the social unrest, economic problems and ultra-nationalism prevalent in most parts of Latin America. In the area as a whole, they have been particularly successful in using organizational techniques to exert a disproportionate influence over Latin American students and other organized intellectual groups, as well as over organized labor. In some countries they have also succeeded in making practical arrangements with opportunist politicians and groups.

7. Supplementing the efforts of local Communist parties to generate pressures on Latin American governments from below to modify their foreign policies, the Soviet bloc has, especially since 1953, worked on a government-to-government basis to hold out economic and other inducements for Latin American countries to move away from the status of inter-dependence with the United States. The level of Communist bloc trade has increased over the past five years, but still accounts for less than 2% of Latin America's total trade and does not pose an immediate threat to the trading independence of any Latin American state. More important than its impact on the economies of the area, was the political impact of the Communist bloc offensive, particularly in holding up to Latin American opinion the picture of a huge market for unsalable agricultural and mineral products which would open up if Latin America disengaged itself from its close political alignment with the United States.

8. In the cultural field, the Communist bloc has followed up the prestige gained by the launching of the sputniks and other Communist scientific achievements by stepping up cultural exchanges with Latin America, its programs with respect to youth and labor currently exceeding U.S. government programs in those fields. There has also been a significant increase in Communist bloc radio and printed informational materials flowing into Latin America.

## III. Assets of U.S. Policy in Latin America

9. The assets available to the United States to strengthen the alignment of Latin America with the West and to neutralize the Communist effort are very considerable. The principal assets are summarized below.

10. *Strategic.* Because of its geographic position, Latin America, of all the great underdeveloped areas, is least menaced by Sino-Soviet military might. Moreover, the principle of regional collective security under U.S. leadership—which evolved as the basis of U.S. security policy for the hemisphere from the Monroe Doctrine to the Treaty of Rio de Janeiro—has gained more general acceptance in Latin America than in any other underdeveloped area. Behind this shield, the area has become singularly free of military strife among its component states; and the inter-American system, now institutionalized in the Organization of American States, has pioneered the development of effective means to keep peace within the area.

11. *Historical and Cultural.* While the sharp differences between the North American outlook and the Latin mind, and the diversities among the Latin Americans themselves, should not be minimized, it is nonetheless true that one of the major U.S. assets in dealing with Latin America is that it is the only one of the major underdeveloped areas which derives its civilization from the same Mediterranean and Western European antecedents as this country. Its political and constitutional ideals, though often not observed in practice, derive, like those of the United States, from eighteenth century political thought. As in the case of the United States, the influences exerted by nineteenth century materialist thought and class warfare have been relatively slight. The area generally tends to be evolutionary rather than revolutionary in its approach towards social reform, although in recent years Marxism has had a disturbing influence in intellectual circles. The advent of modern communications and the expansion of trade have greatly augmented Western influence on the area's concept of society. The influence of the United States has steadily increased in comparison to the influence of Western Europe.

12. *The tradition of inter-American solidarity and a sense of common destiny* are additional factors tending to strengthen the bonds between Latin America and the United States. For more than a century Latin America has been deeply committed to a concept of solidarity and special relationships between the nations of the Western Hemisphere. This concept, now embodied in the Organization of American States, offers unique opportunities for the United States to exercise its leadership in the hemisphere.

13. *Economic.* The economic links between Latin America and the United States are stronger than with any other major underdeveloped area. Approximately 22% of U.S. exports go to Latin America, and 29 percent of U.S. imports come from Latin America. This trade with the United States represents about 45 percent of total Latin American exports and about 50 percent of total Latin American imports. Private U.S. long-term direct and other investments in Latin America, now amounting to something more than \$10 billion, are larger than our investments anywhere else except Canada. Our trade and investments have, to an important degree, contributed to economic growth in Latin America and helped Latin America to achieve a situation more favorable to further economic growth than other major underdeveloped areas.

#### IV. Principal Problems

14. The principal problems affecting United States relations with Latin America can be discussed under four headings: Latin America attitudes, economic and social developments, political problems, and military relations. In general, the problems which beset the area are typical of those which have characterized other underdeveloped areas in the post-World-War-II period, although their impact has been somewhat softened by the historical relationship between Latin America and the West and by the fact that Latin America, in distinction to the new nations of Asia and Africa, had largely completed its emancipation from European colonial rule in the nineteenth century.

##### *Latin American Attitudes.*

15. *Rising aspirations* are present throughout the area for more rapid progress towards higher living standards, for more rapid industrialization, for governments more responsive to the popular will and for greater civil liberties. In common with other underdeveloped regions, Latin America in the past two decades has seen a phenomenal rise in popular aspirations for modernization of the economic and political structure as a result of the impact of improved communications and education, of the accelerated urbanization of population, of social transformation giving a greater voice to the middle and laboring classes, and of the modern emphasis on democracy and civil liberties. These aspirations have also been fanned by Latin American political leaders of all kinds, but especially by the leftists and Communists, who have painted a completely unrealistic picture of the ease and rapidity with which higher living standards could be achieved. When rates of economic and political advancement have not kept pace with aspirations, frustrations have resulted. In particular there has been an increased tendency to look to the United States—under the stimulus of

this country's world wide post-war assistance programs as well as because of our role as the Western Hemisphere's leading country—as the source of external assistance to bridge the gap between what Latin Americans can achieve themselves and what they desire to achieve. Similarly, the Latin Americans resent U.S. trade policies and actions, which adversely affect their export earnings. Since the United States cannot supply external assistance in sufficient volume to bridge the gap between aspirations and realities, and in view of the difficulty of reducing Latin American aspirations to more realistic levels, it can be expected that over the coming years there will be a degree of continued friction over the magnitude of U.S. aid to the area, as well as over U.S. trading policies affecting Latin American products.

16. *Nationalism* has steadily intensified in Latin America, where the United States is an especially vulnerable target because of its pre-eminent position in the economy of most countries as well as the hemisphere's most powerful political and military force. Although Latin America generally credits the United States with maintaining its policy of non-intervention in the political sphere, influential segments of Latin opinion equate the attainment of an economy less dependent on the U.S. market and on the operations of large U.S. companies with the achievement of full sovereignty. This desire for economic independence takes extreme and xenophobic forms, among ultra-nationalists, who so strongly desire to exclude the United States that they are willing to do so even at the cost of postponing indefinitely the development of resources urgently needed for economic growth. In the case of "moderate" nationalists, there is acceptance of the fact that, in order to achieve an acceptable rate of development, it will be necessary to admit U.S. investment and trade on equitable terms for the foreseeable future. But even among these moderate nationalists, the ultimate goal is the development of national economies in which nationals of the country will control the enterprises and in which trade with a single country will not dominate the economy. Thus a conflict arises between the desire to avoid dependence on trade with and investment from the United States and the need to rely on U.S. trade and investment for resources to promote economic growth.

17. *Neutrality*, in the form of a desire to be disengaged from the cold war, is a strong undercurrent in many Latin American countries though it is glossed over by the willingness of Latin American governments to accept the lead of the United States in the United Nations and in other circumstances when they are forced to take sides. Latin America, behind the shield of United States power, is primarily concerned with its own problems of economic and political development and, while often sharing U.S. opposition to Communist ambitions for world domination, feels remote from practical involvement in the conflict. In recent years, this natural tendency toward neutrality has been

accentuated by the growth in other underdeveloped areas of "neutralist" countries and blocs with which, as underdeveloped countries, the Latin Americans share common interests.

18. *Insufficient awareness of the Communist danger.*

a. As a corollary of the above, most Latin American governments and peoples lack sufficient awareness of the intentions and tactics of local Communist parties and the Soviet Bloc governments. They tend to believe that the United States over-emphasizes Communism as a threat to the Western Hemisphere, and consequently, they tend to take insufficient precautions against internal Communist subversion and in dealings with the Soviet bloc. The current phase of Communist tactics, emphasizing "legitimate" political activities, identifying Communism with national aspirations, and playing down Communist revolutionary aims, lends itself particularly to a relaxation of Latin American alertness on internal security. This problem is compounded by the tendency of some Latin American political leaders to ally themselves with Communists for immediate practical advantages and to propound demagogic programs which parallel and reinforce Communist promises.

b. The United States has pursued a policy of directly and indirectly encouraging Latin American countries individually and collectively to take more forceful actions against Sino-Soviet bloc influence and Communist subversion. It has attempted to influence Latin American countries to minimize political, cultural and certain economic contacts between Latin American countries and the bloc. We have maintained this policy toward Latin American relations with the Soviet bloc despite the fact that we encourage exchanges and cultural contacts between the Soviet bloc and such countries as the United States and the UK.<sup>3</sup> Particularly because of this inconsistency, the United States may at times encounter difficulties in implementing this policy in Latin America.<sup>4</sup> In practice, however, the United States has had considerable success in encouraging Latin American countries to enforce much greater restrictions on bloc activities than the United States has enforced. The existence of a differential in this respect has not had significant political repercussions in Latin America. Hence it seems likely that discreet U.S. efforts can continue to have considerable suc-

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<sup>3</sup> Treasury would insert the following sentence at this point: "U.S. efforts to discourage the acceptance of Soviet trade offers are subject to the accusation that the United States is merely seeking to promote its commercial interests to the disadvantage of Latin America." [Footnote in the source text.]

<sup>4</sup> Treasury would add the following to this sentence and delete the remainder of the paragraph: "without adversely affecting the objective of promoting attitudes of partnership and juridical equality, particularly if it is necessary to exert any great degree of pressure in order to obtain anti-Communist actions". [Footnote in the source text.]

cess in limiting bloc cultural and exchange activities without engendering counterproductive local reactions, although our ability to do so may diminish with time.

*Social and Economic Development.*

19. *Economic development.* Latin America is, and increasingly conceives of itself as, an underdeveloped area. Although the area made greater progress in the post-war period than other underdeveloped areas, the pace of economic growth has tended to slacken in recent years and its benefits have been very unevenly distributed geographically and among social classes. In some urban areas living standards are showing a tendency to stagnate at a time when aspirations for higher living standards have been growing for Latin America as a whole. The rate of growth—measured in terms of increase in the per capita gross national product—declined moderately from an average of approximately 2.4 percent in 1945–50 to approximately 2.1 percent in 1950–57. The higher rates of growth in Cuba, Mexico, and Venezuela had an important effect in raising the over-all averages in both periods.

20. *Population growth.* A factor which complicates the problem of attaining higher living standards in Latin America is the enormous rate of growth of its population. The area is expected to have a population neighboring on 500 million by the end of the century, and some 37 million people are expected to be added to the Latin American labor force by the year 1975. Latin America must maintain an increase in output of about 2 percent per year merely to keep up with this expanding population.

21. *Problems in attaining more rapid economic growth.*

a. *Instability of foreign exchange earnings.* Latin America depends on the export of coffee, petroleum, nonferrous metals, sugar, cotton, wool, grains and meat for 70 percent of its export earnings. Wide fluctuations in the prices of several of these commodities since World War II have subjected some Latin American countries to alternating and largely unpredictable periods of foreign exchange abundance and stringency, adding to the difficulties of planning for orderly economic development. The United States is either a major buyer or a major seller of each of these commodities. U.S. quotas, tariffs, health regulations, or “voluntary” restrictions limit the U.S. market with respect to all of those listed but coffee, and U.S. surplus disposal programs affect the foreign market for cotton and grains.

b. *Lack of management and technical skills.* Latin America generally has not made all the effort possible to make orderly and maximum use of the available resources. Under pressures in unstable political situations, Latin American leaders have been hesitant to adopt austerity measures to protect their currencies and, despite the fact that Latin

Americans tend to look to their governments rather than to their business communities to take the lead in economic development, few Latin American governments have made vigorous efforts to define specific economic goals, mobilize available resources and set realistic priorities. The lack of adequate management at the top of the economic structure is matched by a lack of technical skills, which is closely related to the lack of adequate education among the urban and agrarian working population.

c. *Domestic economic policies.* The majority of Latin American governments have maintained relatively sound currencies, but the inability or failure of a number of the countries, including some of the most important, to do so, contributes to inflationary pressures and causes much of the available capital to be invested in speculative ventures. In some cases overvaluation of exchange rates causes excessive imports. Some countries have followed production and price support policies for commodities such as coffee which have stimulated production to levels considerably above world demand. In many countries the limited domestic public funds available have been devoted to non-productive purposes and to industrial and commercial operations which might better be left to private enterprise, rather than to much needed social development in such basic fields as transportation, communication and education.

d. *Climate for private investment.* Although Latin America as a whole has attracted more U.S. private investment than any area except Canada, in some countries laws and regulations affecting domestic or foreign private business are discriminatory and unreasonable. Government-regulated enterprises are often handicapped by rate-making policies which preclude profitable operation. In some countries, entrepreneurs cannot be confident that the government will respect contract and property rights. Political instability, with the likelihood of frequent changes in governments and in economic policies, makes domestic and foreign private capital hesitant about investing in long-term projects. Several countries have not allowed private foreign capital to develop their petroleum resources, even though government monopolies have proved unable to develop them, and thus are compelled to spend for petroleum imports large sums which might otherwise be available to finance development.

e. *Political and economic compartmentalization* of the 20 Latin American republics also represents an obstacle to economic growth. Although there have been some consideration and planning—in Central America, among Argentina, Chile, Uruguay and Brazil, and among the northern countries in Latin America—of the lowering of nationalistic barriers to trade, to date Latin American countries have not worked cooperatively to expand trade among themselves and, more



often than not, economic rivalries and political jealousies have impeded the development of a common approach to economic problems of mutual interest.

22. *Labor.* Organized labor in Latin America is increasing its significance as a political and economic force. Reflecting the dissatisfaction of the wage-earning elements of the population with living standards, labor unions tend to lend support to the radical and nationalistic currents of Latin American political life. The Communists are particularly active, openly or clandestinely, in the Latin American labor movement and, generally, have been more successful than anti-Communist elements.

23. *Other changes in the Latin American social structure.* With rapid urbanization, propertied groups with commercial, professional and industrial interests are displacing the conservative agrarian ruling groups while the urban white-collar population, as well as labor, is becoming increasingly influential. In most Latin American countries, the military retains a key role in the political structure but, in many countries, as the officer corps is increasingly recruited from the urban middle classes, it is losing its identity with the former agrarian ruling groups. In the urban context also, students and intellectuals are playing an increasingly powerful and usually nationalistic and radical role in forming the outlook of Latin American countries toward the problems which confront them.

#### *Political Problems.*

24. *Demands for greater democracy* and civil liberties have accompanied the increasing influence of urban middle and working classes. The desire for increased civil liberties remains an important, though ill-defined, goal in most Latin American governments. However, in practice, there continue to be wide variations in progress toward "democratic" governments from country to country and in different economic and social periods. In general, the immediate post-war period saw a replacement of many strong-man or military regimes by liberal civilian governments, but many of these failed to deal effectively with the problems they faced and were in turn replaced by more authoritarian regimes. In the current phase, there has been a return again to civilian governments more responsive to popular demands and today only a few governments can be classified as authoritarian. Although the long-range trend appears to be in the direction of governments which are more popularly supported, and especially by urban populations, it is not clear whether these popularly-based governments will tend more in the direction of Western representative government or in the direction of governments—such as the Peron regime in Argentina—based on authoritarian organization of the emerging urban groups. The outcome will depend in part on the

degree of success which Latin American countries have in developing a native capitalistic strata having an ownership stake in the principal economic activities. In the years immediately ahead, however, there are likely to be recurring cycles of civilian popularly-based and authoritarian governments.

25. *Relationship of the United States to "dictatorial" and "democratic" governments.* Closely allied to rising popular desires for more democratic governments and the difficulties which Latin America has generally continued to find in establishing viable, representative regimes is the phenomenon that much of Latin American opinion holds the United States responsible in an important degree for the area's dictatorial regimes on the grounds that U.S. military and economic cooperation, diplomatic recognition and/or other evidences of support contribute significantly to such regimes' ability to stay in power. The inference is drawn that the United States is, at best, disinterested in the development of democracy in the area and, less charitably, that the United States on balance favors authoritarian regimes as providing greater stability, greater resistance to Communist penetration and a better climate for U.S. economic interests. However, a departure from the historic U.S. policy of maintaining relations with all governments of the area regardless of political complexion would imply a departure from our obligation not to intervene in internal affairs, a policy to which Latin Americans attach equal or greater importance than to their desire for U.S. assistance in the elimination of unpopular dictatorial regimes. In the past the United States has intervened in the internal affairs of other American states in support of democratic and against dictatorial elements, but these efforts have been ineffectual and even counter-productive. They have often brought the condemnation of the partisans of both elements upon the United States. It is, however, possible for the United States within the limits of non-intervention to pursue a policy of encouraging those governments which have a genuinely popular base and are effectively striving towards the establishment of representative and democratic governments, while maintaining correct diplomatic and other relations with other recognized governments as may be necessary to safeguard the national interest.

26. *Non-intervention and the inter-American system.*

a. The policy of non-intervention and juridical equality of the American states which, since 1933, has been the cornerstone of U.S. relationship toward Latin America is likely to require further development, definition and strengthening in the future.

b. The expansion of U.S. military, economic, cultural programs in Latin America has brought this country into more intimate contact with problems which profoundly affect the political forces and the social structure within the Latin American countries. One result has

been to blame the United States for the damages inevitably suffered by social groups and political interests adversely affected. The increased use of the International Monetary Fund and the International Bank for Reconstruction and Development, and the proposed establishment of an Inter-American Development Banking Institution represent, in part, pioneering efforts to take a more multilateral approach to economic problems involving outside pressures on national economic policies, while preserving control over essential U.S. interests. U.S. participation in working out commodity problems and the establishment of a Special Committee of the OAS to deal with economic proposals are further indications of our willingness to deal with economic problems in multilateral forums.

c. A further problem which could have significant effects on the policy of non-intervention is the re-emergence in a few countries of guerilla activities and banditry. The inter-American system is predicated on the existence in Latin America of governments in effective control of the national territory which, among other things, can be held responsible for giving effective protection for American and other foreign lives and property. Since the adoption of the non-intervention policy in 1933, violent changes of government have characteristically consisted of quick coups in the capital cities, and the inter-American system has been largely and successfully concerned with maintaining the peace between established governments. Experience has yet brought insufficient guidelines to determine how effectively to deal in the context of the non-intervention policy and the OAS with threats to foreign lives and property in guerilla-held territory where the recognized government lacks the means to discharge its responsibilities under international law.

*27. Other OAS problems.*

a. The Organization of American States has a number of problems apart from those listed above connected with the maintenance of the policy of non-intervention. Among them are the increasing tendency of Latin Americans to look towards Pan Latin Americanism instead of towards Pan Americanism; their unwillingness to assume their share of the burden for carrying out policies and programs through the OAS; and their tendency to obstruct efficient action by procedural and political wrangles.

b. The relationship of Canada in the inter-American system remains undefined, as does the relationship of Puerto Rico and the West Indies Federation. A more important role for these countries and territories in inter-American affairs is in the interest of the United States for a variety of reasons. They are the only self-governing countries in the Western Hemisphere which have no role in the present inter-American structure. Puerto Rico has, outside the framework of the inter-American system, come to play an increasingly useful role in our

relationship with Latin America. Canada and the West Indies Federation share with the United States the English language and political tradition, while Canada, as a more developed country, has economic interests and outlooks more similar to ours than other countries of the hemisphere. Their inclusion in a greater measure in the inter-American system would tend to strengthen the position of the United States and to weaken the tendency of a concept of the United States versus Latin America. The progress in drawing Canada and the West Indies Federation more closely into the inter-American system is likely to be slow, however, as at present there is little active interest by either side in a closer relationship. Canada does participate on an observer basis in some activities in the OAS.

#### *Military Relations.*

28. The role of the Latin American armed forces in the framework of the U.S. strategic concepts for global and limited war is limited. It is not contemplated that Latin America would be required to provide units for military operations outside the hemisphere for military reasons, although a token contribution may again be politically desirable to give an international character to certain military operations and to give Latin American countries a sense of participation in a war effort. Within the hemisphere, military planning contemplates the need for each of the Latin American states to assist in the defense of the hemisphere (a) by defense of its coastal waters, ports and approaches thereto, bases, strategic areas and installations located within its own territory, and routes of communication associated therewith; and (b) by participation in certain coordinated collective defensive actions of the American states. Additionally, the maintenance of internal security is recognized as a contribution by Latin American armed forces to hemispheric defense, inasmuch as a breakdown of internal security in the Latin American countries during a period of general war might endanger U.S. interests, such as access to important strategic bases and materials, and might require the diversion of U.S. forces from other missions.

29. Our military relationships with Latin America are founded on the Rio Treaty and an extensive pattern of relationships which preceded or stemmed from this treaty. These relationships include participation in the Inter-American Defense Board and in Joint Military Missions; U.S. military missions, military assistance agreements, and base rights agreements, certain combined training missions; and the attendance of a large number of Latin American officers at U.S. military schools. Our relations with the Latin American countries are complicated by the desire of many of them to obtain military equipment beyond militarily justifiable requirements (a) to enhance their prestige, (b) as a result of inter-American rivalries, or (c) to strengthen the

position of military groups in internal affairs. The allocation in some countries of scarce resources to unjustifiable military expenditures obstructs or retards economic development, both by restricting public investment in necessary projects and by tending to promote financial instability. Many Latin American countries turn to Western Europe for military equipment when they encounter difficulty in obtaining it from the United States, or when it is offered on a more favorable commercial basis by European suppliers. Such purchases can weaken the U.S. effort to standardize Latin American equipment on U.S. lines. Inasmuch as this standardization not only serves military purposes but is also a means of maintaining U.S. influence over Latin American military forces and through such forces on the political orientation of Latin American governments, the United States in some cases, cannot refuse to supply military equipment beyond the militarily justifiable requirements without adversely affecting political objectives.

*Conclusion.*

30. A central problem of U.S. policy formulation in Latin America is (a) how to utilize and strengthen the assets which tend to link Latin America with the United States and the West, while at the same time (b) dealing effectively with the area's principal problems as an underdeveloped area in such a way that the United States is identified as a constructive force in the area's effort to achieve higher political and economic standards. It must also be a fundamental objective of the United States to retain the ascendancy as the leader of the Western Hemisphere and to undercut the efforts of international Communism to disengage Latin America from its traditional alignment with this country.

31. The problems described above reveal the difficulty the U.S. faces in maintaining its good relations with Latin America and achieving our objectives there. The principles guiding our present policies, most of which were developed before World War II, remain valid. However, as in the case of our trading policies, we have not always been able to adhere consistently to these principles and have perhaps not made efforts in all fields commensurate with the magnitude of the problems. It is clear that a consistent and continuing major effort will be required if the United States is to develop further its historic strong ties with Latin America and play a constructive role in assisting Latin America in solving its problems.

## 12. Regional Operations Plan for Latin America Prepared for the Operations Coordinating Board<sup>1</sup>

Washington, July 1, 1959.

[Here follow a statement of purpose, table of contents, introduction, and section A, entitled "Objectives and General Policy Directives."]

### B. Operational Guidance<sup>2</sup>

#### *Areas Requiring Special Emphasis and Urgency*

4. *General*—The objectives and guidance supplied in this Operations Plan are intended to give direction to the implementation of the long-term U.S. policies towards Latin America as well as those short- and intermediate-term policies and programs required by the current necessities of the international situation and the current problems of the area. However, it is recognized that, in the next several years, the United States must address itself with a sense of urgency to the key problems which have developed in the course of the accelerated rate of political, social, economic, and attitudinal changes which have been accompanied by rising nationalism, the crystallizing of certain anti-American outlooks, and persistent efforts by the international Communists to precipitate a basic division between the United States and Latin America.

Accordingly, in the implementation of the policies and operations outlined in this Plan, priority attention and special emphasis shall be given in the next several years to the following:

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<sup>1</sup> Source: Department of State, S/S-OCB Files: Lot 62 D 430, Latin America—1959. Secret. Prepared by the OCB's Working Group on Latin America, reviewed by the Board Assistants on June 12, and submitted to the OCB under date of June 19. At its meeting on June 24, the OCB revised and concurred in the plan for implementation by the responsible departments and agencies, except for paragraphs 31 a. and b., the procedural implications of which were deferred for subsequent discussion. The new plan superseded the Operations Plan for Latin America dated May 28, 1958, and was circulated under date of July 1, 1959. Additional revisions were incorporated into the plan on July 28, without changing its date. (Note by OCB Bromley Smith, undated; *ibid.*) The fully revised version of the plan is printed here.

Annexes A-D, entitled respectively as follows: "Agency Current Programs," "Financial Annex and Pipeline Analysis," "Sino-Soviet Bloc Activities in Latin America (CIA)," and "U.S. Policy With Respect to International Commodity Agreements," are not printed.

<sup>2</sup> In a June 22 memorandum to Deputy Under Secretary Murphy, summarizing the new regional operations plan, Rubottom stated that most of the text of the plan was a "direct transcript" of NSC 5902/1, and that the principal new section was Section B "which selects areas of operations requiring special emphasis over the next few years." (*Ibid.*, Rubottom Files: Lot 61 D 279, Policy 1959)

5. *Political*

a. Strengthening inter-American solidarity and particularly the Organization of American States (OAS), improving its capabilities to maintain the peace of the hemisphere. The preparations and follow-up for the Eleventh Inter-American Conference scheduled to be held in Quito early in 1960<sup>3</sup> should provide a focal point for improving and enhancing the prestige of the OAS and related inter-American bodies.

b. Strengthening friendly relations with Latin American governments on a bilateral basis, with special emphasis on those which have a genuinely popular base and are effectively striving for the firm establishment of representative democracy.

c. Utilizing the potential of moderate elements of anti-Communist leftists and/or nationalist political and labor movements and other groups, as well as encouraging an increasing willingness by those elements resisting change to adjust to the political, economic, and social changes of the times, as a means of limiting and countering communism.

d. Encouraging the development of non-Communist free labor organizations.

e. Maintaining the political and moral support of the Latin American governments and peoples for U.S. world policies.

f. Limiting, to the maximum degree possible, Communist and Sino-Soviet bloc influence in the area, and promoting a greater awareness of the nature and threat of international communism in Latin America.

6. *Information and Cultural*

a. Increasing mutual understanding and the sense of interdependence between Latin America and the United States, with special and urgent attention to such key opinion-forming groups as students, intellectuals, and labor; placing special emphasis, as a matter of urgency, on increased information and cultural activities designed to present the United States as a constructive force cooperating with Latin America on a basis of partnership; promoting greater understanding and acceptance by Latin American countries and peoples of primary responsibility for progress, and obtaining a better mutual understanding by the peoples of Latin America and the United States of each other's special characteristics and problems.

b. Recognizing that one of the key problems of U.S.-Latin American relations is psychological and that Latin American attitudes toward the United States have deteriorated, the actions we take may be

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<sup>3</sup> The conference was postponed several times to March 1961, and finally postponed indefinitely.

no more important to the achievement of our objectives than the way in which we take them. This must be emphasized in all our operations in Latin America.

#### 7. *Economic*

a. Encouraging Latin American governments to adopt those sound fiscal and economic policies essential to their economic development, supporting the International Monetary Fund (IMF) and other international agencies whenever appropriate in bringing about needed fiscal and economic reforms and improvements.

b. Fostering the steady growth of inter-American trade by supporting measures consistent with the expansion of trade on a multilateral worldwide basis; avoiding to the maximum extent possible restrictive practices which affect key Latin American exports to the United States; being prepared to discuss and explore possible approaches to commodity problems in accordance with U.S. policy on international commodity agreements; encouraging the establishment of customs unions or free-trade areas conforming to GATT<sup>4</sup> criteria; be prepared to endorse proposals for regional preference arrangements which do not conform to GATT criteria if consistent with the United States over-all foreign economic policy.

c. Encouraging Latin American governments to base their economies on a system of free private enterprise adapted to local conditions and create a more favorable climate for Free World private investment in the area, including small- and medium- as well as large-scale investment enterprises.

d. Recognizing that Latin American economic development will require an additional flow of private and public capital, encourage Latin American nations to make maximum contribution to their own economic development; encourage Latin American nations to look to private capital and international lending institutions as major sources of external capital for development; be prepared to extend public loans which are consistent with relevant U.S. loan policy considerations seeking by the use of appropriate U.S. Government lending institutions to make a substantial flow of capital available for economic development; facilitate, as appropriate, favorable consideration of applications to international institutions for credits consistent with U.S. loan policies; be prepared to extend limited amounts of special economic assistance on a grant or loan basis in exceptional circumstances; encourage other free world countries to provide capital and technical assistance to Latin America.

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<sup>4</sup> Reference is to the General Agreement on Tariffs and Trade, concluded at Geneva, October 30, 1947, and entered into force for the United States, January 1, 1948; for text, see 61 Stat. (pts. 5 and 6).



e. Extending technical assistance in fields related to the political and economic objectives.

8. *Military*

a. Seek continued acceptance by Latin American countries of U.S. concepts for the defense of the hemisphere and of the role of Latin American military forces, making particular effort to orient Latin American military forces toward the United States and to discourage Latin American acquisition of military equipment not essential to the U.S. concept of the missions of Latin American military forces.

Political

All activities of the U.S. Government during the anticipated period of continued political change and instability in Latin America shall be carried out in line with the guidance contained herein.

9. *Non-Intervention Policy*—The United States shall continue to adhere to the policy of not intervening unilaterally in the internal affairs of the other American Republics. In contingencies where the non-intervention policy may appear to be inadequate to safeguard vital U.S. interests and obligations, additional guidance shall be sought.

10. *Recognition*—The United States shall recognize all Latin American governments qualifying for recognition under the accepted criteria of international law, unless a substantial question should arise with respect to Communist control. United States recognition policy in the case of a government concerning which there is a substantial question of Communist control [*1½ lines of source text not declassified*].

11. *Maintenance of Peace Within the Hemisphere*

a. The United States shall take all practicable measures, within the limitations of the non-intervention policy, to prevent armed conflicts between states in the Western Hemisphere. It shall (1) encourage and support actions by the Organization of American States (OAS) to solve peacefully disputes involving, or likely to involve, armed conflict between American states; (2) insist that, in accordance with the UN Charter, the OAS has priority of responsibility over the UN Security Council with respect to threats to the peace arising among the American Republics; and (3) assist American states resisting pressures from their neighbors, when such pressures are inimical to U.S. interests and to the peace of the hemisphere.

b. Fulfill U.S. obligations in conjunction with Brazil, Argentina, and Chile as co-guarantor of the Peruvian-Ecuadoran boundary, work toward a peaceful settlement of the Nicaraguan-Honduran boundary dispute; and seek to prevent other boundary and territorial disputes from developing into threats to the peace and/or a justification for the maintenance of armaments by the disputants.

12. *Hemispheric Solidarity*—The United States shall seek to strengthen hemisphere solidarity by:

a. Strongly supporting and strengthening the OAS, utilizing it whenever feasible as a principal means of achieving our objectives and as a major forum for multilateral discussions of political and economic questions affecting the hemisphere.

b. As may be appropriate, seeking to bring the Inter-American Defense Board into closer relationship with the Council of the OAS and to utilize the Advisory Defense Committee of the OAS.

c. Obtaining greater understanding and acceptance by Latin American countries of the inter-relationship of the security of the Western Hemisphere and the security of other areas of the Free World.

d. Maintaining close liaison with the other American Republics with a view to maintaining their support for the U.S. position on key issues arising in the United Nations affecting the security of the Free World, but: (1) refraining from placing heavy pressure on Latin American governments on less important issues, and (2) recognizing the differences between the position of the United States and of most Latin American states on issues concerning economic assistance to underdeveloped areas, intervention, and colonialism, among others.

e. Consulting with Latin American states, whenever possible, before taking actions which will affect them or for which we wish their support.

f. Promoting with appropriate Latin American leaders close personal relationships and encouraging reciprocal visits by appropriate high government officials and distinguished personages.

g. When feasible, bringing Canada, Puerto Rico, (and, as it gains greater autonomy in foreign affairs, the West Indian Federation) into closer relationship with the inter-American system.

h. In carrying out the above, account should be taken of the fact that preparation for, the holding, and follow-up of the Eleventh Inter-American Conference at Quito in February 1960 will provide a focal point for strengthening hemisphere solidarity.

13. *Colonialism*—The United States shall:

a. Encourage acceptance and implementation by the interested European states of the principle that dependent and colonial peoples in this hemisphere should progress by orderly processes toward an appropriate form of self-government.

b. When disputes between American and non-American states over dependent territories cannot be settled by direct negotiations, encourage peaceful settlements by other methods available to the parties.

14. *Canal Zone and Three-Mile Limit*—The United States shall:

a. Maintain in force all the rights, power and authority granted the United States by the Convention of 1903 (as amended) with Panama, as the basic treaty covering the status of the Canal Zone;<sup>5</sup> seeking

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<sup>5</sup> For text of the Isthmian Canal Convention, signed at Washington, November 18, 1903, and entered into force, February 26, 1904, see 33 Stat. 2234.

positive means of diverting Panamanian attention from the Canal problem to economic development.

b. Unless other criteria are accepted, refrain from giving juridical or de facto recognition to claims by Latin American governments to sovereignty beyond the three-mile limit and endeavor to obtain support for or acquiescence in the U.S. position.

15. *Communism*—In order to limit to the greatest extent possible in the next few years Communist influence in Latin America, the United States and its representatives shall give sustained attention and a high priority to activities designed to restrict and reduce Communist capabilities and efforts to exploit economic, political, and social maladjustments or subvert the military and internal security forces. The United States shall take the following actions:

a. *Awareness of Threat*—Seek to create greater awareness of the specific threats posed to Latin America as well as to world security by Communism by (1) exposing, [1 line of source text not declassified] the activities of local Communist parties and of the Soviet bloc as they relate to Latin America; and (2) carrying out, as appropriate, a prudent exchange of information with Latin American governments on Communist and Sino-Soviet bloc activities.

b. *Obligation of Other States*—Obtain maximum recognition by those states which have ratified Resolution 32 of the Ninth Inter-American Conference at Bogota and/or Resolution 93 of the Tenth Inter-American Conference at Caracas of their continuing obligations under these articles with respect to Communism.

c. *Individual and Collective Action*—To the extent feasible and under methods and procedures which are prescribed by the Department of State to guide personnel operating in the field, encourage individual and collective action by the other American Republics against Sino-Soviet bloc influence and Communist or other anti-U.S. subversion, including:

(1) Adoption and enforcement of adequate laws to control Communist activities.

(2) Restriction on the entry, production, and dissemination of Communist and bloc information and propaganda material.

(3) Restriction on the admission to Latin American countries of identified Communists and of individuals or groups from the bloc when the intent is to raise the prestige of Communism and the Communist countries.

(4) Limitation of trips by Latin American nationals to bloc countries and to Communist international front meetings.

(5) Prevention of the opening of new diplomatic and consular establishments by bloc countries and limitation on the size of the staffs and the activities of existing establishments.

(6) Prevention of direct or indirect trade in strategic materials with the Sino-Soviet bloc.

(7) Prevention of trade with the bloc (a) on prejudicial terms, or (b) at levels or in fields which would create damaging dependence on the bloc or result in a significant bloc influence over the

international actions of the country. Within these limitations, normally refrain from discouraging Latin American countries from trading non-strategic surplus commodities to the European Soviet bloc for consumer goods or other products they can use. [1 sentence (4½ lines of source text) not declassified]

(8) Rejection of bloc aid in sensitive areas and exclusion of bloc specialists and technicians.

16. *Internal Security*—The United States shall:

a. *Implementation of the Program*—Proceed, as feasible, in selected countries with the implementation of the program for strengthening the capabilities of the local public safety forces and activities necessary to maintain internal security and to render ineffective the Communist apparatus, but take into account the dangers of U.S. association with local public safety forces which adopt extra-legal and repressive measures repugnant to a free society.

b. *Expanded Assistance*—Where appropriate, strengthen the civil or military security apparatus of Latin American governments responsible for maintaining surveillance over and for combatting Communism. On an expanded basis offer technical training, advice, and, to the extent deemed essential, equipment to strengthen the administration, organization and techniques of internal security forces where such assistance is requested and is deemed important to United States objectives.

c. *Special Training*—Where advisable, train selected Latin American military officers in counter-intelligence operations, with emphasis on detection of Communist activities, and assist in establishing effective military counter-intelligence organizations throughout Latin America.

d. *Country Programs*—The Overseas Internal Security Annexes to the Operations Plan for Latin America, dated May 28, 1958, have been superseded. The programs represented by these Annexes (Bolivia, Brazil, Chile, Guatemala) remain valid, however, and will be continued by the responsible agencies under new procedural arrangements. Under these procedures each department and agency participating in the OISP has designated a central point of contact to serve on an informal inter-agency group to expedite and facilitate the coordination of the planning and implementation of these programs. In cases involving the initiation of an internal security program in any country or a major change in an on-going program, the new procedures provide that, in the absence of specific OCB guidance, the Coordinator of the Mutual Security Program make a specific determination that such action is in the national security interest.

17. *Relations with "Democratic" and "Dictatorial" Regimes*—The United States shall maintain correct diplomatic and other relations with all recognized governments. Where possible, it shall give special encouragement to governments which have a genuinely popular base and are effectively striving towards the establishment of representative and democratic governments. It shall seek to counter any impression

that the United States favors dictatorships, either of the right or the left. (See also para. 34.d with respect to the provision of military equipment.)

18. *Contacts with Political Groups and Leaders*

[paragraphs 18–a (4 lines of source text) and 18–a–1 (3½ lines of source text) not declassified]

b. *Opposition Elements*—United States representatives shall maintain contact with elements of the opposition to recognized governments to the extent and at a level which (1) will not seriously impede the achievement of U.S. objectives through the recognized government; (2) will not associate the United States with efforts to overthrow recognized governments by unconstitutional means; or (3) will not create an impression that the United States supports or condones the establishment of authoritarian regimes, either rightist or leftist; [2½ lines of source text not declassified].

c. *National Leaders*—The United States and its representatives should increase efforts to influence present and potential political, military and labor leaders, journalists, radio commentators, educators, and others exercising substantial influence over the opinion-forming process.

(1) This guidance implies increased recognition on the part of U.S. representatives of the potential significance of popular good will and popular understanding as an influence on inter-governmental cooperation. In those instances where forthright explanation of U.S. policy can dispel popular distortions of an issue and restore confidence in the intentions of the United States, such action should be taken promptly unless it is apparent that such action might involve a net disadvantage to the over-all interest of the United States.

d. See also “Intellectuals and Students” (Para. 23, page 18).

[paragraph 18–e (2 paragraphs—20 lines of source text) not declassified]

19. *Labor*—The United States Government and its representatives shall discreetly encourage non-Communist labor organizations; encourage U.S. labor organizations to carry out sound programs designed to strengthen free labor in Latin America; encourage and support the training of anti-Communist labor leaders in the United States and other countries of the hemisphere; encourage, as may be appropriate in individual countries, the activities of the Organizacion Regional Inter-Americana de Trabajadores (ORIT) and other Free World labor organizations; in the employment of local labor by the U.S. Government pursue exemplary labor practices and encourage such practices on the part of private U.S. employers; encourage Latin American countries to increase incentives tending to influence labor toward a democratic system based on free enterprise; and, as may be appropriate, encourage and conduct labor information activities designed to

counteract Communist infiltration in labor organizations and to assist them in learning the purposes and methods of free trade union organization.

[*paragraphs 19-a (1½ lines of source text) and 19-a-1 (3½ lines of source text) not declassified*]

(2) encourage and support Latin American governments to counteract Communist influence in labor organizations and, when consistent with the principle of non-intervention, to promote free trade unionism.

b. The problem of strengthening free labor in Latin America in the light of the advances made by the Communists in the labor field in recent years is considered of the utmost urgency. It is intended that agencies concerned with Latin America's labor problem should as quickly as possible develop and intensify coordinated programs to strengthen free labor in the area.

20. *U.S. Business Executives*—The United States shall encourage U.S. business leaders constructively to assist in the attainment of U.S. objectives in Latin America by such actions as participating in the exchange of persons; setting up bodies for the coordination of U.S. business community activities in Latin America; participating in local civic, charitable, and cultural organizations engaged in social improvement activities; and taking appropriate steps so that irresponsible U.S. businessmen who may have contacts with high government officials do not conduct themselves in a manner which reflects unfavorably on the United States business community.

21. *Attitudes Toward U.S. Personnel Overseas*—The United States shall:

a. continue to take positive actions to improve foreign attitudes towards U.S. personnel overseas and to remove sources of friction. The special report prepared by the OCB, "United States Employees Overseas: An Inter-Agency Report," dated April 1958 is an effort to provide a common approach and guidance in this field.

b. hold to a minimum consistent with the program requirements the number of U.S. citizens employed by the U.S. Government in Latin America; insure that newly assigned U.S. personnel receive orientation and that their dependents receive appropriate indoctrination in the field; and periodically remind them that they represent the United States abroad and are expected to maintain a high standard of personal conduct and of respect for local laws and customs.

#### Informational and Cultural

22. *Cultural Programs*—The United States shall continue to maintain informational and cultural programs in each of the Latin American republics, utilizing all appropriate media and techniques to influence popular opinion on behalf of U.S. policy objectives.

23. *Intellectuals and Students*—The United States shall devote increased attention to the development of attitudes favorable to U.S. policy objectives among the Latin American teaching profession, students and intellectuals by such means as

a. exchange programs specifically designed to influence attitudes in educational systems;

b. cultural, sports and information programs specifically planned to enhance U.S. prestige among such groups;

c. encouraging private U.S. organizations capable of increasing their efforts in these and related fields; and

d. encouraging other Free World governments, groups and individuals to supplement U.S. efforts in these respects.

24. *Special Activities*—In addition to lines of action indicated elsewhere in this paper, the United States shall place special emphasis, as a matter of urgency, on increased U.S. informational and cultural activities designed to:

a. present the United States as a constructive force cooperating with Latin America on a basis of partnership toward the achievement of a greater measure of political and economic progress;

b. promote greater understanding and acceptance by Latin American countries and peoples of primary responsibility for progress;

c. obtain a better mutual understanding by the peoples of Latin America and of the United States of each other's special characteristics and problems. It should be noted, however, that departments and agencies of the executive branch have statutory and other limitations which in practice limit government activity designed to bring about a better understanding of Latin America in the United States.

25. *Promoting Understanding*—Obtain the cooperation of the American Republics to assume a large measure of responsibility for promoting better mutual understanding between the United States and these countries through such means as the establishment of national commissions of distinguished citizens to work for these purposes.

26. *Participation of U.S. Nationals*—The United States shall, to the extent feasible, encourage U.S. nationals, including business and industry represented in Latin America, to participate broadly in efforts to achieve the purposes of the preceding paragraphs. (Also see paragraph 20.)

#### Economic

27. *Trading Policies*—The United States shall place special emphasis in the next several years on the establishment of conditions propitious for an expansion of inter-American trade, including:

a. *Avoidance of Restrictive Trade Practices*—The United States shall make every effort to maintain stable, long-term trading policies, and avoid, to the maximum extent possible, restrictive practices which affect key Latin American exports to the United States.

(1) In light of the adverse effect on U.S.-Latin American relations, of restrictive measures taken by the United States in 1957-59 with respect to the importation of certain non-ferrous metals and petroleum, it is of primary importance that the United States avoid, to the extent possible, further measures which would be taken as hurting Latin American opportunities to trade with the United States, and seek as quickly as conditions permit, to remove restrictions which have been imposed with respect to Latin American exports.

b. *Solutions for Commodities Problems* (See also Annex D)—The United States should demonstrate its concern for the commodity problems of Latin American nations. In an effort to find cooperative solutions, it shall be prepared to discuss and explore possible approaches to such problems in accordance with U.S. policy on international commodity agreements.

c. *Customs Unions and Free Trade Areas*—The United States shall encourage and endorse the establishment of customs unions or free trade areas in Latin America which conform to the criteria set forth in the General Agreement on Tariffs and Trade (GATT). It shall also be prepared to endorse proposals for regional preference arrangements which do not conform to GATT criteria, if consistent with over-all foreign economic policy. The current United States approach is to encourage and work with Latin American countries seeking to establish sub-regional customs unions or free trade areas such as the proposed Central American Common Market. The U.S. is prepared to consider financing for regional industries in the same manner as it considers financing for national industries.

d. *Reduction of Trade Barriers*—The United States shall work toward a reduction of tariff and other trade barriers with due regard to total national advantage.

e. *GATT*—The United States shall encourage those American Republics which are not now members of GATT to accede to GATT and to negotiate reductions of trade barriers within the GATT framework.

28. *Economic Development*—Recognizing the sovereign right of Latin American states to undertake such economic measures as they may conclude are best adapted to their own conditions, the United States should directly and/or indirectly encourage Latin American nations:

a. to make a maximum contribution to their own economic development;

b. to base their economies on a system of free private enterprise adapted to local conditions;

c. as far as practicable, to curtail diversion of public funds to uneconomic state-owned industries;



d. to take all feasible steps to create a political and economic climate conducive to private investment, both foreign and domestic; and

e. where appropriate, to diversify their economies on a sound basis.

Encourage efforts by the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) to bring about desirable financial and economic reforms, seeking, insofar as practicable, to have those organizations take the major part of the responsibility for recommending and negotiating with Latin American governments programs of financial and economic reforms consistent with U.S. objectives. It is also planned that the Inter-American Development Bank shall make a contribution in this regard.

29. *Technical Assistance*—The United States shall seek to strengthen technical cooperation and to program it on a longer term basis. Technical assistance shall be granted on the basis that each recipient has a genuine interest in and desire for our participation in programs undertaken by it, and that U.S. participation makes a contribution toward the achievement of U.S. foreign policy objectives commensurate with its cost. Within these policy limits, increase specialized training of Latin Americans in host countries, the United States, including Puerto Rico, and third countries.

30. *Peaceful Uses of Atomic Energy*—Recognizing that early practical applications of peaceful uses of atomic energy should aid the economic development of the American Republics as well as provide favorable psychological impact, the United States shall continue to encourage the early application of radioisotopes to agriculture, medicine, biology and industry, and the development of appropriate national or regional programs for nuclear research and power. To this end, the United States shall continue financial assistance to research projects and cooperate in the training of specialists in atomic energy and in the development of nuclear power projects where they are feasible and desirable. The United States should also participate actively in the work of the Inter-American Nuclear Energy Commission of the Organization of American States (OAS) in order to develop a coordinated hemisphere plan for research and training in nuclear energy; and support an acceptable plan of this kind.

31. *External Capital*—The United States recognizes that Latin American economic development will require an additional flow of external private and public capital encouraging Latin American countries to look to private capital and international lending institutions as major sources of external capital for development.

a. *Private Enterprise*

(1) The United States should encourage Latin America to look to private capital from the United States and other Free World nations as a major source of external capital for development.

(2) The United States will seek to facilitate by tax and other actions the flow of U.S. investment into the less developed regions of the Free World, including Latin America. Where feasible, the United States will:

(a) Seek the early implementation, by treaty or by negotiated agreement authorized by legislation, of the principle of tax sparing in order to make it possible for American firms investing in a less developed country to benefit from tax inducements offered by such countries to attract new capital.

(b) Support legislative measures for the deferral of tax on income derived by a foreign business corporation which obtains substantially all of its income from investments in one or more of the less developed areas of the Free World and the ordinary loss treatment for losses incurred by original investors on stock of such a foreign business corporation.

(c) Negotiate investment guarantees.

(d) Where needed, negotiate treaties of friendship, commerce and navigation.

(3) Recognizing that there is a close relationship between a healthy local private enterprise and healthy conditions for foreign investment, the United States shall:

(a) treat, in discussions with host governments, the U.S. interest in encouraging private enterprise not merely in terms of private foreign investments, but also in terms of encouraging local investment and partnership arrangements between local and foreign investors.

(b) take into account small and medium size enterprises as well as large companies, in programs to stimulate private investment in Latin America.

(c) continue to emphasize the need for a framework of sound governmental laws and institutions relating to local and foreign private investment.

(d) carry forward programs—such as the Investment Guarantee Program,<sup>6</sup> Cooley Amendment program,<sup>7</sup> and if approved by Congress, the Investment Incentive Fund program—designed to assist in the development of private enterprise. In addition, employ as appropriate technical assistance and other appropriate

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<sup>6</sup> Under the Investment Guaranty Program, the U.S. Government provided, for a fee, insurance protection for American investors abroad against the risks of loss through confiscation or expropriation and currency inconvertibility. The implementation of the program involved the negotiation of bilateral investment guarantee treaties with other countries.

<sup>7</sup> Reference is to the program authorized by an amendment, named after Representative Harold D. Cooley (D-NC), to Public Law 85-128, approved August 13, 1957, extending the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480). It amended Section 104 (e) of P.L. 480 by providing that up to 25 percent of local currency proceeds from Title I sales would be made available for loans to U.S. and foreign private investors through the Export-Import Bank. For text of the amendment, see 71 Stat. 345.

means to encourage the establishment of proper local institutions for stimulating private savings, private investment and capital formation, and encourage legal studies in local educational institutions related to private enterprise and investment—without further stimulating the excessive tendency of Latin American students to become lawyers.

b. *International Lending Institutions*—The United States shall encourage Latin American countries to look to international lending institutions as well as private capital as major sources of external capital for development.

(1) The United States is prepared to facilitate as appropriate favorable consideration of applications to international institutions, including the Inter-American Bank when established, for credits consistent with U.S. loan policies and to support the approval of such applications by the boards of these institutions. The position of the U.S. representatives on the above international institutions is coordinated by the NAC.

c. *U.S. Public Loans*—The United States is prepared to extend public loans which are consistent with relevant U.S. loan policy considerations, and seeks by the use of appropriate U.S. Government lending institutions to make a substantial flow of capital available for Latin American economic development, to alleviate balance of payments crises, and stimulate economic reforms.

(1) Under present lending policy, as coordinated by the NAC, the Export-Import Bank serves as the principal agency of the U.S. Government for extending development loans in Latin America. It is United States policy to make known in Latin America that the Bank will finance all sound development projects in Latin America for which private capital is not readily available, provided each loan is: (a) in the interest of the United States and the borrowing country, (b) within the borrower's capacity to repay, (c) within the Bank's lending capacity and charter powers, and (d) sought to finance U.S. goods and services. The Development Loan Fund is prepared to consider loans for specific projects and programs which give promise of contributing to sound development of long-term benefit to the borrowing country. However, the DLF makes loans only when other sources of private and public capital are not available. Annex A-7 provides additional background on the purpose and inter-relationships of major U.S. and international lending agencies. The foregoing will apply until the Inter-American Development Bank is established and starts operations, at which time appropriate instructions will be issued regarding the inter-relationship of these institutions.

d. *Special Assistance*—The United States is prepared to extend limited amounts of special economic assistance on a grant or loan basis in those exceptional circumstances where other means are inadequate to achieve economic and political stability essential to U.S. interests.

e. *Assistance From Other Countries*—The United States shall encourage other Free World countries to provide capital and technical assistance to Latin America.

f. *Inter-American Highway and Rama Road*—The United States shall continue to assist in the financing of the Inter-American Highway and the Rama Road in accordance with existing agreements and established legislative authority.

g. *Public Law 480*—In carrying out programs involving disposal of U.S. agricultural surpluses abroad, the United States shall:

(1) Negotiate with Latin American governments sales of surplus agricultural commodities where appropriate.

(2) Give particular attention to the economic vulnerabilities of the Latin American countries and avoid, to the maximum extent practicable, detracting from the ability of these countries to market their own exportable produce.

(3) Encourage the use in the purchasing countries of the local currency proceeds of sale for loans for economic development purposes, with particular emphasis on private enterprise.

32. *Use of Military for Development Projects*—The United States shall encourage the use in peacetime of selected Latin American military personnel and units in development projects where such use will not interfere with the development of the capability of the units involved to perform their military missions or to meet the military requirements for which they were organized. Activities along this line may include training and the provision of ICA-financed construction equipment and materials to units where such activities will contribute to economic development through the construction of public service projects, including communications.

a. In the implementation of this program caution should be exercised to insure that organizational and training problems are solved prior to undertaking such development projects. Toward this end the Department of the Army is prepared to assist ICA to the extent of providing organizational training assistance and quotas for appropriate courses at the USARCARIB School in the Canal Zone. In addition, there should be adequate coordination at country level to insure compliance with the above-outlined limitations regarding non-interference with military capabilities.

#### Military

33. *Military Strategic Concept*—It is U.S. policy to:

a. assume primary responsibility for hemispheric military operations in the Atlantic and Pacific Oceans and the Caribbean Sea, including the sea and air approaches to the Panama Canal, and seek, in our military and other relations with the states concerned, acceptance of U.S. military control of the defense of these sea areas.

b. (1) encourage acceptance of the concept that each of the Latin American states is responsible for providing, through effective military and mobilization measures, a contribution to the defense of the hemisphere by insuring its internal security and by the defense of its coastal waters, ports and approaches thereto, bases, strategic areas and installations located within its own territory, and routes of communication associated therewith.

(2) in exceptional cases, be prepared to accept participation by a Latin American state in combined operations in support of U.S. military responsibility under 33.a. above, where its location and resources make such participation feasible, and where political or hemisphere defense considerations make such a course of action desirable in the interest of the security of the United States.

34. *Military Assistance*—The United States shall:

a. Make available to Latin American states, on a grant basis if necessary, the training and minimum military equipment necessary to assist them to carry out the missions relevant to hemispheric defense in the preceding paragraph, except that internal security requirements shall not normally be the basis for grant military assistance.

b. Discourage Latin American governments from purchasing military equipment not essential to the missions in Para. 33.b. above. However, if a Latin American government cannot be dissuaded from purchasing unneeded military equipment, and if it is essential for U.S. political interests, make additional equipment available on a cash, credit, or, under extraordinary circumstances, grant basis, if appropriate.

c. In order to be in a position effectively to supply military equipment on a reimbursable basis in accordance with Paras. 34.a. and b. above, make equipment available to Latin American countries on terms which insofar as feasible are sufficiently favorable to encourage the Latin American governments to obtain such equipment from the United States rather than from another source.

d. In making military equipment and training available to Latin American countries, take into account the provisions of Para. 17, relative to the type of Government involved, exercising caution in the provision of such assistance to dictatorships.

35. *Standardization*—The United States shall encourage, to the maximum extent consistent with the needs and capabilities of each Latin American nation, the standardization along U.S. lines of military doctrine, unit organization, and training. Except when it will create undue demand on the United States seek, in the interests of standardization as well as for other reasons, to discourage purchases by Latin American governments of military equipment from other countries, especially Communist countries, primarily by assuring the Latin American countries that we will endeavor to fill their essential requirements expeditiously and on reasonable terms.

a. The United States is also prepared, where appropriate, to seek to prevent other Free World countries from selling military equipment to Latin American states. However, since this may involve considerations affecting relations with other areas of the world, such actions will be coordinated in Washington.

36. *Military Relations*—The United States shall:

a. Seek to develop a conviction that collaboration, including military purchases, by any of the American states with Communist nations would be a serious hazard to all of the nations of this hemisphere.

b. Continue to participate actively in the Joint Military Commissions we have with Brazil and Mexico, and make effective use of the IADB to achieve our military objectives.

c. Foster close military relations with the Latin American armed forces in order to increase their understanding of, and orientation toward, U.S. objectives and policies, and to promote democratic concepts and foster pro-American sentiments among Latin American military personnel.

d. Continue, and establish where appropriate, military training missions in Latin American states, countering any trend toward the establishment of military missions, or agencies or individuals with a similar function, other than those of the American Republics.

37. *Hemisphere Mapping Program*—The United States shall seek the continued cooperation of the Latin American states in carrying out the hemisphere mapping program.

38. *Training*—The United States shall provide adequate quotas for qualified personnel for training in U.S. armed forces schools and training centers. Seek, as appropriate, new legislative authority to facilitate provision of such training to personnel from all Latin American countries.

a. Encourage Latin American governments to fill professional and technical military training quotas for members of their armed forces to U.S. Service Academies, armed forces Schools and technical training programs, in order that personnel from Latin American armed forces may become indoctrinated in our methodology and accustomed to our way of life including anti-Communist orientation. However, avoid providing categories and numbers which would tend to stimulate demands for non-essential military equipment or be in excess of the needs of the military organization.

**13. Report by the Operations Coordinating Board to the National Security Council<sup>1</sup>**

Washington, April 6, 1960.

REPORT ON LATIN AMERICA (NSC 5902/1)

(Policy Approved by the President February 16, 1959)

(Period covered: From February 16, 1959 thru April 6, 1960)

1. *Review of Policy*—United States Regional Policy Towards Latin America (NSC 5902/1) has been reappraised in the light of the experience gained in the past year and for the most part the policy guidance has proven satisfactory.

2. Nevertheless, it is recommended that the policy statement be reviewed at this time in the light of the growing political and economic instability in some countries, primarily with respect to the current and prospective problems confronting the United States in the Caribbean which are of great importance to the national security; and with a view to assuring its adequacy in the light of increased Sino-Soviet bloc influence and expanding efforts to undermine the U.S. position in the area.

3. A review would also provide an occasion to reassess certain aspects of the policy, such as U.S. military and economic policy, and the adequacy of providing NSC guidance on a regional basis which, in the view of certain agencies, might be further refined. Moreover, it would provide an occasion for the President to reappraise the policy document following his tour to Latin America and to assure that it is reasonably current at the close of this Administration.

4. *Political Situation*

a. *Non-Intervention and the OAS*—Although problems of great importance to the national security remain with respect to Cuba, and, to a lesser extent, the Dominican Republic, the basic U.S. policies of refraining from overt intervention and support of multilateral action

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<sup>1</sup> Source: Department of State, S/S–NSC Files: Lot 62 D 1, NSC 5902 Series. Secret. Prepared by the OCB Working Group on Latin America. At its meeting on March 23, the OCB reviewed an earlier draft version, and referred it back to the Working Group for additional revisions, in light of a briefing by Assistant Secretary Rubottom and subsequent discussion concerning President Eisenhower's trip to Latin America, February 23–March 7, 1960. The Working Group submitted a revised draft under date of April 4, and the OCB concurred in that draft at its meeting on April 6. (Memorandum by Bromley Smith, undated; *ibid.*, S/S–OCB Files: Lot 61 D 385, Latin America—Documents (1960)) The OCB transmitted the report to the NSC under cover of a memorandum from Smith to Lay, April 7.

Annexes A and B, entitled respectively "Sino-Soviet Bloc Activity in Latin America," prepared by the CIA, and "Loan Disbursements and Repayments—U.S. and International Lending Agencies, 1956–1959," are not printed.

through the Organization of American States (OAS) made an important contribution towards isolating these problems and, to date, of reducing the danger of the spread of the pattern of direct and indirect aggression among Caribbean countries which emerged in the first part of 1959. However, the apparent increasing influence of international communism in the present Cuban government, and the growing subversive and anti-U.S. activities of the Cuban government in collaboration with the Communists throughout the area, have raised serious problems which make advisable a review of NSC 5902/1 from the standpoint of the situation in the Caribbean.

b. *Canal Zone*—With respect to the situation in Panama, no sound alternative has offered itself to the policy of maintaining U.S. rights under the Treaty of 1903, but interpretive problems and severe operational difficulties, including violence against the Zone, arose in the implementation of this policy in the light of the increasingly volatile situation prevailing in Panama.

c. *Other Areas*—In Bolivia, with the approach of the 1960 Presidential elections there, the situation continued to be highly explosive. During the year political relations have improved with other Latin American countries, notably Argentina, Mexico, and Uruguay.

d. *Communism*—The past year was marked by intensification of Sino-Soviet bloc efforts to extend its political and economic influence in the area and by concerted activities of the Latin American Communist apparatus and of the Castro movement to establish neutralist and subversive revolutionary Latin American organizations and activities, especially in the fields of labor, youth, and women, which would bring pressures on Latin American governments to disassociate themselves from U.S. leadership of the hemisphere. This offensive was well calculated by the Communists to appeal to anti-American sentiment in Latin America, to the prevailing liberal philosophy, to the popular economic yearnings of the area, and to nationalist desires for a more independent foreign policy. This support factor was catalyzed in 1959 by the new U.S. public approach to Soviet Russia, with the result that respectable Latin American public opinion is increasingly complaisant toward the trend. U.S. representatives in the area found it increasingly difficult to impress Latin American governments with these dangers by diplomatic representations or other direct methods and, in fact, only in less than six instances during the period under review did the United States discuss cultural or other Bloc contacts with Latin American governments and these mostly at the initiative of the host government. In this field, the United States was inhibited from appearing to argue that its Latin American partners should not do what it was doing. The United States likewise refrained from any official state-



ments or publicity critical of Latin American contacts with the Bloc. Emphasis was placed increasingly on less direct methods of discouraging or discrediting contacts considered dangerous to U.S. interests.

Nonetheless, there has persisted among certain Latin American groups—especially those of liberal orientation—the feeling that the United States is urging on Latin America a purely defensive attitude toward the Soviet world, an attitude which these elements find unacceptable especially when the United States itself is expanding contacts. This image of the United States is the result of many factors, some of which are: that the United States press and U.S. public officials place the spotlight on the dangers of Communist penetration of Latin America to a much greater extent than the Latin Americans themselves; that the U.S., in fact, makes numerous representations to Latin American governments with respect to contacts with and attitudes toward Communist China which Latin American opinion does not sharply differentiate from contacts with and attitudes toward the Soviet Bloc; U.S. visa laws and regulations which take participation in Communist and Communist-front meetings into account; on the residual impression of the more direct actions taken by the United States to discourage Latin American-Bloc contacts when the United States itself was engaged in such contacts. It is recognized that, in view of the varying degree of danger or advantage to U.S. objectives presented by various types of contacts with the Soviet Bloc and differing psychologies of Latin American peoples and governments, the action—if any—which the United States should take must necessarily be flexible and adjusted to each particular contact.

#### 5. *Information and Cultural Situation*

a. *Priority Programming*—Appreciable progress was made in implementing the policy guidance that calls for an increase, as a matter of urgency, in informational and cultural activities. The advance, in the sense of increased resources, was mainly attributable to a special program designed primarily to influence Latin American student leaders, under which the number of university students brought to this country at U.S. Government expense was doubled and a number of student centers under binational supervision were established. The approach to priority audiences was also strengthened, however, by raising the intellectual level of radio and television programming, expanding the support given to local cultural activities in U.S.-Latin American binational centers, and further refining the selection of cultural presentations sent to the area under the President's Special International Program. Modest but helpful progress took place in obtaining cooperation from U.S. nationals in support of the purposes of the policy. All departments and agencies concerned made increased efforts to stimulate and participate in demonstrations within the United States of interest in Latin America.

b. *Latin American Reaction*—Receptivity to all of these approaches was good and it is not to be expected that such ideological gain as they may have achieved could, except in a few clear instances, be estimated. It is obvious, however, that they have not yet attained enough scope even to approximate their potential effectiveness in supporting U.S. political objectives, and especially to rival the rapid expansion of Communist efforts in their field.

#### 6. *Labor Situation*

a. *Communist Activity*—Stronger Communist initiative, supported by the labor movements of Cuba, Venezuela and Chile, and by significant Communist segments throughout Latin America, to undermine domestic democratic-oriented labor movements and establish a nationalistic anti-U.S. regional organization, represented a net setback to the achievement of U.S. objectives in the important labor sphere.

b. *Adequacy of Programs*—The programs of the United States and Free World labor movement to counter these trends have had only a limited effect. Despite the fact that the Operations Plan calls for special and urgent efforts in encouraging the development of non-totalitarian, non-Communist labor organizations, United States action in this regard has been inadequate.

#### 7. *Economic Situation*

a. *Trade*—Latin America enjoyed more stable conditions as the 1957–58 decline in commodity prices leveled off and, in some cases, was reversed. Coffee was an important exception to this trend, but in some cases increased sales made up for the continued decline in prices. Cocoa and sugar were also exceptions. Trade between the area and the United States achieved a level of \$3.5 billion for exports by the United States and \$3.6 billion for imports into the United States during 1959, as compared with \$4.1 billion for exports and \$3.6 billion for imports during 1958, despite continued U.S. restrictions on the imports of non-ferrous metals and petroleum which continued to present problems—though not acute ones—with Latin American exporters of these items.

b. *Stability*—A number of Latin American countries made progress in stabilizing their economies through stabilization and economy reform plans and other devices, and moved further toward sound free enterprise economies, although the radical programs instigated in Cuba reversed the progress there. The progress made, however, has not removed the severe economic strains in the area attendant on underdevelopment.

c. *Technical Assistance*—Inclusive of contributions to the OAS, Technical Cooperation increased from \$30,541,000 in FY 1958 to \$35,513,000 in 1959, while during the same period Special Assistance decreased substantially from \$44,710,000 to \$24,360,000.

d. *Capital Flow*—The flow of U.S. investments to Latin America last year is expected to be less than the capital flow for 1958, at which time aggregate U.S. private (\$11.1 billion) and public (\$1.7 billion) investments in the area were \$12.8 billion. On the basis of data for the first three-quarters of each year, the net flow of public and private capital declined from \$684 million in 1958 to \$448 million in 1959, and it is expected that the net flow during the fourth quarter of 1959 may be less than during the comparable period of 1958. Gross disbursements in 1959 for Latin America by the Eximbank, DLF, IBRD, and IFC totaled \$405 million. Allowing for repayment of principal on prior year loans, net loans were \$216 million. The net increase in direct private investments in the area was about the same in 1959 as in 1958, but there was a substantial net repayment of private short term capital to the United States in 1959 as compared with the net outflow of private short term capital in 1958.

e. *Financing Development*—In sum, the indications are that there was some decrease in the flow of private and public capital to Latin America in 1959. In the case of private capital this situation was attributable, in part, to expropriation, tax, and other restrictive measures, and disturbed political conditions in Cuba and elsewhere. In the case of public capital, 1959 was principally a year of preparation for the future. The United States was instrumental in the establishment of the Inter-American Development Bank, in achieving the substantial increase in the resources of the IBRD and the IMF, and in moving towards creation of the International Development Association. Together, these institutions will have substantial resources for loans to Latin America within the framework of their respective lending policies and thus be in a position to contribute to the additional flow of capital to the area which the policy statement recognizes as required.

Problems remain, however, with respect to financing of "social overhead" projects, such as schools, housing, roads, and other public projects which along with such questions as agrarian reform and industrialization are particularly active issues in current Latin American political life. Latin American governments at present generally lack the means from taxation and other local resources to finance these items and would like more foreign help. There is, however, no unanimity among or within these governments as to what priorities should be established within their capacity to service foreign loans on borrowing for projects designed to increase productivity directly and on borrowing directly for "social overhead" projects to meet the current demands for quicker progress in this area. The United States has given assistance to Latin America in meeting this "social overhead" problem through its Technical Assistance programs, its contributions or loans to

the Inter-American Highway and to the Rama Road and other roads and in the form of modest loans to assist in other sectors. With regard to the future it is to be noted that the IBRD Directors' report notes that

“the Association is authorized to finance any project which is of high developmental priority, that is, which will make an important contribution to the development of the area or areas concerned, whether or not the project is revenue-producing or directly productive. Thus, projects such as water supply, sanitation, pilot housing, and the like, are eligible for financing, although it is expected that a major part of the Association's financing is likely to be for projects of the type financed by the Bank.”

When the IDA and the IADB begin lending operations (in the case of IADB within the year and somewhat later for IDA), they will include in their resources substantial amounts of subscribed national currencies which could, if authorized, be utilized for these purposes. It must be recognized, however, that in the years of rapid population growth and social revolution which lie ahead, the Latin Americans are confronted by a formidable task in mobilizing from domestic and foreign sources the capital necessary to provide the productive enterprises and social overhead projects needed if the area is to make progress towards its objective of more rapid economic development. It must likewise be noted that while recognizing that the United States can provide only a small portion of the capital required, it will have to assure to the maximum extent possible that its economic and financial policies towards the area are well adjusted to the situation as it unfolds.

### 8. *Military Situation*

a. During the reporting period, the United States has continued to provide military assistance to Latin American countries in accordance with foreign policy guidance and legislative requirements. Both grant and sales transactions have been used to provide equipment, matériel and training. However, there has been substantial debate on such matters as:

(1) Whether over-all U.S. and Latin American interests are best served by the Hemisphere Defense concept and policy and program actions relating thereto;

(2) How to discourage the tendency of some Latin American countries to divert resources from economic development to military purposes, particularly by purchasing excess arms from non-U.S. sources;

(3) How to counteract the growth of tension and military rivalries in several areas by such means as international arms limitation arrangements;

(4) Whether U.S. policies and actions are designed, or result in, the perpetuation in power of elements which do not encourage the growth of democracy.

b. Congressional concern has been reflected in the adoption of the language in Section 105(b)(4) of the Mutual Security Act of 1960<sup>2</sup> which, in part, reads as follows: "Military equipment and matériels may be furnished to the other American Republics only in furtherance of missions directly relating to the common defense of the Western Hemisphere which are found by the President to be important to the security of the United States. The President annually shall review such findings and shall determine whether military assistance is necessary. Internal security requirements shall not, unless the President determines otherwise, be the basis for military assistance programs to American Republics."

c. Increased international tension in the Caribbean following the installation of the Castro government in Cuba and its increasing servitude to Communist objectives, and heightened military rivalry between the countries on the West Coast of South America, have particularly contributed to an armaments race in these areas, led several Latin American governments to procure arms and equipment in excess of planned strategic military needs for hemispheric defense, and resulted in a continuance of excessive expenditures for military purposes. At the same time, there has been an increasing interest in the South American region to find an effective international formula for arms limitation.

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<sup>2</sup> For text of the act (P.L. 86-472), approved May 14, 1960, see 74 Stat. 134.

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**14. Memorandum of Discussion at the 443d Meeting of the National Security Council, High Point Relocation Site, May 5, 1960<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting, an explanation of why the meeting was convened at the High Point Relocation Site, and agenda item 1, "History of U.S. and USSR Long-Range Missile Development."]

**2. U.S. Policy Toward Latin America (NSC 5902/1; OCB Report on NSC 5902/1, dated April 6, 1960)**

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Prepared by Marion W. Boggs on May 5.

Mr. Harr, summarizing the reference OCB report on the subject, said that on the basis of operations in Latin America during the past year, the Operations Coordinating Board recommended a review of U.S. policy toward Latin America for the following reasons: (1) the growing instability in Latin America; (2) increased Soviet influence in the area; (3) the desirability of re-assessing certain phases of our economic assistance; (4) the question whether regional guidance for Latin America continued to be adequate; and (5) the desirability of re-appraising policy in the light of the President's recent trip to Latin America. Cuba and the Dominican Republic had of course been the most serious problems in the area during the past year. The Sino-Soviet Bloc had endeavored to extend its influence in Latin America, using native non-Communist groups as well as Communist subversive machinery. Sino-Soviet efforts were helped by latent anti-U.S. sentiment in Latin America, by economic yearnings, by nationalistic sentiments, and the feeling prevalent in many Latin American countries that closer association with the USSR could not be harmful since the U.S. appeared to be engaging in more contacts with Moscow. The "new climate of détente" was of course being emphasized by Moscow. Mr. Harr felt that we had made progress in Latin America in information and cultural activities, although the scope of these activities was still modest. We had, however, suffered a set-back with respect to labor unions, which are one of the primary targets of Communism, particularly in Chile, Venezuela, and Cuba. Economic conditions in the area have become more stable as price declines had ceased. Our trade with Latin America was at about the 1958 level. However, private investment in Latin America had declined because of restrictions and unsettled conditions; public investment had declined because the past year was largely one of preparation as far as public investment organs were concerned. Turning to the military situation, Mr. Harr said debate had centered on the validity of the hemisphere defense concept and on means of preventing unnecessary diversion of Latin American economic resources to military purposes.

Mr. Gray said the Planning Board was reviewing U.S. policy toward Latin America in accordance with the OCB recommendation. The Department of State had already begun the preparation of a revised draft statement of policy.

Mr. Dillon said the decline in public investments in Latin America was due not to lack of lending resources but to lack of planning and coordination. A difficult relationship had developed between the Export-Import Bank and the Development Loan Fund. The Export-Import Bank was vigorously resisting any activity in Latin America on the part of the DLF but had at the same time slowed down its own activities. It was even possible that the investment situation would show a net drain on Latin America this year; that is, Latin America

would be repaying more loans than it received. This problem was receiving the attention of the Departments of State and Treasury. An effort would be made to work out an arrangement whereby the Export-Import Bank would either do more lending itself or would cease to object to activities by the Development Loan Fund.

Mr. Gray asked when funds from the new Inter-American Bank would be available to Latin American borrowers. Mr. Dillon thought funds would become available about next September and that possibly the first loan would be made by January 1. Mr. Harr asked whether the increased resources of the International Monetary Fund would not be helpful to Latin America. Mr. Dillon said the IMF might be of some help but he believed that all the assistance of this type needed by Latin America was already available.

Mr. Allen said he and Dr. Kistiakowsky had recently attended a meeting at which sharp criticisms were made of our policy of trying to persuade Latin America not to carry on cultural exchanges with the Sino-Soviet Bloc. He had also received a great many letters from Latin Americans who asserted they had been warned by our embassies not to go to Moscow. He wondered whether Latin Americans were not becoming irritated at this policy. Mr. Harr said that we usually did not offer the "don't go to Moscow" advice unless our opinion was asked by Latin American countries.

*The National Security Council:*<sup>2</sup>

a. Noted and discussed the reference Report on the subject by the Operations Coordinating Board.

b. Noted that the NSC Planning Board would review U.S. Policy toward Latin America (NSC 5902/1) as recommended by the Operations Coordinating Board.

[Here follows discussion of items 3–6: "Significant World Developments Affecting U.S. Security," "U.S. Policy Toward Cuba," "U.S. Policy Toward the Dominican Republic," and "A Research Clearing House Within the NSC Staff."]

**Marion W. Boggs**

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<sup>2</sup> Paragraphs a and b that follow constitute NSC Action No. 2226.

## 15. Editorial Note

Pursuant to NSC approval of the OCB Planning Board's recommendation in its report of April 6, calling for a review of the policy statement in NSC 5902/1, the Bureau of Inter-American Affairs (ARA) in the Department of State prepared a draft revision dated June 15, for presentation to the OCB Planning Board on July 1. In the meantime, however, Deputy Coordinator for Mutual Security John O. Bell, requested ARA to defer completion of the draft statement in order to consider an extensive paper prepared in his office reviewing existing military and economic aid programs in Latin America. (Memorandum from Bell to Rubottom, July 1; Department of State, ARA/REA Files: Lot 63 D 211, "NSC") Assistant Secretary for Policy Planning Smith also requested postponement to enable ARA to take into account the President's special aid program for Latin America announced on July 11 (see Document 41), and the results of the OAS economic conference at the meeting of the Committee of 21 in Bogotá, Colombia, beginning September 5. (Memorandum from Rubottom to Bell, July 14; Department of State, Rubottom-Mann Files: Lot 62 D 418, Policy 1960) Further work on the draft statement was postponed, with the concurrence of the NSC and the OCB, until October, for the reasons suggested by Assistant Secretary Smith. (Minutes of the OCB Working Group on Latin America, approved September 1; *ibid.*, S/S-NSC Files: Lot 61 D 385, Latin America—General) On July 14, Rubottom informed Bell that the postponement would give ARA "an opportunity to factor in U/MSC's conclusions and findings in the further revision of the draft which will be necessary." (Memorandum from Rubottom to Bell, July 14; *ibid.*)

The Bureau of Inter-American Affairs completed a second draft revision of a new policy statement in October, and a third on November 15. Assistant Secretary Thomas C. Mann sent a copy of the November 15 revision to Gordon Gray at the White House in December, commenting in part as follows: "It seems to me that this draft is too long for a policy paper and not detailed enough for a paper of policy guidelines. In view of the time element, however, I am not going to try for an extensive revision." (Letter from Mann to Gray, December 17; Eisenhower Library, Project Clean Up) The Department of State submitted a final revised draft to the NSC Planning Board under date of January 4, 1961, for consideration at the Board's meeting on January 6. (Memorandum from Director of the Planning Board Secretariat Robert H. Johnson to the NSC Planning Board, January 4, 1961; Department of State S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Latin America)



# UNITED STATES POLICY REGARDING HEMISPHERE DEFENSE; PROVISION OF ARMAMENTS AND MILITARY ASSISTANCE TO THE AMERICAN REPUBLICS<sup>1</sup>

## 16. **Memorandum From the Director of the Office of Inter-American Regional Economic Affairs (Turkel) to the Assistant Deputy Chief of Staff for Military Operations for International Affairs, Department of the Army (Trapnell)<sup>2</sup>**

*Washington, February 6, 1958.*

### SUBJECT

Collection of Certain Funds from Latin American Countries

Reference is made to your memorandum of October 16, 1957 concerning the payment by Latin American countries of expenses incident to permanent change of station of members of the U.S. Army Missions in those countries, in accordance with provisions of U.S. Army Mission Agreements now in force.<sup>3</sup>

You indicate that the Department of the Army usually pays such expenses and submits the bills to the country involved for reimbursement. When payment is not forthcoming, reminders are submitted to the Embassy of the country concerned two or three times a year. You state that the United States Army Audit Agency has recommended a more aggressive collection policy providing for more frequent reminders when payments have not been made, and request this Department's comments and recommendations as to whether a more aggressive collection policy should be pursued or the present practice be retained in attempting to collect unpaid balances.

After careful consideration, this Department is of the opinion that a more aggressive collection policy providing for more frequent reminders would be unlikely to result in prompter payments. Our recommendation therefore is against a more aggressive collection policy at this time.

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<sup>1</sup> Continued from *Foreign Relations, 1955-1957*, vol. vi, pp. 213 ff.

<sup>2</sup> Source: Department of State, Central Files, 720.5-MSP/2-658. Confidential. Drafted by Weldon Litsey on January 31.

<sup>3</sup> Not printed. (*Ibid.*, 720.58/10-1657)

You submitted with your memorandum a list of eleven Latin American countries with amounts owed by them. It is assumed that none of these countries has questioned the statement of accounts rendered by the Department of the Army or any items contained in the statement. After receipt of your memorandum, a member of my staff discussed informally with representatives of the Department of the Army the circumstances surrounding the delinquency of these countries. It appears that of the eleven countries, six have made payments from time to time and are not seriously delinquent. Of the five remaining, only two—Ecuador and Bolivia—are seriously delinquent. While we do not believe more frequent reminders would be productive, we do feel that in the case of these two countries means should be sought to accomplish payment of these bills.

According to the latest figures furnished us, Ecuador owes the Department of the Army, and has been billed for \$186,010.20 and the Department of the Air Force \$137,210.69—or a total of \$323,220.89. Bolivia owes the Department of the Army, and has been billed for, \$169,146.31 and the Department of the Air Force \$67,080.68—or a total of \$236,226.99. Both countries are presently experiencing financial difficulties and would not, without adverse effects, be immediately able to meet these obligations in their entirety. Bolivia is making serious efforts to maintain a stabilization program in which the United States is most interested and toward the success of which we are contributing materially. We would want to take no action which might jeopardize the success of this program. Nonetheless, we believe that Bolivia, as well as Ecuador, can and should meet these obligations provided some schedule of payments can be worked out for them to liquidate their indebtedness over a reasonable period of time.

We should like to propose that our American Embassies at La Paz and Quito approach the Governments of Bolivia and Ecuador and attempt to work out with them such a schedule. The details of such schedule would, of course, have to be negotiated. However, our proposal might contemplate payment over a period of five years, with smaller payments during the first years to allow for present financial difficulties. It might be proposed, for example, that during the years 1958–62 inclusive they make annual payments of 10%, 15%, 25%, 25% and 25% successively of the outstanding amounts. Bolivia would then pay approximately \$23,623 during the first year, \$35,434 during the second, and \$59,057 annually during the last three years. Similarly, Ecuador would pay approximately \$32,322 and \$48,483 during the first and second years and \$80,805 annually during the last three.

Such an arrangement would contemplate that future bills for transportation of Mission members and effects would be paid promptly and that backlogs should not be allowed to develop, as in the past. (This would not be an important problem in the case of

Bolivia, since under present Mission agreements Bolivia no longer pays transportation costs other than the cost of shipment of one automobile per Mission member.)

If you concur in this proposal,<sup>4</sup> this Department will request the opinion of the American Embassies at La Paz and Quito as to the feasibility of attempting to obtain the agreement of the Governments of Bolivia and Ecuador to some such schedule. (The Department of the Air Force has already informally indicated its concurrence in the proposal.) Should our Embassies consider such a step feasible at this time, they will be requested to approach the Governments of Bolivia and Ecuador on the subject.

HRT

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<sup>4</sup> No reply from the Department of the Army indicating concurrence has been found in Department of State files.

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**17. Memorandum From the Special Assistant to the Deputy Assistant Secretary of State for Inter-American Affairs (Hill) to the Deputy Assistant Secretary of State for Inter-American Affairs (Snow)<sup>1</sup>**

*Washington, July 29, 1958.*

SUBJECT

US Military Policy Towards Latin America

(I)

1. It appears to me desirable for ARA to use the current revision of the "US Policy toward Latin America" (NSC 5613/1)<sup>2</sup> as an opportunity to seek a clarification of US policy with respect to military assistance for the other American republics. The present policy, expressed in paragraphs 31–46 and especially in paragraphs 32–34, appears to be inconsistent in some respects with existing legislation and to omit the factors which are basic to our consideration of the extent and type of military assistance we should grant to the republics to the south. As a result, much of the justification for our specific Latin American country

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<sup>1</sup> Source: Department of State, Central Files, 720.5–MSP/7–2958. Secret. Also addressed to John C. Dreier.

<sup>2</sup> For text of NSC 5613/1, approved by President Eisenhower on September 25, 1956, see *Foreign Relations, 1955–1957*, vol. vi, p. 119.

programs seems to have been contrived on a basis of fiction which misleads and confuses the Executive Branch of the Government more than it does the other American republics, the press, or the Congress.

2. A principal danger of the present policy formulation and the procedures which flow from it is that, if strictly and impartially applied, they would automatically and continuously involve the United States in the internal affairs of the American republics which receive military aid from us. Under paragraph 33, as interpreted by General Cutler's memorandum of October 31,<sup>3</sup> the maintenance of "internal security" is one of the "limited missions" which would qualify for US grant aid. However, our military assistance agreements provide for consultation with the US prior to the utilization of such grant aid, thus imposing on ourselves the duty of making a determination in each case as to what internal security action is or is not within the purview of proper "limited missions." In other words, we say on one hand that we should grant aid for internal security purposes and on the other that grant aid should not be used for this purpose without prior consultation.

3. The position is further confused by the Morse Amendment recently adopted by the Congress. This provides, in essence, that aid should not normally be granted to Latin American countries for internal security, and the Senate report made it clear that what was meant was that aid should be given only in *exceptional* cases. Thus, there has come to be a divergence between the NSC position which generally legitimizes "internal security" as a basis for military aid and the legislative position which would require a specific finding of exceptional circumstances. In addition, further confusion is introduced by the placement of the justification (paragraph 37) for aid to the police, constabulary, etc., in the "Military" courses of action of the policy paper.

4. Meanwhile, the position was reached in NSC 5613/1 that only in "exceptional cases" should the US be prepared to accept participation by a Latin American country in combined operations in the ocean approaches to the hemisphere and, specifically, to the Canal. Thus the position is logically reduced to eliminating the Latin American military programs, unless we can find an "exceptional" internal security condition or an "exceptional" need for participation in combined operations for hemisphere defense. How many such "exceptions" could we find in good conscience?

5. From such information as is readily available, it appears that what has in fact happened is that we have improvised justifications—especially for ground forces—which have allowed us to do what was considered necessary but which would not stand up to close policy

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<sup>3</sup> Not found in Department of State files.

scrutiny. These justifications may, in fact, some day cause us acute embarrassment if there is a searching inquiry by the press or the Congress. For instance, it appears that our ground force aid to Cuba technically rests on a concept that Cuban ground forces would assist in the defense of the Canal, thus making Cuba eligible for grant aid for combined operations. However, is it really the desire or intent of our Chiefs of Staff to use Cuban forces for this purpose? In Ecuador, it appears, our military program rests on an initial justification that Ecuador should be provided with an anti-aircraft unit in order to participate in Canal defense; later, when the AA unit turned out to have insufficient martial-appeal for Ecuador, it was decided to support an infantry unit instead. On what "combined operation" concept would we find ground forces aid to Guatemala rests?

(II)

6. There is no discussion in the policy paper as to whether or not it would be desirable for the US to support a limited number of Latin American units to participate in UN actions. Korea, UNEF and the present Middle East situation suggest the political utility of having readily available token forces from other countries. Without having gone fully into all of its implications, I would suggest that it might be timely to give consideration to the possibility of channeling our support for combined operations into the creation of a number of small, crack units formed into an Inter-American Brigade something along the line of the Commonwealth Brigade in Korea and the present Commonwealth Strategic Reserve in Malaya. I recognize that basing the justification of such a unit on the possible provision of forces outside the hemisphere for the UN is likely to raise objections from many countries which do not want to make implied commitments to send troops overseas. However, this might be minimized if justification was also based on (a) hemisphere defense and (b) possible support to the OAS.

7. Some of the advantages of an inter-American unit:

(a) Units designated for this unit could also be designated for possible participation in combined operations for the defense of the hemisphere in wartime; thus a simple criterion could be used for extending aid for hemisphere defense purposes: those in the Brigade would get it, those not wouldn't.

(b) We could pass to the COAS, IADB or other appropriate inter-American body the onus of determining when the diversion of units designated for the Inter-American Brigade to internal security operations could be acceded to. Procedures developed by NATO (and SHAPE) could be adopted.

(c) By concentrating on the training and equipment of small, elite units we could at the same time go a long way towards satisfying the Latin American officers' craving for military prestige while putting

ourselves on the right side of the "supporting dictators" argument. If a caudillo used the Nth Battalion of the Inter-American Brigade in domestic political strife, with or without notification to the COAS, it would at least be clearer than at present that we had not armed and trained it for that purpose.

(d) We could treat Latin American countries more equally, according to their need, than at present where the arbitrary definitions of combined operations for hemisphere defense make geographical accident an influential factor in determining who gets what aid.

(e) The professional esprit de corps of the military of the Latin American countries concerned could be substantially raised, especially if the unit were imaginatively organized, equipped, uniformed and trained (e.g. by including small paratroop or Ranger formations). In some of the smaller Latin American countries we might even hope to have the special troops rather than student revolutionaries be the shining examples to schoolboys.

(f) The Latin American military would tend to draw closer together through this common bond, and the Latin American countries to have a greater sense of participation in and responsibility for the common defense.

(g) By using such a unit as a whole or in part, we would have a standing alternative to direct intervention by US forces if something goes wrong in the Americas—e.g. eventual seizure of power by the Communists in Venezuela or a repetition of the recent Cuban kidnapping episode.

*Note:* While the above has been directed towards ground forces, the same principles could apply to air and naval forces, which present less of a problem.

### (III)

8. Before real progress can be made in revising and rationalizing our military aid policy in Latin America, it is necessary to be clear on the purposes which actually determine our granting aid and then to establish suitable criteria to guide the implementation of our aid programs under them. The following divisions suggest themselves:

(a) *Combined Operations.* Aid to be granted only in cases where JCS-approved US war plans clearly provide for units to be used for the defense of the hemisphere or for the common defense outside the hemisphere. This would include support to any units which, for political as well as military reasons, it is considered desirable for the United States to have available for overseas service (e.g. the Brazilian units in the last World War, contributions to UN police actions, etc.). All current as well as future justifications which are not, in fact, sanctioned by such JCS determination should be scrapped and new justifications, if any, should be made under other, more realistic headings.

(b) *Local security* of strategic installations, bases, vital ports and coastal waters, and strategic resources such as oil fields. Force levels and dispositions should be determined by *direct* reference to the security of the installation involved: security of Guantanamo would not be good justification for programming armored cars for Habana.

(c) *Internal Security*. Our “military” and “non-military” internal security programs should be viewed as a whole. We are now in the absurd position of working on an expanding number of civil OIS Programs and, at the same time, being under specific Congressional injunction not to use MAP funds for internal security purposes except in “exceptional” cases. While we should take due care not to draw further charges of coddling dictators, we should also not lose sight of the fact that every state has a duty to maintain law and order, using its total civil and military resources to the extent necessary; that ultimately neither democracy nor economic progress can be achieved in Latin America unless the state maintains an acceptable degree of internal security; and that the United States at present has a particularly important stake in preventing the development of lawless conditions in this hemisphere which are readily exploitable by international Communism. Since many Latin American countries need outside assistance to obtain both civil and military type equipment for internal security and technical training in this field, it is essential that we have a rational policy and legal authorization to extend military and civil assistance for internal security. This would appear to involve an effort by the Executive Branch to eliminate or reinterpret the Morse Amendment, as well as to define more precisely the minimum military, quasi-military and police establishments required to maintain law and order in the various Latin American countries. Our commitments under this heading should be kept to a reasonable minimum (e.g. one mobile battalion and an adequate police force should be able to keep law and order in Guatemala City, not two regiments).

(d) *Political and Prestige*. There will probably continue to arise circumstances under which we will be obliged to honor requests from Latin American governments for military assistance for political or prestige reasons. It would not be surprising if a searching inquiry into our grant aid disclosed that a large portion has in fact been given for these reasons. We should, however, keep this to a minimum and not deceive ourselves by contriving justifications under other headings.

9. My *recommendation* would be that we suggest to the Planning Staff that action be deferred by the NSC for the present on a revised military policy for Latin America and that a State–Defense Working Group go over the ground thoroughly with a view to recommending a new or at least more rational policy. Few aspects of our foreign operations in the area are likely to have as great impact on our relationship with Latin America as our military policy, and it seems undesirable to miss an opportunity to review and rationalize it. Moreover, it is urgent that we do so because the OCB will need intelligible guidelines and the process of budgeting for FY 1959 is beginning.<sup>4</sup>

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<sup>4</sup> A handwritten notation by Assistant Secretary Rubottom on the source text reads: “I concur in having study by State–Defense Working Group. Let’s organize it.”

## 18. Circular Telegram From the Department of State to Certain Diplomatic Missions in the American Republics<sup>1</sup>

Washington, August 13, 1958—8:27 p.m.

163. 1. Advise other Govt soonest US authorized by PL 532,<sup>2</sup> this Congress, make available vessels specified herein (Depcirtel 808, May 22, 1956)<sup>3</sup> on terms described alphabet paras below, substance to be embodied exchange notes concluded early date. Dept fully aware economic position other Govt considerably worse than 2 yrs ago when this program first presented Congress. Therefore and in view financial burden imposed by rehabilitation and maintenance costs, Emb shld scrupulously avoid any implication US urging acceptance offer.

(a) Ships transferred under flag recipient country on 5 yr renewable loan basis. US to retain title and right recover ships for own use prior termination loan period. In latter case US would reimburse recipient country on pro rata basis for rehabilitation costs.

(b) Ships utilized for hemispheric defense and (except in case Argentina) otherwise subject provisions existing MAP Agreement.

(c) Recipient country to pay rehabilitation costs estimated (in millions) \$3.5 (DD), \$2.5 (SS), \$1.8 (DE). Under dependable undertaking procedure described sec. 106 (b) Mutual Security Act substantial initial payment required when rehabilitation commenced followed by progress payments and liquidation total costs prior delivery. About 5 months required rehabilitate DD, 6 months SS, 3 months DE.

2. Emphasize and insure other Govt understands US expects ships to replace obsolete vessels. Details re rehabilitation new and retirement old ships to be discussed naval channels.

3. Explain that if foregoing acceptable US Navy team desires visit other country after Sept 1 discuss technical details program local navy. Because law requires transfer ships by Dec. 31, 1960, US Navy must develop firm rehabilitation plans earliest date.

If other Govt expresses strong desire acquire ships but states unable meet financial terms offered, discreetly sound out without making US commitment of better terms whether three-year credit terms would enable it accept ships. Make this inquiry only where country strongly desires ships. In accordance injunction para 1 above take no action which other Govt can in any way consider US pressure accept offer.

<sup>1</sup> Source: Department of State, Central Files, 720.5-MSP/8-1358, Confidential. Drafted by George O. Spencer. Sent to Santiago, Bogotá, Lima, Montevideo, and Buenos Aires; repeated to Havana and Rio de Janeiro.

<sup>2</sup> This law, approved July 18, 1958, authorized the transfer of naval vessels to friendly foreign countries; for text, see 72 Stat. 376.

<sup>3</sup> For text, see *Foreign Relations*, 1955-1957, vol. vi, p. 265.



Although info not disclosed publicly, other Govt may know through non-US channels US plans bear rehabilitation cost ships transferred Brazil and seven countries outside hemisphere. If (repeat if) other Govt raises subject, Emb may informally state: (a) in response US inquiries through diplomatic and naval channels prior enactment ship legislation LA countries expressing interest in ships stated they prepared assume rehabilitation costs, hence program presented Congress that basis; (b) implementation special and urgent hemispheric defense arrangement between Brazil and US necessitated Brazil receive ships on non-reimbursement basis.

Do not volunteer numbers and types ships offered other LA countries but provide info informally if requested. In latter event, state US offer to Cuba being withheld pending stabilization Cuban political situation to avoid charges US involvement Cuban internal affairs. Countries and ships included program are: Argentina (1 DD, 2 SS); Brazil (4 DD); Chile (2 DD, 2 SS); Colombia (2 DD); Cuba (1 DE); Ecuador (1 DE); Peru (2 DD); Uruguay (1 DE).

Cable soonest reaction other Govt re offer and retirement obsolescent vessels. Do not conclude exchange notes mentioned para 1 until further instructed.

**Herter**

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## 19. Editorial Note

On June 30, Congress enacted the Mutual Security Act of 1958 (Public Law 85-477; 72 Stat. 275). Section 502(k) of that act, known as the Mansfield Amendment after Senator Mike Mansfield, prohibited personnel of U.S. military missions abroad from receiving and accepting any kind of compensation or emoluments directly from the governments to which they were assigned. This prohibition required changes in existing military mission agreements on or before March 31, 1959 (the act became effective April 1, 1959), to establish the necessary procedures for direct payment to the U.S. Government.

On February 10, 1959, the Department of State instructed the missions at Asunción, Bogotá, La Paz, Managua, Montevideo, Panamá, Port-au-Prince, Quito, San José, and San Salvador to present notes to their respective host governments proposing the necessary changes. These notes also contained provisions for effecting lump-sum payments during the period after April 1, 1959, the effective date of the act. (Circular airgram 6828, February 10, 1959; Department of

State, Central Files, 720.58/2-1059) In circular telegram 1034, March 11, 1959, a joint State-Defense message, the Department of State clarified portions of circular airgram 6828, particularly with respect to travel expenses, medical benefits, benefits in kind, and questions concerning the amount of payments by host governments after April 1. (*Ibid.*, 720.58/3-1159) The Department circulated further instructions under cover of circular airgram 8245, March 26, 1959, concerning the procedures Embassies must follow in accounting for contributions of host governments to overall support of the military missions. (*Ibid.*, 720.58/3-2659)

In a memorandum to Ambassador Dreier, April 7, 1959, reporting on the status of Mansfield Amendment negotiations in Latin American countries, Weldon Litsey reported: five countries had agreed to the necessary changes in payment procedures (Colombia, Costa Rica, El Salvador, Haiti, and Paraguay); two had been requested to cease payments to individual mission members pending negotiation of a new military mission agreement (Chile and Guatemala); and that negotiations had been initiated with the remaining eleven (Argentina, Bolivia, Brazil, Dominican Republic, Ecuador, Honduras, Nicaragua, Panama, Peru, Uruguay, and Venezuela). Litsey also reported that all governments had reacted favorably to the requests to revise the military mission agreements, with the possible exception of Brazil, where there were technical questions concerning whether Brazilian budgetary law would permit payment directly to the U.S. Government rather than to individual military mission members. (*Ibid.*, ARA/ISA Files: Lot 65 D 285, Mansfield Amendment)

**20. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Special Assistant for Mutual Security Coordination (Barnes)<sup>1</sup>**

*Washington, November 10, 1958.*

SUBJECT

Loan of U.S. Naval Vessels to Latin American Countries

Pursuant to authority contained in Public Law 85–532, of July 18, 1958 and the recommendations of the Defense Department, we have offered U.S. naval vessels, on a five-year renewable loan basis, to the following Latin American countries on terms requiring them to make full cash payment in dollars for costs of rehabilitation: Argentina (1 destroyer; 2 submarines); Chile (2 destroyers; 2 submarines); Colombia (2 destroyers); Ecuador (1 destroyer escort); Peru (2 destroyers); Uruguay (1 destroyer escort). An offer of one destroyer escort to Cuba, the only other Latin American country, except Brazil, named in the legislation, has been withheld pending stabilization of the political situation in that country. For reasons related to the U.S. military requirement for a missile tracking facility on Brazilian territory, Brazil has been offered four destroyers, the cost of rehabilitation to be borne by the U.S.

Although existing legislation does not require that Latin American countries bear the expense of rehabilitation, the State and Defense Departments agreed, prior to the introduction of authorizing legislation into the Congress two years ago, that Latin American countries would be required to bear such costs. When approached at that time, Latin American countries expressed a desire to acquire ships on those terms, and the Navy Department subsequently advised the concerned Congressional Committees that the ships would be transferred to Latin American countries on that basis.

It is clear from Latin American responses to our recent offers that every one of the countries offered ships, with the possible exception of Uruguay, desires to acquire them. It is also clear that none can afford to make full cash payment in dollars for the substantial rehabilitation costs, estimated by the Navy Department to be as indicated below (cost of rehabilitating ships of same type varies, depending on type of equipment recipient country desires on ships; patrol craft are shown for Ecuador, which has requested them in lieu of a destroyer escort):

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<sup>1</sup> Source: Department of State, ARA/RPA Files: Lot 61 D 374, Military Assistance Program—FY 1960. Confidential. Drafted by Spencer.

|           |                                    | Totals<br>(in millions) |
|-----------|------------------------------------|-------------------------|
| Argentina | 2 submarines (\$2.315 each)        |                         |
|           | 1 destroyer (\$2.500)              | \$ 7.130                |
| Chile     | 2 destroyers (\$2.776 each)        |                         |
|           | 2 submarines (\$2.256 and \$2.384) | 10.192                  |
| Colombia  | 2 destroyers (\$2.485 each)        | 4.970                   |
| Ecuador   | 4 pat. craft (\$0.545 each)        | 2.180                   |
| Peru      | 2 destroyers (\$2.795 each)        | 5.590                   |
| Uruguay   | 1 dest. escort (\$1.700)           | 1.700                   |
| Cuba      | 1 dest. escort (\$1.700)           | 1.700                   |
|           |                                    | <u>\$33.462</u>         |

After carefully assessing the Latin American reaction to our recent offers, I am of the opinion that it is politically necessary for us to offer Latin American countries more favorable terms of payment. The present program was developed and discussed with Latin American countries two years ago, on our initiative, in order to: (a) induce Latin American countries, in furtherance of our arms standardization policy, to purchase U.S., rather than non-standard European vessels, in replacement of their obsolete ships; (2) to increase their capability to perform a modest but significant naval patrol mission in hemispheric defense; and (3) to try to reduce Latin American naval expenditures by offering less costly and more militarily desirable vessels than those being offered by European countries. Experience had demonstrated that Latin American countries would turn to such sources of supply if denied the opportunity to procure U.S. equipment.

Since the U.S. initiative of two years ago, Latin American countries have shown a lively interest in the ship loan program and have carefully followed the progress of the authorizing legislation through the U.S. Congress. With the enactment of that legislation this year, they are anxious to acquire the ships. However, they expect us to accommodate our terms to the acute dollar shortages which worsening economic conditions during the past two years have created in most countries.

In view of the very poor financial status of most of the other countries, I have given careful consideration to arguments that may be made in favor of our assuming part or all of the cost of rehabilitation through our grant military assistance program. I have reached the conclusion that an offer of ships on terms of three-year credit, as authorized by the Mutual Security Act, would steer us through the political difficulties created by our recent cash offers. Furthermore, I would hope that the indebtedness incurred by Latin American countries for rehabilitation of the ships might have the salubrious result of causing them to forego, for at least a three-year period, purchases of

unnecessary and more costly naval vessels, such as aircraft carriers, from European sources. Finally, neither the Defense nor Navy Department has recommended that the U.S. bear the cost of rehabilitation. I am therefore inclined to believe that while U.S. military interests will be served by transferring the ships to Latin American countries, such interests are not of sufficiently high priority to warrant our requesting the next Congress to approve for FY 1960 a grant military assistance program for Latin America substantially greater in cost than that authorized by the Congress for FY 1959.

*Recommendations:*

1. That you obtain the Executive Branch approval necessary for an offer of ships to each Latin American country named in the legislation on terms which would permit it to pay for rehabilitation over a three-year period, as authorized by the Mutual Security Act. Although an offer would not be made to Cuba at present, we would like to be in a position to make such an offer in the event that changed political conditions in Cuba should cause such an offer to be in our interest.

2. That the above approval be obtained expeditiously in view of a recent Swedish offer to Peru of destroyers on terms permitting payment in Peruvian minerals over a ten-year period.<sup>2</sup>

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<sup>2</sup> There is no indication on the source text of the action taken on these recommendations.

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**21. Letter From the Special Assistant for Mutual Security Coordination (Bell) to the Chief of the International Division, Bureau of the Budget (Macy)<sup>1</sup>**

*Washington, March 24, 1959.*

DEAR MR. MACY: You will recall that during the presentation of Public Law 85–532, which as subsequently enacted by the Congress authorized the loan of 48 U.S. Navy vessels to friendly countries, the Executive Branch indicated its intention to require the Latin American recipients involved to bear the costs associated with the reactivation of the vessels to be loaned. We have now found that the economic and political situation in the recipient Latin American countries will neces-

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<sup>1</sup> Source: Department of State, Central Files, 720.5621/3–2459. Confidential. Drafted by Robert L. Burns, Athol H. Ellis, and Seymour Weiss of the Office of the Special Assistant for Mutual Security Coordination on March 23.

sitate the provision of grant aid to cover the rehabilitation costs.<sup>2</sup> We are working out plans with Defense to undertake a program with respect to those vessels which can be reactivated from funds available in FY 1960. (You will recall that funds were included in the FY 1960 MAP for this purpose though originally it was planned as a credit financing transaction.) We also plan to consult with the appropriate Congressional committees with regard to this matter in the very near future.<sup>3</sup>

Because of the long standing interest of the Bureau of the Budget in this program I wanted to inform you of our latest plans. I shall continue to keep you informed of any further developments which may be of interest.

Sincerely yours,

**John O. Bell**<sup>4</sup>

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<sup>2</sup> In a memorandum to Bell, January 26, commenting on the budgetary problems posed by the need of the United States to finance out of grant aid to Latin America the rehabilitation of vessels authorized for transfer under the provisions of P.L. 85-532, Rubottom stated in part: "We cannot, in the FY 1959 and FY 1960 programs, absorb all of the \$10 million required each year for ships by deleting ASW aircraft from the programs. Irrespective of the apparent poor prospect of finding other items which could feasibly be removed, I recommend that the Defense Department be requested once again to try very hard to find, in each yearly program, items amounting to \$5 million which could be eliminated and the savings applied on [the rehabilitation of] ships. I concurrently recommend that the levels of both the FY 1959 and FY 1960 Latin American programs be increased by about \$5 million, so as to provide the additional funds required to implement the rehabilitation during those two years." (*Ibid.*, ARA Special Assistant's Files: Lot 62 D 24, Military 1959)

<sup>3</sup> See Document 23.

<sup>4</sup> Printed from a copy that bears this typed signature.

**22. Memorandum From the Deputy Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Director of Intelligence and Research (Arneson)<sup>1</sup>**

*Washington, February 27, 1959.*

**SUBJECT**

Counterintelligence School for Latin American Armed Forces Officers

With your memorandum of February 12, 1959 to Mr. Murphy you submitted a memorandum from General Willems,<sup>2</sup> Assistant Chief of Staff for Intelligence for the Army, directing General Collins to proceed with the establishment of a comprehensive program to assist appropriate agencies in Latin America to set up effective internal security measures against Communist penetration and subversion. Although we appreciate that this directive was furnished by General Willems as a matter for information only, it would appear advisable for the Department to point out, in the channels through which this memorandum came, that the program envisaged by the Army appears to be, in several respects, in conflict with existing programs and procedures:

(1) The problem of internal security in Latin American states is coordinated in the Operations Plan for Latin America dated May 28, 1958<sup>3</sup> and in particular in the Overseas Internal Security Program Annexes for Bolivia, Brazil, Chile and Guatemala (dated January 17, 1958).<sup>4</sup> These documents specify the roles of the various overt Government agencies in the general effort to improve internal security in Latin America and to counter Communist subversion. Under the program, for instance, ICA has undertaken a number of training and demonstration activities in the area and is contemplating new programs and projects in several Latin American countries.

(2) A number of problems arise with respect to the conflict of jurisdiction between various Government agencies in the implementation of the courses of action outlined by General Willems. For instance, item 5(c), which requires consideration of the "immediate establishment of a mechanism as well as the development of inducement for the appropriate exchange of information between all countries of the

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<sup>1</sup> Source: Department of State, Central Files, 711.5220/2–2759. Secret. Drafted by John C. Hill.

<sup>2</sup> Copies of these memoranda, February 12 and January 23, 1959, respectively, are *ibid.*, Intelligence Files: Lot 58 D 776, Latin America.

<sup>3</sup> Document 3.

<sup>4</sup> None printed.

Western Hemisphere on Communist personalities, techniques, plans, objectives and operations in Latin America," overlaps and is possibly in conflict with the responsibilities of the Department of State for the implementation of the Resolution of the 10th Inter-American Conference held in Caracas in 1954 which requires such exchanges.<sup>5</sup> In practice, the Department has met with a considerable number of political difficulties in trying to implement this Resolution.

(3) Another Government agency also has responsibilities and programs in this sphere, which may conflict with those proposed in the directive.

(4) It might be desirable, therefore, for the Army, before proceeding to the development of a plan for its activities in this field, to consult with the appropriate committees of the Operations Coordinating Board as well as with the Department.

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<sup>5</sup> Reference is to Resolution 93, entitled "Declaration of Solidarity for the Preservation of the Political Integrity of the American States Against the Intervention of International Communism." For text, see *Tenth Inter-American Conference, Caracas, Venezuela, March 1-28, 1954: Report of the Delegation of the United States of America With Related Documents* (Department of State Publication 5692), Washington, 1955, pp. 156-157.

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**23. Letter From the Acting Secretary of State to the Chairman of the Senate Armed Services Committee (Russell)<sup>1</sup>**

*Washington, April 20, 1959.*

DEAR SENATOR RUSSELL: I am communicating with you regarding Public Law 85-532, of July 18, 1958, which provides that a specified number of United States naval vessels from the reserve fleet may be loaned for periods not exceeding five years to foreign nations named in the legislation, including eight Latin American countries.

Section 3 of the Act provides that all expenses involved in the activation, rehabilitation and outfitting of the vessels, including repairs, alterations and logistic support, shall be charged either to funds programmed for the recipient government under the Mutual Security Act of 1954, as amended, or to funds provided by the recipient government under the reimbursable provisions of that Act.

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<sup>1</sup> Source: Department of State, Central Files, 720.5621/5-2659. Confidential. Drafted by Spencer on April 16.



The ship loan program proposed for Latin American countries named in Public Law 85-532 was first presented to your Committee over two years ago as a project intended to: (a) increase the capabilities of recipient nations for collective hemispheric defense by providing them with modern-type vessels in replacement of some of their over-age ships; (b) encourage a reduction of Latin American naval expenditures by offering recipient nations ships less costly and less expensive to maintain and operate than those being offered at the time by European suppliers; and (c) maintain the effectiveness of our naval training missions in Latin American countries. When such countries procure non-standard European vessels, they develop a requirement for European military missions capable of furnishing them with technical advice in the maintenance, repair and operation of European equipment, and for replacement parts from European sources. The result is to diminish the capability of Latin American navies to participate in collective hemispheric defense, under the Rio Treaty.

Prior to the enactment of Public Law 85-532, it was our intention, in the event that the Congress should enact enabling legislation, to loan Latin American countries vessels on terms requiring them to bear rehabilitation costs. When this intention was discussed with Latin American countries two years before the enactment of Public Law 85-532, they reacted favorably. When they were advised last year that they could have the ships on the terms previously discussed, they replied that during the intervening two years their financial resources had declined substantially, whereas rehabilitation costs had mounted, and accordingly, urged that we extend them credit permitting them to make payment over an extended period.

After reviewing all aspects of the proposed ship program, we have concluded that over-all United States interests in Latin America will be best served by making vessels available to eligible Latin American countries on a non-reimbursable basis under the Mutual Security Act, except in the case of Argentina, which is discussed below. Accordingly, we plan to rehabilitate the ships in United States shipyards (except in the case of Argentina) with funds programmed for the grant military assistance program we are conducting in Latin America. We believe that the following important considerations require that we implement the program in this manner.

1. Since the proposed program was first discussed with Latin American countries two years ago, depressed commodity prices and inflation have substantially reduced the dollar resources of countries eligible to receive ships. It would not, in these circumstances, be economically desirable to burden them with the credit they would require from the United States to finance rehabilitation costs.

2. Of the countries named in the enabling legislation, only Germany, Japan and Latin American countries are being asked to bear rehabilitation costs. Ships loaned to Greece, Italy, Norway, Spain, Turkey, Thailand and Taiwan are to be rehabilitated at United States expense. Latin American countries, which are no better off financially, may be expected to charge that the United States is discriminating against them when they become aware that ships are being provided other countries without charge.

3. Rehabilitation costs quoted to Latin American nations during informal discussions two years ago have increased.

4. By offering ships on a non-reimbursable basis we will be in a better position to bring about the scrapping of obsolescent Latin American naval tonnage and the maintenance of small but more efficient and modern naval forces in the area.

Argentina presents a special problem, inasmuch as the United States does not have a military defense assistance agreement with that country of the type required to establish its eligibility for grant military assistance under the terms of the Mutual Security Act of 1954, as amended. However, in order to meet the hemispheric defense requirements of the Argentine Navy, the Argentine Government strongly desires two submarines and is prepared to pay the cost of essential rehabilitation in the United States. Remaining rehabilitation would be completed in Argentina, at Argentine expense, after delivery. We consider this a critical request in view of the character and friendly orientation of the present Argentine Government, which it is in the United States interest to assist and encourage insofar as practicable.

The Bureau of the Budget has been informed of these views, which have the support of the Department of Defense and the Department of the Navy. I will be glad to provide you with any additional information you may require regarding our plans for implementing this program, and, at your request, to discuss it personally with you.

A similar communication has been addressed to the Honorable Carl Vinson, Chairman of the Armed Services Committee, House of Representatives.<sup>2</sup>

Sincerely yours,

For the Acting Secretary of State:

**William P. Snow**<sup>3</sup>

*Deputy Assistant Secretary  
for Inter-American Affairs*

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<sup>2</sup> Not printed. (*Ibid.*)

<sup>3</sup> Printed from a copy that bears this typed signature.

**24. Letter From the Chairman of the Senate Armed Services Committee (Russell) to the Deputy Assistant Secretary of State for Inter-American Affairs (Snow)<sup>1</sup>**

*Washington, May 26, 1959.*

DEAR MR. SNOW: Permit me to acknowledge receipt of your letter<sup>2</sup> advising that the rehabilitation and modernization of vessels to be loaned to Latin American countries under Public Law 85–532, will be accomplished by grant aid instead of by loans as the Committee was informed when this legislation was under consideration.

It occurs to me that the changed economic conditions in Latin America should have been known to the Department of State and to the Department of Navy in 1958. Moreover, I am also of the opinion that the Departments should have anticipated that the Latin American countries might consider that they were being discriminated against when ships were being provided to other countries without charge.

Although I recognize that the changed financing for the rehabilitation of these vessels is possible under the terms of the authorizing act, I nevertheless desire to register a protest against this departure from the financing indicated in the justification material submitted to the Committee when this authority was under consideration.

With best wishes, I am  
Sincerely,

**Richard B. Russell**

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<sup>1</sup> Source: Department of State, Central Files, 720.5621/5–2659.

<sup>2</sup> *Supra*.

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**25. Letter From the Chief of Naval Operations (Burke) to the Under Secretary of State (Dillon)<sup>1</sup>**

*Washington, September 12, 1959.*

MY DEAR MR. UNDER SECRETARY: For some time I have been concerned over the delays that have plagued our plans to lend ships to several South American countries. I am sure that you, too, have been following developments in this matter and that you are just as eager as we in the Navy are to see a solution reached which will fulfill our

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<sup>1</sup> Source: Department of State, Central Files, 720.5–MSP/7–1259. Confidential.

commitments, real and implied, to our friends in the Western Hemisphere and at the same time is consistent with over-all political and economic considerations. Herewith is a summary of this ship loan program which I would like to share with you as representing our understanding of the situation. Perhaps it will help to provide a basis upon which a decision can be reached for early action in the matter.

As you know, the Latin American navies have been asking to obtain ships from us, through purchase or loan, for many years. In 1956 it was decided that it would be strategically feasible to lend a limited number of destroyer and submarine types, not required for our use, to certain of these navies and queries were sent out to the countries concerned preliminary to requesting legislation to authorize the loans. The countries indicated on the attached chart expressed enthusiasm for accepting the loan under the proposed conditions which specified, among other things, that the receiving nation would pay the cost of reactivation of the ships which would be taken from our Reserve Fleets. As a basis for their decision, the countries concerned were furnished the then estimated reactivation costs as set forth in the enclosure.

The appropriate legislation was requested of the 85th Congress in 1957 but no action was taken except that a substitute bill (P.L. 85-220)<sup>2</sup> was passed authorizing the sale of up to 3 destroyers and 1 submarine to Venezuela.

In 1958, Public Law 85-532 was passed by the 86th Congress authorizing the loan of not more than 18 ships to Latin American countries. This number was tentatively divided among the applicant countries as indicated on the attached chart.<sup>3</sup>

As soon as practicable after the enactment of this legislation, a Navy team under the Director, Foreign Military Assistance, Office of the Chief of Naval Operations, visited all of the countries concerned except Uruguay and Cuba to discuss technical aspects of the loan. An understanding was reached in each country as to the specific equipment to be furnished with each ship and itemized costs were estimated for reactivation and modernization of the ships. Due to rising costs during the ensuing delay of 28 months these reactivation costs were necessarily considerably higher than previously estimated.

It now became apparent that the receiving governments were ill-prepared to pay this cost of reactivation and modernization as they had informally agreed to do in 1956. Hopes were expressed by the various governments that the program might be financed through grant aid or, at least, a long-term credit procedure.

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<sup>2</sup> For text of this law, approved August 29, 1957, see 71 Stat. 495.

<sup>3</sup> Not printed.

Recognizing that with changed conditions, due to both rising cost of reactivation and deteriorating economic circumstances, payment of the reactivation charges involved is, in fact, impracticable for most of these countries, the Defense and State Departments have been exploring the possibility of financing the program under MAP Grant Aid but little progress has been made. Recently, Ecuador has agreed to accept 2 PCEs, without cost, in lieu of a DE and Peru has accepted an offer of two minesweepers (MSF) to replace two of her obsolescent frigates. Argentina and Venezuela, having no bilateral Military Assistance Agreements with the U.S., are planning to pay for their ships. Brazil's four destroyers are being transferred as a part of the special Fernando de Noronha Agreement.<sup>4</sup> Consideration of a DE for Cuba was discontinued at the time of the recent revolution in that country. At the present time delivery of ships to Chile, Colombia, Ecuador, Peru and Uruguay is being held up pending agreement among the Departments concerned regarding the character of the FY 1960 Military Assistance Program for Latin America.

Delay in this program has been increasingly detrimental to our relationships with our Latin American neighbors. Although we have made no formal commitments, we have, by our proposals and discussions, given encouragement to their hopes that the Mutual Security Program will provide the means whereby these ships can be delivered; and we must recognize the unfortunate fact that the rising costs which prevail during each period of delay tend to relieve the Latin Americans of their informal agreement to finance the reactivations.

I hope you will pardon this rather long summary but in presenting it, I wish first, to review the Navy's understanding of the present status; and second, to reaffirm the feasibility and desirability of this program from a military point of view. I feel that early action to enable us to carry out this program along the general lines of our original proposal is most desirable. If this cannot now be accomplished, I feel that early delivery of at least one ship to each of these countries is the least we can do to show that we are really interested in them and in their potential ability to help us in the defense of the hemisphere. There is no doubt in my mind that these navies are sincere in their desire to contribute and that we can help them to make the ships useful in our plans for hemisphere defense.

Surely the problems involved are not so great as to justify any loss in the confidence and good faith that we have gained in these governments through the years.

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<sup>4</sup> Apparent reference to the agreement for the establishment of a guided missile facility on the Island of Fernando de Noronha, effected by an exchange of notes at Rio de Janeiro, January 21, 1957, and entered into force on the same date; for text, see 8 UST, p. 87.

I am sending a copy of this letter, with its enclosure, to Mr. Irwin, and I trust that if we in the Navy can be of any further assistance in getting this program underway, you will let us know. I understand that RAdm Rittenhouse of my staff and BGen Hartel of OSD/ISA met with Mr. Snow on September 2nd<sup>5</sup> and discussed possible solutions.<sup>6</sup>

Sincerely yours,

**Arleigh Burke**

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<sup>5</sup> No record of this meeting has been found in Department of State files.

<sup>6</sup> In a September 22 letter to Admiral Burke, Acting Secretary Dillon replied as follows: "I very much appreciate having the views set forth in your letter of September 12, 1959 regarding the proposed ship loan program for Latin America. You may be sure that they will be considered fully by the Department of State during its review of the revised FY 1960 grant military assistance program recommended by the Defense Department." (Department of State, Central Files, 720.5-MSP/9-1259)

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**26. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Special Assistant for Mutual Security Coordination (Bell)<sup>1</sup>**

*Washington, October 7, 1959.*

**SUBJECT**

Military Assistance Program for Latin America, FY 1960

I refer to the latest Defense revision of the FY 1960 military assistance program for Latin America as set forth in a letter of September 19, 1959, addressed by Mr. Irwin to Mr. Dillon.<sup>2</sup> It is our understanding that this program totals \$55.5 million: \$33.5 million for straight grant assistance for 11 countries; and \$22 million for credit assistance (Argentina, \$5 million; Mexico, \$3 million; Venezuela, \$14 million).

It is our understanding that the \$33.5 million straight grant program contains no funds for spare parts or for packing, crating, handling and transportation, but that as such requirements arise they will be financed with additional funds not now included in the \$33.5 million Defense total. If expenditures for spares and PCH&T during FY 1960 should equal FY 1959 expenditures for that purpose (\$5.1 million), the straight grant program proposed by Defense for FY 1960

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<sup>1</sup> Source: Department of State, ARA/IAS Files: Lot 67 D 9, Defense Affairs, 1959-1963. Secret. Drafted by Spencer.

<sup>2</sup> Not found in Department of State files.

would in the end total about \$38.6, a figure well within the Congressional ceiling of \$45.7 imposed by the Congress on straight grant expenditures.

We have the following comments and recommendations regarding this program.

#### *Straight Grant Assistance*

1. *ASW Planes for Brazil.* We understand that the greater part of the substantial reduction which Defense has made in the Brazilian program results from the deletion of about \$9.2 million previously included in the Brazilian FY 1960 program for ASW aircraft. It is our understanding that this deficiency will be met by providing Brazil, in FY 1960, with ASW planes which have been procured for several other Latin American countries with FY 1959 funds and by deferring procurement of substitute planes for the latter countries until FY 1961 or a later date.

2. *Ship Rehabilitation.* The Defense program provides funds for the rehabilitation of one submarine for loan to Chile, one destroyer for loan to Peru, two PCE's for loan to Ecuador in lieu of one destroyer escort Ecuador is eligible to receive by the terms of U.S. ship loan legislation, and funds for the rehabilitation of one Ecuadoran patrol vessel and one Uruguayan destroyer. In addition to this program, we understand that about \$.850 million in the FY 1959 program is now earmarked for the rehabilitation of two MSF's for loan to Peru.

The Defense program provides no funds for the rehabilitation of a destroyer for loan to Colombia or a destroyer escort for loan to Uruguay. In order not to discriminate against these countries, which are named in U.S. legislation as eligible to receive U.S. naval vessels, it will be necessary to finance, in FY 1960, the rehabilitation of one vessel for loan to each country. The rehabilitation of one destroyer for Colombia will require about \$2.5 million. We believe that Uruguay should be offered the choice of accepting rehabilitation of one of its own destroyers, for which \$1.5 million has been provided in the Defense program, or of accepting one U.S. destroyer escort rehabilitated at U.S. expense at a cost of about \$2 million. If Uruguay should choose the latter, a total of about \$3 million would need to be added to the Colombia-Uruguay ship program. To help meet this expense, we recommend that there be deleted from the Ecuadoran program the \$.850 million proposed for the rehabilitation of an Ecuadoran patrol vessel, leaving a total deficit in the Colombia-Uruguay ship program of \$2.150 million. (Since we have virtually concluded negotiations with Peru for the rehabilitation of two MSF's at U.S. expense, it will not be possible to reduce the deficit of \$2.150 million by utilizing for that purpose the \$.850 now reserved in the FY 1959 program for the rehabilitation of MSF's for Peru.)

We have carefully reviewed, in consultation with Defense, each of the Latin American country programs to determine whether there are any additional items that could be deleted and the savings utilized to reduce the deficit of \$2.150 million. In view of the very small quantities of equipment and other types of assistance programmed for Latin American countries, we find no additional items, except possibly in the Brazilian program, which could be deleted without reducing the programs below the minimum levels required to promote minimum U.S. military and political objectives during FY 1960. With regard to the Brazilian program, we consider it politically undesirable to delete any Army items, in view of the important position occupied by the Brazilian Army within the Brazilian Government and the Army's dissatisfaction with its small share of the equipment we are providing Brazil in connection with our missiles tracking facility in that country. However, we believe that it may be possible for the Defense Department to reduce non-Army items totalling perhaps \$1 million from the Brazilian program, and we recommend that Defense be asked to make such deductions and apply the savings to the Colombia-Uruguay ship program. This would leave about \$1.150 [million] needed to complete the latter program. We recommend that this deficit be met by increasing, by that amount, the total funds recommended by Defense for the total Latin American program.

3. *Security Program for Ecuador.* We understand that about \$.803 million required to implement the military part of the security program approved for Ecuador in connection with the Quito Conference<sup>3</sup> is not included in the Defense program. As in the case of the ship loan deficit, we recommend that this requirement be met with additional funds made available for the Latin American program.

3. [sic] *Total Additional Funds Required for Grant Program.* To finance the Colombia-Uruguay ship program and the military part of the Ecuadoran security program will require a total of \$1.953 million in additional funds for the Latin American program. This increase would raise the straight grant program recommended by Defense from \$33.5 million to \$35.453 million, not including spare parts and PCH&T. On the assumption that expenditures on the latter items during FY 1960 would approximate FY 1959 expenditures (\$5.1 million), the total straight grant program would then stand at about \$40.553 million, a figure within the ceiling of \$45.7 imposed by the Congress on FY 1960 expenditures.

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<sup>3</sup> Reference is to the proposed Eleventh Inter-American Conference, scheduled to meet in Quito, but which never convened.



*Credit Financing for Military Sales*

*Argentina.* We originally informed Argentina that we would finance a program totalling \$13 million (Navy \$1.3; AF \$6.5; Army \$5.2). The Argentines subsequently indicated their willingness to reduce the proposed Navy credit program to \$.650 million, by making a cash payment of \$.650. The USAF has indicated that it is prepared to utilize its own funds, rather than MSP funds, for financing the air portion of the program. If the Air Force is able to finance its program on down-payment terms which the Argentines can meet, then the additional \$5 million in MSP money recommended by Defense for the total program during FY 1960 should be sufficient. It is assumed that any money needed to complete the total approved program would be made available in FY 1961.

*Venezuela.* In a note of November 28, 1956 to the Venezuelan Government,<sup>4</sup> the U.S. stated: (a) that the U.S. approved a military agreement, entitled, "Results of the Planning Talks", which had been drafted and approved by U.S. and Venezuelan military authorities;<sup>5</sup> (b) that in accordance with the Planning Talks, the U.S. would "assist in financing a planned total credit program of approximately \$180 million during the ensuing ten years . . . <sup>6</sup> dependent upon annual appropriations of the United States Government."; and (c) that in order to initiate the credit program, the U.S. "has set aside \$10 million to finance credit purchases by your Government during the remainder of the current fiscal year ending June 30, 1957."

The U.S. credit commitments contained in the note were at that time considered necessary in order to obtain Venezuelan agreement to the bilateral military planning document. Venezuela subsequently utilized the \$10 million credit offered in FY 1957; utilized \$19.9 of a \$20 million credit offered in FY 1958; and utilized \$5.5 million of a \$20 million credit offered in FY 1959.

We are advised by the Defense Department that the Venezuelan Navy has expressed some interest in procuring items totalling about \$25.5 million during FY 1960 but has not placed firm orders for most of the items. We are prepared to authorize Defense to initiate an approach to Venezuelan military authorities for the purpose of inducing and assisting them to develop a total Venezuelan credit program for FY 1960 not exceeding the \$14 million recommended by Defense.

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<sup>4</sup> Not printed.

<sup>5</sup> For text of this agreement, which resulted from military staff talks held at Quarry Heights, Canal Zone, March 19–23, 1951, see *Foreign Relations*, 1951, vol. II, pp. 1626–1633.

<sup>6</sup> Ellipsis in the source text.

We will be glad to cooperate with U/MSC in the preparation of guidance that will be needed by Defense in connection with such an approach.

We must anticipate that the Venezuelans may react unfavorably to the prospect of receiving only \$14 million in credit this year, on the ground that they have a legitimate claim during any given year for a pro-rata share of \$180 million, or \$18 million per annum, plus any amount of credit unused during previous years. In this context, they may consider the \$25.6 in naval items, mentioned above, as a reasonable amount of credit to expect from the U.S. during FY 1960.

In the event of a strongly negative Venezuelan reaction, it may be necessary, in order to avoid Venezuelan revision or nullification of the bilateral Planning Talks and/or protect other important U.S. interests, to increase the \$14 million recommended by Defense for this program.

### *Contingencies*

It may become necessary during the course of FY 1960 to provide Latin American countries grant or credit assistance additional to that provided for in the program now being reviewed, when contingencies arise that require the provision of such assistance in the U.S. interest. We assume that it will be possible, if the need should arise, to obtain additional funds for this purpose.

### *Conclusion*

ARA approves the program submitted by Defense on September 19, 1959, subject to the recommendations set forth herein.<sup>7</sup>

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<sup>7</sup> The substance of Rubottom's recommendations was conveyed to the Department of Defense as part of a letter from Dillon to John N. Irwin, II, October 13, approving, with certain exceptions, the overall FY 1960 military assistance program. (Department of State, Rubottom Files: Lot 61 D 279, Mutual Security Program 1959)

**27. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Special Assistant for Mutual Security Coordination (Bell)<sup>1</sup>**

*Washington, November 25, 1959.*

SUBJECT

Military Assistance Program for Latin America, FY 1960

I refer to my memorandum of October 7, 1959,<sup>2</sup> which recommended that the FY 1960 grant military assistance program proposed by the Defense Department for Latin America be adjusted to permit the rehabilitation in FY 1960 of one destroyer for Colombia. To that end, we suggested that the Brazilian program be reduced by \$1 million, provided that all Army items were retained in that program, and that the overhaul of an Ecuadoran patrol craft, at a cost of about \$900,000, be deleted from the Ecuadoran program. We recommended that the savings realized by these adjustments be utilized for the rehabilitation of one destroyer for Colombia. The substance of these recommendations was subsequently conveyed to the Defense Department in Mr. Dillon's letter of October 13, 1959 to Mr. Irwin.<sup>3</sup> In a letter of November 13, 1959 to Mr. Dillon, the Defense Department replied as follows:<sup>4</sup>

"The items deferred for Brazil and Ecuador comprise high priority military requirements and their approval is recommended. The deferral of these items is not necessary to meet the requirement for rehabilitation of a DD for Colombia. In view of the recent acquisition by Peru of a Cruiser from the U.K., it is recommended that the DD for Peru be deferred until later and instead a DD for Colombia be approved."

I consider it politically necessary that funds be made available in the FY 1960 program to rehabilitate one ship-loan vessel for Chile, Peru and Colombia. Uruguay should be offered the option of one rehabilitated destroyer or overhaul of one Uruguayan vessel. The program should also include funds for the rehabilitation of two PCE's Ecuador has agreed to accept in lieu of one ship-loan destroyer escort.

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<sup>1</sup> Source: Department of State, ARA/RPA Files: Lot 61 D 374, Military Assistance Program—FY 1960. Secret. Drafted by Spencer on November 23.

<sup>2</sup> *Supra.*

<sup>3</sup> See footnote 7, *supra.*

<sup>4</sup> This letter, from Charles H. Shuff, Deputy Assistant Secretary of Defense, with several attachments, is not printed. (Department of State, Central Files, 700.5-MSP/11-1359)

While we were most reluctant, for political reasons, to recommend that the Brazilian and Ecuadoran programs be revised downward in order to provide funds for the rehabilitation and/or overhaul of vessels identified above, we believe that the adjustments recommended in the Ecuadoran and Brazilian programs can be made without serious impairment of our political relations with Ecuador and Brazil. However, if the Defense Department considers that these adjustments would jeopardize important military objectives in the area, we suggest that the total FY 1960 program approved by the State Department for Latin America be increased by the amount of funds necessary to retain in the Ecuadoran and Brazilian programs all of the items originally recommended by the Defense Department. It is our understanding that the total Latin American program could be increased by such an amount without exceeding the ceiling imposed by the Congress on the FY 1960 program.

With regard to the destroyer which we plan to transfer as a loan to Peru, the Peruvian Foreign Minister<sup>5</sup> has advised our Ambassador<sup>6</sup> that he plans to recommend to the Peruvian President<sup>7</sup> next Monday that Peru not acquire a second British cruiser, provided that the loan of a U.S. destroyer can be promptly announced publicly in Peru. Our Ambassador recommends that we authorize such an announcement without delay and states that Admiral Briggs, who is now in Lima, plans a similar recommendation to the Navy Department. Since the acquisition of a second cruiser by Peru would generate irresistible pressures in Chile, and perhaps Ecuador, for the purchase of expensive naval equipment which neither country can afford without impairing its economy, I urge that a concerted effort be made to overcome, before the end of this week, all legal obstacles standing in the way of a firm U.S. commitment to Peru to provide one rehabilitated destroyer, pursuant to the terms of Public Law 85-532 of July 18, 1958.

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<sup>5</sup> Raúl Porras Barrenechea.

<sup>6</sup> Theodore C. Achilles.

<sup>7</sup> Manuel Prado y Ugarteche.

## 28. Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>

Washington, December 4, 1959—8:34 p.m.

4410. Department increasingly concerned seemingly indiscriminate offer naval vessels by UK to LA countries in disregard economic drain and danger armaments race, increasing tensions. We refer immediately to Peru–Chile situation, also affecting Ecuador, Argentina, etc. Therefore request you approach Foreign Office along following lines:

(1) We have recent reports following UK sales or offers: (a) cruiser *Newfoundland* sold to Peru and cruiser *Ceylon* reportedly sold (Peruvian Embassy informed us December 1 of latter purchase, one week after conveying GOP's categorical assurance there would be no purchase second cruiser, although now reported may have been secretly purchased same time as first); (b) battleship *Vanguard*, 3 Jamaica class cruisers and 6 Battle class destroyers offered to Chile; (c) Peruvian report cruiser *Ceylon* offered to Ecuador and possibly Chile which GOP gives as excuse Peruvian purchase; (d) three Battle class destroyers offered to Argentina.

(2) Dept appreciates sale British naval vessels matter between two countries involved and understands problems concerning UK relations LA countries. However, believe incumbent US and UK encourage restraint on excessive military expenditures LA countries whose Governments have severe problems exercising fiscal responsibility and whose military often have considerable fiscal autonomy.

(3) LA economies can ill afford excessive military expenditures which place strain on Governments' finances and retard economic development.

(4) US providing credit and technical assistance for economic development, budgetary support, exchange relief, etc., which difficult justify in face of military expenditures in excess needs hemispheric and national defense. British will appreciate that LA failure concentrate resources on civilian economy increases demands for US assistance and aggravates US balance of payments problem to which UK has already responded.

(5) LA Communists and nationalist extremists incite demands for more arms in order weaken economies and frustrate our endeavors.

(6) Excessive military expenditures often place responsible civilian officials in delicate position. Our Embassy reports Peru Prime Minister Beltran (British educated, friend of US–UK, who attempting develop sound economic-financial-social program) so discouraged over inability stop cruiser purchase that now thinking of resigning.

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<sup>1</sup> Source: Department of State, Central Files, 720.5621/12–459. Confidential. Drafted by Richard A. Poole and James D. Moffett, and approved by Joseph A. Silberman. Repeated to Lima, Santiago, Quito, Bogotá, Buenos Aires, Rio de Janeiro, and Caracas.

(7) Sales naval vessels give impetus disastrous arms race, increase tensions between LA countries. Pressures already growing in Chile to match first Peruvian cruiser, can be expected become irresistible when second generally known. Chile-Peru relations may reach low point. Ecuador uneasy.

(8) U.S. has been attempting stimulate LA initiative for arms limitation. We were encouraged by recent public statement Chilean President Alessandri favoring limitation, publicly endorsed by Peruvian President Prado; US applauded in statement November 30. Peruvian second cruiser purchase represents serious set-back this effort.

(9) We oppose excessive military purchases regardless of country of purchase, including US (e.g. our refusal make excessive aircraft sales Peruvian Air Force).

(10) If British raise question US military assistance (including prospective ship loan) LA countries, you should explain not inconsistent since purpose this modest program is to relieve part of economic-financial burden LA countries maintain minimum forces necessary for hemispheric defense.

Embassy should make following specific requests UK Govt soonest:

(1) Present status second cruiser sale to Peru.

(2) If not too late and if can be done gracefully express hope UK can avoid completion this sale. (Our Ambassador Lima making top level attempts dissuade GOP from purchase, with little expectations success.)

(3) In any case strongly urge UK consider future confidential coordination with US before undertaking offer or sale major armaments LA in order provide opportunity compare notes economic and military situation prospective purchaser and determine advisability discourage purchase. Report UK reactions.

**Herter**

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**29. Memorandum on the Substance of Discussions at the Department of State-Joint Chiefs of Staff Meeting, Pentagon, Washington, January 8, 1960, 11:30 a.m.<sup>1</sup>**

[Here follows discussion of unrelated matters.]

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<sup>1</sup> Source: Department of State, State-JCS Meetings: Lot 67 D 548. Top Secret. A note on the source text indicates that this memorandum is a Department of State draft not cleared with the Department of Defense. A total of 31 individuals attended the meeting, 19 from the Department of Defense, 10 from the Department of State, and 1 each from the National Security Council and the Central Intelligence Agency. Merchant headed the Department of State group, which also included Rubottom and Smith.

*V. Sale of Naval Vessels by the UK to Latin American Countries*

(Raised at JCS initiative)

As the meeting was breaking up Admiral Burke said the British were unloading their Navy on the Latin American countries.

Mr. Merchant replied that there was a limit to what we could do in asking the British to restrict their sales.

Admiral Burke stated we ought to find more of our own ships.

Mr. Merchant thought that perhaps some sort of constructive action looking towards regional arms limitation might be pursued. He suggested that Admiral Dudley be asked to give some thought to this.

Admiral Burke replied that such a course would be useful even if it were limited only to the types of ships concerned; that Admiral Dudley was very busy, but that he would mention this to him and make sure that one of the Admiral's staff got in touch with some one in State. Mr. Smith said he would be happy to be the State representative in any discussions on the subject.

[Here follows discussion of unrelated matters.]

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**30. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) and the Assistant Secretary of State for Policy Planning (Smith) to the Secretary of State<sup>1</sup>**

*Washington, January 28, 1960.*

**SUBJECT**

Re-examination of Basic Concepts on Which Our Military and Defense Policy  
Toward Latin America Is Based

*Discussion:*

We believe that long-range developments and immediate circumstances compel an urgent and thorough re-examination and reorientation of our military and defense policy toward Latin America. The principal reasons are: 1) that the elements of nuclear strategy in 1960 raise serious question as to whether Latin American military forces can make any significant contribution to defense of the free world against an all-out communist attack; 2) the military program for Latin America

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<sup>1</sup> Source: Department of State, Central Files, 710.5/1–2860. Secret. Drafted by Edward A. Jamison, and concurred in by G. Frederick Reinhardt and James M. Wilson.

is under heavy fire in the Congress on a variety of grounds, but principally because it is said to permit or encourage diversion of resources from badly needed economic development and does not distinguish between dictatorial and democratic governments; 3) highlighted by a recent statement by the President of Chile,<sup>2</sup> more and more Latin Americans themselves are objecting to costly Latin American military programs and are supporting arms limitation and the utilization of some of the funds now devoted to military establishments for economic purposes; 4) President Eisenhower's forthcoming visit to South American countries offers an excellent opportunity for him to indicate at the highest level that we are preparing a new approach to our military relationship with Latin American countries.<sup>3</sup>

As indicated, the military policy which we have been pursuing for some years has as its central element the view that the Latin American countries can make important contributions to free world defense. The strategic concept which the Pentagon has adduced to guide that policy contemplates roles and missions which, in the phraseology of the Mutual Security Act, are "important to the defense of the Western Hemisphere." Within the strategic force objectives, a relatively limited number of units of the armies, air forces and navies of the Latin American countries are provided U.S. grant aid to better enable them to participate in this defense. In addition, these countries spend considerable sums from their own budgets on equipment which, in theory at least, will strengthen their military capabilities, but which often appears to have more of a prestige purpose. Partly by design and partly by circumstance, we are the main supplier of these armaments although European countries have at times also entered the field.

Thus, 1) our program, 2) the important place of the military in Latin American political life and 3) their appetites have come close to producing an arms race which inevitably diverts funds from that economic development without which the underlying strength of Latin America, and therefore its defense potential, is weak. There might be some justification for all this if the realities of the present military picture did not suggest a much less important position for Latin American military than we seem to have led them to believe they have.

The attached paper (Tab B), prepared in S/P in collaboration with ARA, proposes a new concept for hemispheric defense which would emphasize that the real Latin American direct military contribution is more appropriately aimed at maintaining security among American states (intra-hemispheric defense) and that consequently the roles and missions which Latin American countries might perform may be safely

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<sup>2</sup> Jorge Alessandri Rodriguez.

<sup>3</sup> Regarding President Eisenhower's trip to South America, February 23-March 7, 1960, see Documents 68 ff.



reduced. The concept also introduces the idea of a collective OAS stand-by peace force, encourages the utilization of already well-developed OAS multilateral agencies such as the COAS and the IADB in the defense picture (and consequently in the area of U.S. grant aid), and underlines the educational and developmental contribution which Latin American military forces might make. The paper calls for diverting attention from those Latin American defense viewpoints which augment military expenditures toward a less expensive, more realistic and more effective participation by the military element.

The conclusions of this study are set forth in its first three and a half pages. It is emphasized that these conclusions simply form the basis for a revised policy, the exact lines and the negotiation of which will require further specific planning and preparation, and which, even in most favorable circumstances, would require years to be put into effect. Nevertheless, the first stage must necessarily be to obtain from the JCS a review of the strategic concept upon which our present policy is based.

*Recommendation:*

It is recommended that you authorize Mr. Merchant to present the concept to the Joint Chiefs of Staff in the attached outline form (Tab A) at the earliest opportunity and request their reactions on an urgent basis.<sup>4</sup> The objective of this review would be to seek to obtain enough common ground with the Department of Defense to put us in a position to recommend to the President that he give his important impulse to at least the main outlines of the policy during his visit to Latin America.<sup>5</sup>

**[Tab A]**

**REVIEW OF BASES OF PRESENT HEMISPHERIC DEFENSE POLICY**

1. Question is raised as to the continuing applicability of the present strategic concept upon which the roles and missions of Latin American military forces in defense of the Western Hemisphere against aggression are based, or whether, conversely, Latin American capabilities might be devoted in greater measure to:

- (a) intra-hemispheric defense roles and missions,
- (b) internal security,

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<sup>4</sup> In a February 8 letter to Assistant Secretary of Defense Irwin, Livingston T. Merchant conveyed this outline paper for transmission to the Secretary of Defense and the Joint Chiefs of Staff, and requested comments prior to the President's departure on February 22 for his visit to Latin America. (Department of State, Central Files, 711.5/2-860)

<sup>5</sup> Herter initialed his approval of the recommendation on February 3.

- (c) economic development, and
- (d) U.S. recovery from general war.

2. The forcefulness and urgency with which this question is raised are emphasized by:

(a) the rapidity with which scientific developments and military technology appear to be overtaking defense concepts to the achievement of which Latin American military forces in their present stage of development might usefully contribute,

(b) rising demands from civilian governmental elements in Latin America for the curtailment of military expenditures, most of which are stated to be warranted in the interests of hemisphere defense, as expressed in the Chilean initiative for a conference among South American nations on arms control, and the response thereto,

(c) sharp Congressional criticism of the Latin American MAP program, most of which has been directed not only at the program itself, but to the concept on which it is based, and

(d) the likelihood that the President will be expected to discuss hemispheric defense policy during his visit to four South American countries in February.

3. Assuming alteration of strategic concept is required, would it not be feasible to move toward:

(a) Latin American roles and missions primarily for intra-hemisphere defense,

(b) a stand-by Inter-American Peace Force,

(c) greater utilization of OAS multilateral approach in military dealings with Latin America.

4. Above does not involve proposals for immediate changes in present programs or policy, but does constitute a request for JCS review of strategic bases for determining the contribution required from Latin American military forces and feasibility of adapting present programs to new conditions.

5. Objective of requested review is to examine practicability of phased execution over period of years of new politico-military policy which would maintain our all-important influence with the Latin American military, and at the same time, permit greater proportion of indigenous Latin American resources to be devoted to internal economic development.

## [Tab B]

Washington, January 18, 1960.

A NEW CONCEPT FOR HEMISPHERIC DEFENSE AND  
DEVELOPMENT<sup>5</sup>

I. Conclusions

The broad elements of a long-range defense concept for Latin America, with emphasis shifted to economic, social and political development during what we might designate as The Development Decade of the 1960's, should include:

2. *Extra-hemispheric defense.* The US should, in conformity with the realities of the nuclear age, continue to assume primary (though not exclusive) responsibility for the defense of Latin America against external aggression.<sup>6</sup> Toward this end, and in order to permit Latin America to conserve resources and point toward arms limitations and disarmament, the US should undertake (a) to phase out programs in which Latin American forces are unrealistically associated in continental defense roles and (b) to influence Latin American military leaders toward greater emphasis on maintaining intra-hemispheric peace and contributing to the internal development of their countries.

3. *Intra-hemispheric defense.* Latin America should assume primary (though not exclusive) responsibility for defense against intra-hemispheric aggression. Toward this end, the present roles of the Council of the Organization of American States (COAS) and of the Inter-American Defense Board (IADB) should be enlarged and coordinated and an inter-American standby peace (defense) force developed.

4. *Enlarged role for COAS.* Since the COAS acts provisionally (in lieu of the Meeting of Foreign Ministers) as the Organ of Consultation

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<sup>5</sup> Henry Ramsey of the Policy Planning Staff (S/P) completed the first draft of this paper on November 16, 1959. He circulated it in S/P and ARA for comment, and, in response to numerous suggestions, drafted a revised version under date of November 24. (Department of State, Central Files, 720.5/11-2759) Additional suggestions from officers in ARA and certain reservations expressed by Assistant Secretary Smith concerning portions of the paper he regarded as "unsalable" to the Pentagon and others that would involve S/P in areas of responsibility essentially belonging to ARA, led to a third revision on December 9. The fourth and final draft of the paper is printed here. Documents pertaining to the drafting and revision of Ramsey's paper are principally *ibid.*, Central File 720.5 and ARA Special Assistant's Files: Lot 62 D 24, Military 1959.

<sup>6</sup> Use of the formula of "primary (though not exclusive) responsibility" should give us the flexibility to permit (continue) roles in hemispheric defense to nations which aspire to Great Power status (Brazil) or whose national pride might be injured if too suddenly deprived of existing hemispheric defense missions (Argentina). [Footnote in the source text.]

under the Rio Treaty<sup>7</sup> when the Treaty is invoked, the Council should logically evolve in the decade ahead toward assumption of primary executive responsibility for the maintenance of intra-hemispheric peace as provided in the Treaty. Toward this end, it should be more closely associated with the IADB and serve as the principal hemispheric forum (a) for determining the intra-hemispheric roles and missions to which the US could contribute US grant military aid most effectively, and (b) for preparing the ground-work for arms controls and limitations within Latin America.

5. *New role for IADB.* The primary (though not exclusive) role of the IADB should be to plan and coordinate activities and forces relating to the maintenance of intra-hemispheric security (defense) within the framework of the Rio Treaty, including (a) the providing of military advice, assistance and recommendations to the COAS, and (b) the development and deployment of an inter-American standby peace force. It should continue to plan and coordinate those aspects of continental defense in which the Latin American military may have a practical role, to utilize its influence to phase out unrealistic continental defense missions, and to make recommendations relating to US grant military aid. Toward these ends, and in order for it to discharge its enlarged political-military responsibilities with maximum political guidance and coordination, its present role within the OAS structure should be redefined.

6. *Standby peace force.* In consultation with the COAS, the IADB should earmark military and/or naval units within the respective countries for deployment in one or more standby peace forces, since such forces in-being would represent the most feasible and economical method of implementing the inter-American commitments against intra-hemispheric aggression. Toward this end, the US should at an appropriate time announce its support of a standby force and its willingness to implement its commitments under the Rio Treaty by having certain US units earmarked for such a force.

7. *US grant aid.* We should evolve toward a position (a) of holding grant aid for continental defense missions to a minimum, and (b) of otherwise furnishing military grant aid, upon recommendation of the IADB as approved by the COAS, only for intra-hemispheric military purposes and to those nations which earmark forces for a stand-by peace force.

8. *Arms controls: disarmament.* We should encourage Latin America toward arms limitations and controls on a continental basis. Toward this end, the US should emphasize that Latin America's dis-

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<sup>7</sup> Reference is to the Inter-American Treaty of Reciprocal Assistance (commonly called the Rio Treaty), opened for signature at Rio de Janeiro, September 2, 1947, and entered into force for the United States, December 3, 1948; for text, see 62 Stat. 1681.

tance from external Communist power uniquely qualifies it to reduce force levels and military demands on resources which can better be used for developmental purposes.

9. *Education of the military.* The projected Inter-American Defense College and other educational and training facilities in which the US can exert influence should emphasize the constructive political and socio-economic role which the Latin American military can play in internal development. Toward this end, the US should start the process of convincing the Latin American military—however long it may take—that their most patriotic role, and their true defense role, lies in executing a concept of defense through development, with all that this entails.

## II. Introduction

10. This paper examines reasons why present US politico-military policy toward Latin America has been subjected to increasing criticism and outlines a new concept which will more closely align our hemispheric military policy and its implementation with our overriding hemispheric political and security interests—and those of the other American republics—in the decade ahead.

11. Our present policy rests on the concept of a common US-Latin American responsibility for hemispheric defense against both extra- and intra-hemispheric aggression.

12. Its implementation has developed anomalies which should not be perpetuated: (a) If our objective is to prepare Latin America for World War III missions, it would seem that we are furnishing the wrong weapons and placing the wrong emphasis on training; (b) if our objective is the maintenance of internal order, it would appear that we are furnishing too large a number of the wrong weapons; and (c) if our objective is to strengthen the inter-American commitments to maintain intra-hemispheric peace, our policy and programs have unfortunately trended toward an opposite effect by permitting rivals to arm against each other on the pretext of requiring additional arms for continental defense, e.g., Chile and Peru.

13. The concept proposed in this paper provides a basis for focusing the military and other resources of the hemisphere, and the respective contributions which the United States and Latin America can most advantageously make, on the foreseeable and real threat to the hemisphere.

14. That threat is the Communist-nationalist exploitation of failure to make socio-economic progress, rather than the threat of extra-hemispheric aggression against Latin America. A sound strategic concept for hemispheric defense under the prospects of aggression now obtaining should therefore relate defense of the hemisphere with its socio-economic development on an urgent basis.

15. This paper is concerned primarily with the elements of such a concept rather than with the tactics of its presentation, timing or negotiation. It is recognized that much of the concept will not be immediately negotiable, largely because of opposition of the Latin American military in many countries.

16. It is believed, however, that predictable and immediate military opposition should not present an insuperable long-term obstacle. Nor should such opposition deter our phasing toward a new policy which will be more acceptable in the long run to civilian leaders and opinion in Latin America because it points their military establishments toward a more realistic role in confronting the real security threat. Mexico might well serve as an exemplar in this respect.

17. The following section analyzes deficiencies in our existing policy and Section IV enumerates reasons why we should move forward toward a new policy. Section V summarizes a rationale which can be summoned in support of the changes in policy and concept advanced herein.

### III. Problem

18. The present US politico-military policy and supporting programs toward Latin America rest upon the assumption of a common responsibility for hemispheric defense as set forth in the Inter-American Treaty of Reciprocal Assistance (Treaty of Rio de Janeiro) and upon plans for continental defense developed in the Department of Defense, the general elements of which have been reviewed by the IADB.

19. Under MSA legislation, we provide grant military assistance to 12<sup>8</sup> of the 20 Latin American republics, though the existing MAP with Cuba is inoperative. We maintain training missions in almost all Latin American countries. Under the 12 bilateral MAP agreements, we provide military equipment and training for specified units which are assigned missions for *continental defense*, i.e., defense against an assumed *extra-hemispheric* threat.

20. It has become increasingly apparent that our MAP policy is unrealistic. There is no credible extra-hemispheric military threat to Latin America to which Latin American military establishments could appropriately respond. Military units which Latin America could or would make available for extra-hemispheric defense under the MAP agreements would be small and of dubious military value.

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<sup>8</sup> Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Peru and Uruguay. [Footnote in the source text.]

21. The roles planned for such units are largely World War II type roles which bear little or no relevance to the Latin American contributions which would assist us most in the event of general war (anti-submarine warfare training may be the principal exception).

22. NSC policy recognizes the marginal military value of the existing MAP's in providing that only in exceptional circumstances shall the US participate with Latin American countries in combined operations for hemispheric defense (NSC 5902/1, para. 44).<sup>9</sup>

23. Although unrealistic militarily, these military programs have been of political value in the past.

24. No government can remain in power in a majority of the Latin American countries without the support or suffrance of the military. Military support is equally essential for major shifts of policy or of international orientation. The armed forces represent the major institution-in-being which assumes power, or maintains internal security, in time of crisis.

25. As a consequence, it is in US interests to maintain a friendly attitude on the part of the Latin American military at this stage of Latin American development and pending the emergence of stronger civilian institutions which can hold the military in control. But it is equally important that we not carry our friendship and support to the extent of sharing the onus of popular opposition with those officers corps or dictatorial military regimes which are obstacles to socio-economic progress.

26. US politico-military policy toward Latin America thus presents a curious paradox: We employ military justification for the achievement of primarily political purposes and develop hemispheric defense missions to cultivate influence within military establishments whose most important missions, in terms of US interests, are maintenance of internal security and support of constitutional institutions. It is not surprising that this paradox has led important segments of opinion in Congress and Latin America to question the validity of existing policy and to call for its revision.

27. Congress questions whether the quantum of US grant military aid is being utilized to the best advantage and whether the present direction of existing programs will assure long-range political benefits either to the US or to Latin America. Influential members of Congress would prefer that US aid be channelled to Latin America on a multilateral basis. The Senate is on record as favoring the development of an inter-American stand-by peace force to discharge the *intra-hemispheric* obligations of the Rio Treaty.

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<sup>9</sup> Document 11.

28. The Morse Amendment to the 1958 MSA<sup>10</sup> precludes the furnishing of grant aid for purposes of maintaining internal security save in exceptional cases; it thus cuts across a major role which the Latin American military can and should perform, notwithstanding that the US pays an unacceptable political price when US arms are utilized by dictators to suppress human rights and popular grievances.

29. Paralleling this criticism is the widespread Latin American apprehension, expressed by civilian elements on whom we must depend to advance long-range US interests, that US policy burdens Latin America with excessive arms buildups, tends to play into the hands of the military "man on horseback", and complicates the task of civilian advancement toward democratic institutions and higher standards of living.

30. We must assume some blame for inflating Latin American military expenditures and whetting appetites for the extravagances of prestige equipment (naval units, jet aircraft). We must also recognize that any concept of utilizing Latin American units outside the hemisphere is unpopular, as well as largely unrealistic.

31. The effect of our program—executed as it is under the restrictions of the doctrine of non-intervention—has very probably been to strengthen the older, conservative officer corps at the expense of more liberal younger officers who, unless properly educated, encouraged, and channeled, can become susceptible to extremist and even Communist influences.

32. Our postwar politico-military policy toward Latin America has, in short, run its course and has probably produced the maximum benefits which can be expected of it.

33. Two benefits which have been derived are that the US has supplanted Europe as the primary supplier and trainer of the Latin American military and that, by and large, the US has achieved friendly relations with, and a considerable influence in, the Latin American officer groups. Nevertheless, the continuance of our present policy and programs is more likely to be counterproductive than productive as Latin America continues to trend away from military regimes and toward more serious preoccupation with internal developmental problems.

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<sup>10</sup> For text of the Mutual Security Act of 1958 (P.L. 85-477), approved June 30, 1958, see 72 Stat. 261. The Morse Amendment, submitted by Senator Wayne Morse, constitutes Section 103 of the act.



#### IV. Desirability of Making a Start on a New Concept

34. However desirable it may be to alter and reorient the emphasis of our present politico-military policy, the process will not be an easy one. It is desirable to commence the process, nevertheless, for these reasons, among others:

35. Our present policy imposes unnecessary expenditures and unrealistic missions on Latin American military establishments and diverts them from playing more constructive roles which could (a) assist internal development programs and (b) convert Latin America into a more prosperous going concern on which the US might more securely rely in a post-general war recovery period.

36. The US should take the fullest advantage of the general Latin American desire to make greater developmental progress under more democratic institutions.

37. We should help lay the groundwork for possible arms controls and limitations.

38. We should likewise enhance the role and influence of the apolitical, professional type of Latin American officer—especially the younger, liberal officer—and encourage him in the direction of the apolitical officer corps of Mexico, Chile, and Uruguay.

39. We should—in an effort to stem the trend toward neutralism in certain countries—try to strengthen the Western Hemisphere Idea within the context of the existing realities of hemispheric defense. Moving in this direction is especially important if, in so doing, we can both moderate Congressional criticism of our existing politico-military policy and programs as well as win the support of Latin American civilian leaders who aspire toward a deceleration of arms expenditures.

#### V. A Rationale for the Proposed New Concept

40. This section presents the rationale of a concept of defense through development.

41. *Extra-hemispheric aggression against Latin America* is not likely in the absence of a nuclear attack by the USSR on the US. The USSR would not attack Latin America with nuclear or conventional weapons without first trying to dispose of the US retaliatory force, since to do so would expose the USSR to US retaliation.

42. The principal threat to Latin America in the decade ahead is not external military aggression but the consequences of failure of Latin America and the US to utilize this decade to better advantage than the last in making decisive progress toward economic development under democratic institutions.

43. Latin America and the US should therefore proceed on the basis that our most urgent tasks are to maintain peace in the Americas by the most economical means possible and to devote major emphasis to developmental problems, an important aspect of which is reducing Latin American military expenditures.

44. In the event of general war, the US and the USSR would both suffer crippling damage. In the aftermath of general war, the USSR would in all likelihood not pose any direct threat to Latin America. The nature of any military roles which Latin America might be required to perform in such a period should therefore be carefully explored with DOD/JCS.

45. In the event of general war, the US's primary postwar dependence on Latin America would be for resources and manpower which could contribute to our recovery. The economic development of Latin America, therefore, is in the direct security interest as well as the political interest of the United States.

46. The DOD/JCS should therefore be asked to re-examine existing Latin American continental defense roles toward the end of eliminating them or adapting them to the realities and prospects of general war within the decade ahead. Although Latin American military establishments should unquestionably possess capabilities to defend strategic installations (mines, oil fields, communications) against the possibility of attack in the event of inter-continental war, it seems likely that reexamination would disclose a number of continental defense missions now assigned to the Latin Americans which could be curtailed or eliminated.

47. *Intra-hemispheric defense.* If the Latin American officer corps will devote their military effort to intra-hemispheric defense and the maintenance of constitutional government, they will be making as great a contribution as we should reasonably expect of them.

48. In devoting themselves to intra-hemispheric military roles and internal development, and in moving toward a hemispheric standby peace force which could reduce individual national military costs if it became a real deterrent to military adventurism, the Latin Americans could fulfill their aspirations for development, while also advancing our own political and security requirements in Latin America.

49. *Standby peace force.* This element is so central to the concept proposed herein that it should remain a policy objective despite the obvious present difficulties of negotiating its acceptance.

50. It is central because a small standby force(s) could (a) serve as a strong deterrent and thus encourage the scaling down of national military establishments, (b) furnish the rationale for US grant aid in accordance with multilateral determinations, and (c) stem trends toward neutralism or Soviet orientation by consolidating the Western Hemisphere Idea on a solid basis of common interest and strategy.

51. It would serve also to re-affirm faith in the intra-hemispheric commitments against aggression and to put real teeth into the Rio Treaty.

52. It would furthermore set a helpful precedent for the establishment of other regional peace forces—or of a UN standby force—and would supplement Latin American moves toward disarmament. In a social environment as volatile as Latin America, even a disarmed continent would find a policeman useful throughout the 1960's.

53. A standby force is desirable for these additional reasons:

(a) The responsibilities (onus) for US intervention in a given situation would be reduced. The COAS might even develop authority to commit the force, or components thereof, to situations short of overt aggression and where the presence of (or threat of intervention by) small, well-trained units would preserve internal security. In that case, it could conceivably be utilized in the event of a hemispheric crisis not involving outright intra-hemispheric aggression—such as a Communist takeover.

(b) If the US contributed military assistance only to those countries which earmarked units to the standby force, it should lessen criticism that US military aid tends to support debates [*dictators?*] since the units supported would be earmarked for OAS service. This would not, of course, remove us from all criticism in situations where a local dictator committed the troops internally but would, notwithstanding these inevitable contingencies, represent an improvement over the present situation.

(c) If the individual contingents were developed into well-equipped elite units, some aspirations of the newer type of Latin American apolitical-professional officer would be satisfied, to his advantage and ours.

(d) A policy of supporting only those units which were earmarked for intra-hemispheric defense would permit us to treat Latin American countries on an equal basis and without regard to existing "continental defense" roles or geographical location.

(e) To launch such a force, it would very probably be necessary, and certainly desirable, for the US to furnish a small contingent lest the Latin Americans conclude we were welching on the Rio Treaty. The existence, however, of a well-trained Latin American standby force pledged to the OAS would considerably reduce what might otherwise be required as a US contribution in the event of a serious breach of the Rio Treaty.

54. In enunciating its support of a standby peace force, the US should make it clear that such a deterrent would implement the Rio Treaty commitments in the most feasible and economic manner available. The development of such a deterrent, therefore, should tend to calm the fears of countries which, notwithstanding the solemn obligations of the Treaty, profess to fear aggression from their neighbors and arm accordingly.

55. We should relate the force to the long-range objective of arms controls and limitations and develop the point that a standby force is conceived of essentially as a *precondition to arms controls* and as an *inexpensive form of deterrent*.

56. We can of course anticipate an initial strong objection to the creation of such a force from many Latin American countries on the grounds that it would impinge on national sovereignty and represent a means of breaching the doctrine of non-intervention. Our strongest line of argumentation in response to this objection should be that the force is conceived of primarily as a deterrent which, if it became a real deterrent, would never be used, and which would be a real deterrent if each country adhered to its commitments under the Rio Treaty.

57. *Enlarged COAS-IADB roles.* If we find advantages in moving toward policies in support of a hemispheric standby peace force and of basing US grant aid on COAS-IADB determinations, there are obvious advantages in bringing IADB more definitely within the OAS structure.

58. Few matters affecting Latin American military establishments could be more highly political than those relating to intra-hemispheric defense roles or the development and deployment of national units assigned to an OAS standby peace force. If the IADB is to discharge these political roles successfully, it should be brought firmly under the guiding political authority of the OAS structure.

59. Hence, the IADB fits into the over-all picture best as the military arm of the COAS.

60. The IADB could thus develop into an agency of great influence as the clearing house for hemispheric defense problems and the major hemispheric influence in encouraging Latin American military establishments toward holding security and developmental problems in proper balance.

61. It should logically also point toward an influential role in the education and advanced training of officers corps in developmental responsibilities. In this connection, thought should be given to its role vis-à-vis the projected Inter-American Defense College.

62. *Multilateral grant aid* goes hand-in-hand with the support of a standby peace force. Both should be pressed, therefore, as part of a long-range hemispheric policy. In part, however, the multilateral grant aid principle depends on the establishment of closer structural relationships between the COAS, as the continuing executive arm of the OAS, and the IADB.

63. Thus, even without a standby force, the IADB might, in planning intra-hemispheric defense missions with existing MSA-agreement countries, tender recommendations for US grant aid to the

COAS. Under these circumstances, it would be plausible for us to consider such recommendations and furnish aid only for missions recommended by IADB as approved by the COAS.

64. The latter course of action might be considered as a method of the US's exerting long-term pressure for standby peace forces. An advantage of this course of action is that it would enhance the prestige of both the IADB and its parent, the COAS.

65. A parallel course of action now being studied is that of channeling US *technical* aid through the OAS on a multilateral basis. Either course of action would create a precedent for the other and each should be studied for their effect on the other, especially since furnishing US *technical* aid on a multilateral basis is scheduled for discussion at the Quito Conference.

66. *Reimbursable aid: reduction of military budgets.* In advocating a new military policy for Latin America, we cannot remove ourselves from all influences of leverage over Latin American military establishments. We must not abdicate the field of influence won after the war either to the Europeans, or to the Soviet Bloc, though the Europeans now pose fewer problems for us in this area than before World War II.

67. We should therefore stand ready to supply military equipment on a reimbursable basis but, in so doing, we should utilize our influence to encourage a scaling down of military demands and budgets to the extent possible.

68. One mechanism which suggests itself in this respect is the Inter-American Development Bank. We should study how the Bank, in its concentration on the developmental process, can bring elements of control to bear on excessive foreign purchases of armaments. Perhaps the OAS, IADB, Export-Import Bank and IMF can also play more important roles in this respect in the future.

69. *Role of military in development and maintenance of internal security.* In the present stage of Latin American development, we want of the Latin American officer corps only that they (a) preserve the peace in the most economical manner possible (concentration on intra-hemispheric roles, standby peace force), (b) maintain internal security within constitutional processes, (c) remain friendly toward and susceptible to the influence of the US, (d) orient themselves toward greater appreciation of their responsibilities in the entire developmental process, and (e) keep their establishments, expenditures, and demands in balance with the urgent developmental requirements of their societies.

70. Admittedly it will be difficult to persuade the older, more reactionary officer groups to these purposes. They will not willingly liquidate themselves as a class. They will not readily drop their accoutrements of prestige or political pretensions.

71. Yet, if we clearly hold our own purposes in mind and work with younger officers and responsible Latin American civilian elements, we can make more progress toward curtailing these excesses of the Latin American military in the future than we have in the past. The projected Inter-American Defense College could be utilized importantly in this respect, and our own military can also be of great assistance in influencing the Latin Americans to see the developmental process in perspective.

72. Seeing the process in perspective requires nothing less than that the Latin American military subordinate itself to the development problem and make the constructive contributions of which it is capable to developmental progress.

73. This means that the military should think in terms of nation-building, of reducing demands on scarce resources, of channeling its scientific and engineering know-how into productive enterprise and infrastructure, of disciplining and educating its manpower to useful vocations and roles as citizens, and of assisting in the campaign against illiteracy now conducted under UNESCO-OAS-ICA auspices.

74. Such is the real meaning of a concept of hemispheric defense through development which, if acted upon by the military, could assure success of what we might designate as the Development Decade of the 1960's. Until the military components of Latin American societies move in support of such a concept, the development process will remain in jeopardy.

75. To those who may argue that subordination of the military in Latin America to the developmental process, as directed by civilians, is illusory, the answer is that it has been accomplished with marked success in Mexico, and that civilian control of the military is firmly established in Chile, Uruguay, Costa Rica, and Bolivia.

76. *Arms control: disarmament.* Progress toward implementing the foregoing concept and suggested courses of action must be made before the preconditions for substantial arms controls and disarmament are established. Yet the goal and the advantages of arms limitation should be kept before the Latin Americans at all times.

77. In encouraging the Latin Americans to move forward toward these desiderata, we should emphasize the indisputable fact that no continent on earth (even Australasia) enjoys conditions so favorable to reducing armaments burdens. We should impress on them the advantages they enjoy and the prospects that the Development Decade can hold for them if—in contrast to the present trend—they will maintain the peace, view their military role realistically, and keep security and developmental problems in proper balance.

**31. Letter From the Assistant Secretary of Defense for International Security Affairs (Irwin) to the Under Secretary of State for Political Affairs (Merchant)<sup>1</sup>**

*Washington, February 20, 1960.*

DEAR MR. MERCHANT: In reply to your letters of February 8<sup>2</sup> and 11,<sup>3</sup> the Department of Defense has considered the outline paper entitled "Review of Bases of Present Hemispheric Defense Policy". Your request has been given careful consideration by the various interested elements of the Department of Defense, including the Joint Chiefs of Staff.

The Joint Chiefs of Staff have recently developed specific military courses of action to reinforce the United States policy toward Latin America, with particular emphasis on the Caribbean area. They have also recently completed their annual review of U.S. strategic objectives to include those for Latin America. In the light of these recent efforts, the Joint Chiefs of Staff consider that at this time there is no justification from a military point of view for a major reorientation of U.S. military policy toward Latin America nor for a change in the U.S. strategic concept for defense of the Western Hemisphere. As you know, representatives of the Department of Defense are currently participating in the development and coordination of a draft Operations Coordinating Board report on U.S. policy toward Latin America;<sup>4</sup> if deemed desirable, this could be an appropriate forum in which to raise these matters again.

Although there may be compelling political and economic reasons for a review of U.S. military policy toward Latin America, we believe that such a review should be conducted not in isolation but in conjunction with the political and economic aspects which occasion such review. Unfortunately, there is not adequate time for a sound and orderly consideration of your proposals prior to the departure of the President for Latin America on February 22, 1960; however, we stand ready to aid in whatever way we can in your consideration of these problems.

Sincerely yours,

**John N. Irwin II**

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<sup>1</sup> Source: Department of State, Central Files, 710.5/2-2060. Secret.

<sup>2</sup> See footnote 4, Document 30.

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> Apparent reference to Document 13.

**32. Letter From the Under Secretary of State for Political Affairs (Merchant) to the Assistant Secretary of Defense for International Security Affairs (Irwin)<sup>1</sup>**

*Washington, March 19, 1960.*

DEAR MR. IRWIN: I am grateful for the prompt preliminary consideration which your Department and the Joint Chiefs of Staff gave, prior to the President's Latin American trip, to this Department's paper entitled "Review of Bases of Present Hemispheric Defense Policy" which was transmitted to you and to General Twining under cover of my letter of February 8, 1960.<sup>2</sup> I take note, from your reply dated February 20,<sup>3</sup> that the Joint Chiefs consider that at this time there is no justification from a military point of view for a major reorientation of U.S. military policy toward Latin America nor for a change in the U.S. strategic concept for the defense of the Western Hemisphere. In your reply, you also acknowledge that there may be compelling political or economic reasons for a review of our military policy toward Latin America, and suggest that such a review of military policy should be conducted not in isolation but in conjunction with the political and economic aspects which occasion such a review.

Current developments have tended to strengthen our view that there are compelling political and economic factors which make a timely review of our military policy toward Latin America necessary and we very much appreciate your offer to aid in whatever way you can. These developments include the emphasis placed on arms limitation by Latin American leaders during the President's trip, the intensified need of Latin American Governments which are committed to more rapid economic growth to keep military expenditures to the minimum consistent with actual defense requirements and internal security, the possible need to make more effective provisions to give military backing when appropriate to the collective efforts through the OAS to maintain the peace particularly in the context of the present Caribbean situation, and continued opposition to our present Latin American military program in Congress.

As to procedure, we suggest that it be agreed, at the OCB meeting scheduled for March 23 to consider the current draft OCB "Report on Latin America," that the OCB recommend to the NSC that our military policy toward Latin America (paragraphs 43-55 of NSC 5902/1) be reviewed in the light of the relevant political and economic considerations. In this way, political and economic, as well as military, factors

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<sup>1</sup> Source: Department of State, Central Files, 710.5/3-1960. Secret. Drafted by John C. Hill.

<sup>2</sup> See footnote 4, Document 30.

<sup>3</sup> *Supra.*



would be taken fully into account in the NSC's re-examination of the adequacy of the present military section of the NSC Latin American policy paper without requiring review of those sections concerned with such matters as our established non-intervention policy, trade, loan and aid policies, and exchange of persons policies.

We believe, in the absence of any concrete and realistic alternative proposals or of a demonstration that our present policies are unachievable or counter-productive, that it is not necessary for the NSC to review those sections of the NSC paper which are purely political, economic, informational or cultural; although we would, of course, be happy to consider any specific changes to those sections proposed for military reasons during the course of the proposed NSC review of Latin American military policy.

If this procedure is agreeable to you, it would be our hope that our two Departments could consult further on this matter between the time that the OCB recommends a review of our Latin American military policy and the time that the NSC Planning Board initiates its consideration of this policy. This interval might serve to eliminate or narrow any differences.

As to substance, I should emphasize that we do not consider that a review of our Latin American military policy would necessarily result in a major reorientation of what we are doing in this field. We are conscious that our military training programs—from which the U.S. derives political as well as military benefits—the anti-submarine warfare component of the hemisphere defense program, and special grant and sales programs such as those for Brazil and Venezuela together comprise the great bulk of our expenditures in Latin America and are subject to little, if any, change. In these fields, perhaps the most that can be hoped for is a greater degree of precision and focus than is contained in present policy with a resultant greater ability on the part of the Departments concerned to develop their programs and to justify them to the Congress and to U.S. and Latin American public opinion. We anticipate that a policy review would yield the most profit in two fields: first, that of arms limitation, including taking advantage of the current Latin American desire for arms limitation and developing more concrete policy guidance for the United States to discourage the transfer of excessive arms and equipment to Latin American countries by countries other than the U.S.; and, second, that of U.S. policy toward Latin American land, sea, and air forces, needed exclusively or primarily for internal security and intra-hemisphere defense. The latter is an area in which U.S. policy is in especially urgent need of review in the light of the conflict between Congressional opposition to grant assistance and the continuing requirements for the U.S. to be active in this field because of the threat of International Communism and its allies in some countries and of special situations such as Bolivia, the violence

problem in Colombia, the security of the Quito Conference, and the problem of maintenance of law and order in places adjacent to the Panama Canal. A review at an early date would tend to strengthen the hands of all concerned against critics who maintain that present policies are outmoded. It would be our hope, however, that there would emerge a strengthened and better defined policy in this important area of our Latin American policy.

Sincerely yours,

**Livingston T. Merchant**<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature.

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**33. Memorandum From the Counselor of the Department of State (Achilles) to the Assistant Secretary of State for Policy Planning (Smith)**<sup>1</sup>

*Washington, February 23, 1960.*

**SUBJECT**

“A New Concept for Hemispheric Defense and Development”

The basic purpose of this paper<sup>2</sup>—to promote a reexamination of our hemispheric defense concept with greater emphasis on economic and social problems—is excellent. Certainly the external threat to Latin America is one of subversion rather than armed aggression and it should be countered continuously by an active policy of accelerating economic and social development.

The anomalies cited in para 12 are well stated but I would suggest the addition of a fourth, namely that if our objective is to prevent the growth of Communism, we have encouraged the diversion to military purposes of U.S. and local funds urgently needed for economic and social development.

Since the Morse Amendment prohibits furnishing arms for internal security, we will need, unless it is repealed, to find a new concept to replace that of defense against external aggression to cover those minimum arms deliveries necessary to keep the Latin American military reasonably satisfied. The intra-hemispheric defense concept may

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<sup>1</sup> Source: Department of State, PPS Files: Lot 57 D 548, American Republics 1960–1961. Secret.

<sup>2</sup> See Tab B, Document 30.

well be the answer but again in practice the U.S. will undoubtedly have to play the major role in it. The “inter-American” nature of such action is vital and small, elite standby units in various countries would be useful.

I am not sure we want to go as far as supporting only such units. Engineer battalions, communications equipment, dry docks, technical training for conscripts, etc. can do much to expedite economic development.

I would be glad to discuss this further with you and anyone else interested at any time.<sup>3</sup>

TCA

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<sup>3</sup> The following handwritten notation by George A. Morgan appears on the source text: “I think we should—not only this but other Latin American matters.”

A second handwritten notation, addressed to Morgan by Ramsey on February 29, also appears on the source text: “I agree. Let’s try to use Ted [Achilles] not only to get this balloon aloft but to get momentum behind Latin American arms limitations.”

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**34. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Special Assistant for Mutual Security Coordination (Bell)<sup>1</sup>**

*Washington, May 27, 1960.*

SUBJECT

FY 1961 Military Assistance Program

I refer to your memorandum of May 12, 1960,<sup>2</sup> in which you asked us to identify political considerations which should be taken into account in deciding what reductions should be made in the proposed FY 1961 military assistance program for Latin America, in the event that the Congress should appropriate substantially less money for worldwide foreign military assistance than requested by the Executive Branch.

I desire to state very strongly my view that, after the reduction of \$7,059,000 which will be necessary to bring the Latin American program into line with the ceiling imposed by the Mutual Security Act of 1960, the program will be very close to the minimum we require to

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<sup>1</sup> Source: Department of State, ARA/OAP Files: Lot 63 D 127, Military Assistance Program. Confidential. Drafted by Spencer on May 25.

<sup>2</sup> Not found in Department of State files.

meet our commitments and minimum political objectives. I believe that the following breakdown of the program into its basic components amply demonstrates the modest size of the proposed LA program, which is designed to meet our direct and implied commitments to ten Latin American countries: \$10,135,000, for training (\$8,860,000 for ten MAP countries; \$1,275,000 for non-MAP countries); \$32,959,000, for matériel (\$14,944,000 for force maintenance; \$18,015,000 for force improvement); \$5,954,000 for packing and shipping costs; \$18 million for financing the sale of equipment on credit terms. With the exception of Brazil and Chile, no country in the program is scheduled to receive force improvement items exceeding \$1 million. With regard to force maintenance items, Brazil is scheduled to receive \$8,394,000; each of three countries less than \$2 million; each of two countries less than \$1 million; and each of the remaining four countries less than \$100,000.

In order to bring this minimum program within the Congressional ceiling, and perhaps make further slight reductions that may be necessary in the event of reduced worldwide appropriations, I make the following suggestions.

1. The Brazilian program, totalling \$26,671,000 in matériel, training, and shipping costs, consists principally of the third of four annual installments on the special commitment we assumed in connection with the USAF tracking facility located on Brazilian territory. I believe this program may be reduced slightly, if absolutely necessary, the deleted items to be financed out of funds obtained from the next Congress for the FY 1962 program, provided that this can be done without jeopardizing any commitments U.S. military representatives may have made to Brazilian military authorities regarding the delivery of specific items included in the four-year package.

2. The \$18 million earmarked to finance the sale of military equipment to Venezuela may be reduced to \$11 million.

I request that any recommendations of the Defense Department or Caribbean Defense Command for reducing the FY 1961 LA program submitted to the Congress be referred to me for consideration before they are approved by the State Department.

**35. Report Prepared in the Office of Civil and Defense  
Mobilization for the National Security Council<sup>1</sup>**

NSC 6009

*Washington, May 27, 1960.*

LATIN AMERICA AS A SUPPLY BASE IN THE EVENT OF A  
NUCLEAR ATTACK ON THE UNITED STATES

*Summary and Recommendations*

1. In the event of a nuclear attack on the United States, U.S. import requirements will shift drastically from the present pattern of primary commodities and luxury goods to survival and recovery commodities primarily manufactured and normally produced domestically.

2. Judged by these post-attack requirements, Latin America currently has limited capability to aid in the post-attack survival and recovery of the United States. Latin America has a low over-all economic base. With a population slightly in excess of that of the U.S., Latin America's gross national product is less than one-sixth that of ours. Her present exports are primarily agricultural and mineral in character. Her manufacturing, which has expanded substantially in the postwar period and is becoming increasingly diversified, is still heavily concentrated on the production of consumer goods. The chemical industry, however, is relatively advanced in a number of countries. The most advanced and diversified countries are Argentina, Brazil and Mexico with the latter two showing substantial growth.

3. Latin America is heavily dependent upon the United States and other industrial countries for the kinds of manufactured goods that would bulk large in the recovery period—metal products, machinery and equipment, chemicals, transport equipment. Brazil, which has the most diversified manufacturing industry in Latin America, produces a wide variety of products, including steel machinery, consumer durables, chemicals, transport equipment. However, it depends heavily on imports for the products of heavy industry as well as for various

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<sup>1</sup> Source: Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, NSC 6009. Secret. Submitted to the NSC under cover of an undated memorandum from Leo A. Hoegh to James S. Lay, Jr., in pursuance of NSC Action 2046-c. Adopted at the 396th NSC meeting on February 12, 1959, the action requested a special study by the Office of Civil and Defense Mobilization, undertaken in conjunction with other interested agencies "to identify the potential contribution of Latin American resources, production and skills to U.S. recovery following a nuclear attack" and any pertinent policy recommendations. (Memorandum of discussion at the 396th Meeting of the NSC, February 12; Eisenhower Library, Whitman File, NSC Records) Lay circulated the report to the members of the NSC under cover of a memorandum dated May 27. Subsequently, the NSC referred the report to the NSC Planning Board for its consideration in connection with the revision of NSC 5902/1.

types of chemicals. The heavy industry of Latin America is still fragmentary and rudimentary in character, with the level of production low. In 1958 total steel production was 3-1/2 million ingots with consumption over 7 million tons. Between 1954-56, ninety percent of the machinery and equipment was imported, 38 percent of the paper and board and 25 percent of the chemicals.

4. For Latin America to serve as a major supply base in the event of a nuclear attack on the United States, it is necessary that its heavy industry be considerably expanded, its over-all economic activity be considerably diversified and its general level be raised substantially so that its production be in excess of its minimum requirements.

5. Latin America has made considerable progress in the postwar period growing at about 5.2 percent annually over-all and at about 2.7 percent per capita. Since 1955, its rate of growth has slowed up as the markets for raw materials have softened. It is reasonable to expect that Latin America will continue to grow although the growth will, as in the past, vary from country to country. With continuing growth, Latin America's economic base will become more diversified, and heavy industry will become increasingly important. Consequently, the potential capability of Latin America to serve as a supply base would increase.

6. The fact that Latin America's economic potential is likely to increase substantially over the next decade does not automatically insure its availability to the United States in the event of a nuclear attack. Political factors will play a major role in determining the degree of availability of Latin America's resources to the United States following a nuclear attack. The availability of transportation will also be a determining factor.

7. It is in the interest of the United States that Latin America increase its economic capacity as a necessary pre-condition for ultimate political stability. Economic expansion will increase Latin America's capability to aid in the recovery of the United States in the event of a nuclear attack. Latin America is planning further expansion of its producer goods industries. Current plans, for example, look for the expansion of steel production to over 9 million tons between 1963 and 1965. Looking even further ahead, there is the prospect of the development of even greater capabilities.

8. In addition to the over-all development of a diversified economy in Latin America, the products of which might be available to assist the United States in recovery from a nuclear attack, certain indigenous facilities, services, skills and support items in place in the area would be of interest to the U.S. for their potential value to military operations following an initial attack, assuming a continuation of the war.

9. While Latin America has presently only limited capacity to serve as a supply base in the event of nuclear war, it is in process of expanding its economic base and thereby increasing its potential capabilities to serve as a supply base. To further this process, it is therefore recommended that in considering whether economic aid be granted by the U.S. Government to Latin America for any project, the existing set of criteria should be supplemented to take into account whether the project increases Latin America's capability to act as a supply base for the United States in the event of nuclear war.

10. Since advance planning is required to ensure that Latin America's capabilities are utilized to the maximum extent possible in the event of a nuclear attack, it is also recommended that plans and, where feasible, arrangements be made now by the appropriate agencies to determine the specific commodities, services and skills that would be required and available from Latin America in the event of a nuclear attack.

[Here follows the text of the report.]

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**36. Memorandum From the Deputy Coordinator for Mutual Security (Bell) to the Assistant Secretary of State for Policy Planning (Smith)<sup>1</sup>**

*Washington, July 5, 1960.*

SUBJECT

Latin American Policy Paper (NSC 5902/1)<sup>2</sup>

U.S. aid programs for Latin America, both military and economic, have been the subject of considerable criticism for some time, intensified during the past year by concern over recent political developments.

U/MSC Planning Staff was assigned the task of reviewing the existing programs, with primary emphasis on policy concepts, and a staff paper has been produced. Part A summarizes (1) major findings and conclusions and (2) suggested courses of action. Parts B and C are more elaborate treatments of the military and economic aspects.<sup>3</sup>

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<sup>1</sup> Source: Department of State, S/S-NSC Files: Lot 62 D 1, Latin America as a Supply Base in Event of Nuclear Attack on U.S. Secret. Drafted by Bell.

<sup>2</sup> Document 11.

<sup>3</sup> Parts B and C of this paper are not printed.

This staff paper reflects discussions with various officers of the Department; it does not purport to have concurrence and clearance anywhere. It is put forward for discussion and it is hoped can provide a basis for a more effective policy and program in the aid field.

NSC consideration of the Regional Policy Paper on Latin America (NSC 5902/1) is scheduled for the near future. A revised paper is to be provided by the Department and a tentative draft thereof has been prepared by ARA. We have suggested deferral of both the ARA draft and of the NSC Planning Board review until our staff paper can be considered and discussed. If, or to the degree, the proposals have merit and secure support in the Department, it would be appropriate to reflect them in the revised NSC paper.<sup>4</sup>

It is my earnest hope you will be able to give the staff paper (at least Part A) your personal attention and indicate whether (1) you agree it is of sufficient value to justify deferring NSC review until the ideas can be discussed and reviewed and (2) you have any suggestions as to the means by which discussion of these ideas can be most effectively achieved.

**J.O. Bell**

**[Part A]**

**MAJOR FINDINGS AND CONCLUSIONS<sup>5</sup>**

*Military*

1. Whatever the historical reasons which explain the evolution of current U.S. military policy toward Latin America, it is clear that that policy has been subjected to extensive criticism.

2. It has been alleged that the policy makes little sense on military grounds. The presumption for the foregoing allegation is that under previous circumstances the Latin American military contribution to a Western Hemisphere defense was unrealistic and that under present conditions, with the prospect of nuclear warfare, it becomes entirely implausible. Serious doubts may be entertained concerning the degree of contribution which Latin American forces can make to a Western Hemisphere defense. However, it is by no means clear that the United States will in the future be assured freedom from large-scale conventional hostilities and that, under such circumstances, Latin American forces could not make a significant, if limited, contribution to Western Hemisphere defense (particularly involving protection of lines of com-

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<sup>4</sup> See Document 15.

<sup>5</sup> Drafted by Herbert N. Higgins, Seymour Weiss, and Charles E. Hulick of the Office of the Deputy Coordinator for Mutual Security on July 1.



munication). Although this strategic doctrine still leaves unanswered several questions, the most recent military assessment by the JCS reconfirms the utility of the Western Hemisphere defense concept and of the contribution thereto anticipated from Latin American forces. Admittedly the forces currently in existence have varying capabilities. However, they do have the potential capability for undertaking military missions which, though limited in scope, could nevertheless relieve the U.S. of a significant military manpower and resources drain. To develop that capability, training and material assistance will continue to be required from the U.S.

3. Beyond the modest but not unimportant benefits which a Latin American force contribution can supply, there are other politico-military objectives which must continue to be encompassed within U.S. military policy toward Latin America. One is the need to maintain bases. The need for bases apparently continues to be a current one and, as in the past, it is likely that some military assistance will be required as a quid for retention of base rights. Similarly, our future military policy will have to take account of the possibility of increased communist offers of assistance. To date these have been negligible, but there are evidences of increased Soviet interest in Latin America and increased offers of military as well as economic assistance must be anticipated. U.S. assistance must be adequate to foreclose or at least greatly limit enticement by the Soviets.

4. U.S. military policy toward Latin America must be viewed in a broader frame of reference than that which is limited to military considerations. Despite criticisms to the contrary, our military policy toward Latin America has not per se incurred serious adverse consequences to other U.S. policy objectives. To the contrary, it has brought important benefits which could not otherwise have been won, e.g. it has contributed to our gaining the support of influential military elements in various Latin American societies, without whose support U.S. policies could not have been effective. Thus, so long as the military element in Latin American societies retains its position of high influence and importance, U.S. military policy must realistically provide for programs and actions which will continue to gain the support of that element. While our past military policy has appropriately taken account of this important, essentially political, objective, and should continue to do so for the future, two important adjustments to our military policies are warranted:

(1) The U.S. cannot afford to be associated with the support of dictatorial and unpopular governments. To this extent provision of military assistance and involvement in cooperative military arrangements (for example, base concessions) should be eliminated or severely restricted (the same principle applies to non-military programs and actions), and

(2) The U.S. must recognize that the longer term trend is for social forces in Latin American society to move away from the influence of the military. Thus, our longer range U.S. policy objectives should place a gradually decreasing emphasis on support of the military and a gradually increasing emphasis on support of other elements in the various societies which appear to be emerging as the dominant forces.

If U.S. military policy retains this awareness of the dynamics of the Latin American social evolution and is responsive to that evolution, there is no reason why it should not remain a positive instrument for advancing U.S. political as well as military objectives.

5. Our military policy has also been criticized on economic grounds. More specifically, it has been argued that it encourages exaggerated military expenditures by Latin American countries, expenditures which could better be applied to economic development purposes. Analysis of the situation suggests that the nature and extent of this problem may have been exaggerated. In the overall, Latin American military expenditures are lower in comparison to GNP than for any other major region of the world. Moreover, though it might be argued in the abstract that use of these resources for economic development purposes would be preferable, practical political as well as security considerations limit the extent to which major reductions in military expenditures and a transfer of resources to economic development purposes would be likely to materialize *regardless of U.S. military policies*. Nevertheless, where it is possible to do so, the U.S. should encourage increased emphasis on utilization of resources for economic purposes. One way this might be accomplished is to provide, to the extent feasible, for Latin American military forces to be trained and equipped to carry out economic objectives. This approach necessarily does not have unlimited application but it has not been fully utilized in the past, and future policy should make provision for its increased employment.

6. Other changes in the implementation of our military assistance program are also warranted. Specifically a much closer advance coordination of the Latin American activities of the Department of Defense is highly desirable. The timing and approach as well as the assessment of advisability of any given action to be taken by U.S. military authorities requires careful review and control, if we are to avoid giving a false impression as to the importance and urgency which the U.S. places on Latin American military undertakings. This suggests that to a major extent it is the impression which the U.S. military policy and the U.S. military assistance program leaves as much as its actual content and mode of implementation, which requires careful reconsideration. In fact, this points in the direction of one of the main conclusions of our re-evaluation of the benefits and limitations of current U.S. military policy toward Latin America. We have not found that our military

policy has been grossly in error; that it has failed to respond to important political and military objectives; that it has been grossly overemphasized; or that it has been a major cause of economic dislocation.

7. It would appear that, in the last analysis, the current state of unsatisfactory relations with Latin America is not attributable in major degree to our military policies and programs. Accordingly, the solution to the problem is not to be found in a major adjustment of our current military policies and programs. Some adjustments have been suggested; they will make a limited contribution, at best, to improved relations. As reflected in the conclusions concerning U.S. economic policies, the real answer to an effective policy toward Latin America, conducive to bringing about the strong alignment and friendship of governments and peoples of the Continent toward the U.S., is to be found in an adjustment in the totality of U.S. policies, internal as well as external, with the resultant improvement in the image of the U.S. as a nation interested in the welfare of its friends and neighbors. Our ability to meet our internal social and political problems in a progressive, effective and humanitarian manner will do much to persuade the Latin Americans that our interests and objectives parallel their own. As subsequently indicated, to this must be added a more adequate recognition of Latin American economic needs by more liberal provision of assistance and adjustment to trade policies. These actions should tend to de-emphasize what now appears to be an exaggerated U.S. concern with military matters and should bring U.S. military policies and programs into better balance.

### *Economic*

1. A long, close, extensive and mutually beneficial commercial relationship between the U.S. and Latin America made it possible until just after World War II to harmonize broadly U.S.-Latin American policy objectives and to implement, in a mutually acceptable manner, courses of action deemed necessary to achieve these objectives.

2. If, from a purely economic point of view, U.S. policies and implementing courses of action in certain Latin American countries have advanced sounder (although inadequate) economic development than elsewhere, politically, U.S.-Latin American relations have deteriorated. This is true when viewed objectively within the more restricted inter-American context. This is also true, perhaps even in a more profound sense, when viewed within the context of U.S. objectives and implementing courses of action (especially with respect to the Mutual Security Program) being applied to Western Europe and Asia. In Latin America's eyes, the U.S. appears to have developed with countries of these areas closer collaboration both bilaterally and regionally within organizations, such as NATO, OEEC, CENTO, and SEATO.

3. Our essential conclusion is that the United States has not succeeded, either politically through the machinery of the OAS, or economically through existing levels or techniques of assistance, to accord to the countries of Latin America the recognition, consideration or treatment commensurate with their partnership status in the Western Hemisphere or with the minimum economic development requirements which arise from an evolving socio-politico-economic revolution. To a large degree this can be attributed to the inadequacies or outright invalidation of certain concepts underlying United States policy vis-à-vis Latin America. Those concepts and/or assumptions which are partially or in whole no longer applicable in the face of the burgeoning socio-politico-economic revolution in Latin America are:

a. The concept that Latin American economic and other requirements can be best assessed and met through a regional approach.

b. The concept that, despite the pressures of social revolution, similar in intensity to those being experienced in other parts of the world, Latin American economic development needs can be met primarily through the flow of private U.S. investment capital and banking loans.

c. The concept that in Latin America, contrary to our policy in other developing areas (India, Pakistan, Indonesia), the domestic private sector rather than the public sector should and can be relied on as the primary means of developing national economic resources.

d. The assumption that certain United States short-term domestic actions (strategic stockpiling, import restrictions, etc.) can be pursued in a manner unrelated to their impact upon the export earnings of the Latin American countries, in the face of a complete Latin American policy review and belated support of a new look at existing mutual security objectives and implementing techniques.

e. A growing concept that common market, free trade and economic integration associations and agreements should and can be supported more vigorously by the United States in Europe and other areas of the world than in Latin America, and without regard to their interdependence.

f. The assumption that the United States should and can associate itself more closely with regional organizations in Europe and elsewhere (NATO, SEATO, CENTO, OEEC, etc.) than it does with Latin America (OAS).

g. The assumption that a growing communist threat in Latin America can best be countered by predicating mutual security and political policy upon individual country reaction to this common threat and upon opposing Latin American trade with, and acceptance of, Soviet bloc economic assistance.

4. A new national security policy for Latin America should be formulated in such a way as to take cognizance of the foregoing inadequacies of policy concepts and/or assumptions. It should likewise reflect the growing disparity as between U.S. achievements and objectives and those of the Latin American peoples and governments,

recognizing the fact that Latin Americans will give first priority to attain their own domestic, economic and social objectives; that their policies in pursuance of these domestic objectives may encompass acceptance of trade with, and economic assistance from, the Soviet bloc; and that likewise their domestic policies may place a selectively greater emphasis on the role of the government rather than private enterprise as the principal instrument to attain rapid economic development.

5. Accordingly, as a sine qua non to providing a policy framework, within which a more effective Mutual Security program can be developed over the next decade in Latin America, the current NSC policy review should formulate U.S. objectives and policy in a manner which will provide for:

a. A closer harmonization with and conformity to Latin American objectives and aspirations;

b. A statement of concepts and assumptions underlying future U.S. policy toward Latin America which modifies appropriately those past concepts and/or assumptions which have been identified as being in part or in whole no longer applicable to the evolving situation in Latin America;

c. According, in both absolute and relative terms, increased importance to closer political, economic and military coordination and collaboration with the Latin American Republics bilaterally and through OAS;

d. Establishment in the future of NSC country policies for each individual country as opposed to the historically accepted but unwieldy and no longer realistic regional approach.

6. United States trade, financial and economic assistance policies should be brought into better harmony with the minimum needs generated by the evolving Latin American socio-economic revolution. In this connection there is reason to believe that it would be advantageous to institute long-range country development planning for each of the Latin American Republics.

7. In connection with the ensemble of the foregoing conclusions, it must be recognized at this time that, for the foreseeable future, there will remain areas in Europe, Asia and Africa which will be under a more immediate threat of external Soviet or Soviet inspired aggression or internal communist assumption of power, than any given country in Latin America, with the possible exception of Cuba. Selected countries in these areas will receive inevitably what might be construed as preferential treatment with respect to the type, magnitude, and terms of U.S. aid. It is vital to the achievement of U.S. national security objectives that this relativity be understood and accepted with good grace in Latin America. This, of course, presupposes a broader and more concentrated public relations operation. It is also a fact that in Latin America itself, due to the vastly different conditions and require-

ments of each country, the United States, exercising its best judgment, may determine to apply different standards to the developmental assistance extended to different countries. For example, it may be determined that maximum assistance be given to those countries which appear on the verge of a major economic breakthrough, such countries being logical recipients of aid in the form of loans almost exclusively from international or multilateral institutions and the ExIm or private banks. Such a determination might well be carried through to a logical conclusion that the mutual security economic assistance effort be channeled to the smaller, economically, financially and technically, weaker countries. It is vitally important that a carefully prepared climate of understanding be created to avoid misunderstanding of any such basic U.S. aid policy.

## SUGGESTED COURSES OF ACTION

### *Military*

1. *Five-Year Military Assistance Plans.* Review 5-year Military Assistance Plans with a view to developing costed, strategically realistic plans based on Western Hemisphere defense concept. (Presently in process.)

2. *Increased Capabilities in Relation to Budgetary Action.* Identify specific nature of inadequacies in Latin American forces having Western Hemisphere defense missions and propose aid programs to correct deficiencies where this is possible. In this connection, to the extent that inadequacies in forces are due to budgetary deficiencies, do not propose increased indigenous country defense spending, but do consider possibility of selected increases in U.S. military aid either (a) to cover requirement directly or (b) to do so indirectly through financing foreign exchange requirements contained in country's budget thus freeing country resources to cover local currency costs (e.g. soft goods; pay; etc.).

3. *Base Requirements.* Identify all known base rights requirements for next five years and review (a) importance to U.S. and (b) alternatives to retention. Consider releasing all of minimum essentiality and for remainder (a) assess probable aid quid pro quo requirements, (b) consider what mix of aid, economic and political, would be desirable from U.S. point of view.

4. *Strategic Resources.* Review needs for strategic resources and consider long-range programs for purchase (see economic courses of action).

5. *Internal Security.* Assess current status of internal security situation with a view toward suggesting increased military assistance for this purpose where warranted. If requirement is extensive in magni-

tude and in number of countries covered, consider requesting legislative changes eliminating restrictions on aid for internal security purposes.

6. *Use of Military for Economic Development.* Assess extent to which Latin American military forces can be trained and equipped to carry out economic development functions without serious detriment to their military capabilities. Develop programs to implement this objective.

7. *Orientation of Latin American Military.* Recognizing current importance of Latin American military personnel, continue and accelerate orientation training programs for key senior and intermediate level officers. State and DOD should develop specific training courses which would not be limited to military matters, but would be designed to leave lasting favorable impression of the U.S.

8. *DOD–State Liaison on Military Matters.* Improve State-DOD liaison on proposed military policies and programs for Latin America well in advance of actual implementation date. To this end seek to establish more comprehensive and continuing contacts at the various levels within the Pentagon and with the various State offices, including ARA, U/MSC, M and G.

### *Economic*

1. *Liberalization of U.S. Trade and Import Policies.* Recognizing the overriding importance to the Latin American countries of expanding their export of primary commodities to meet growing balance of payment problems, take specific remedial action, including Congressional sanction if necessary, in the following fields:

- a. Increased tariff concessions in the area of basic commodities.
- b. Liberalized import quotas on lead, zinc and petroleum, using subsidies where necessary to maintain essential domestic production, but aiming for eventual introduction of free markets for such minerals.
- c. Rationalized U.S. Government purchases for, and sales from, strategic stockpiles contracyclically, after consultation with Latin American countries, including advance notice of any important changes in stockpiling policy.
- d. More active and positive support for Latin American countries in the field of international commodity problems and the establishment of commodity agreements.
- e. Timing sales of specific agricultural surpluses in specific areas, in order to assure minimal disruption of usual Latin American market agreements and established trade patterns.

2. *Promotion of Long-Range Country Development Plans and Supporting Actions.* Institute long-range country development planning for each of the Latin American Republics, in lieu of the regional project approach, in order to have U.S. trade, financial and economic assistance policies reflect realistically appraised Latin American socio-economic

conomic developmental requirements, and in order to permit a substantially increased proportion of total U.S. resources to be directed to Latin America. As supporting actions to the foregoing the following actions should be taken:

a. A task force should be formed to make recommendations as to the status and adequacy of existing long-range country plans and to lay the foundation for the development of such plans where they do not exist. Among other things it should develop recommendations as to whether the long-range country plans should be developed bilaterally by (1) ICA or (2) ICA in collaboration with DLF and ExIm Bank; multilaterally, by (1) IBRD, (2) IDB or (3) IBRD and IDB; or by a combination of the bilateral and multilateral approaches.

b. Until satisfactory long-range plans can be developed to the point where they can become a basis for U.S. aid direction, ICA could develop bilaterally sharply stepped up country programs in the fields of housing, agricultural development, land resettlement, and other associated non-self liquidating projects. In collaboration with the DLF, the IDB and other lending agencies, ICA should develop reasonable budget requests for 1962 and 1963 to permit an increased flow of U.S. special assistance to meet these intermediate requirements for economic development capital.

c. Liberalization of DLF repayment terms by lowering current interest rates and extending the usual amortization period. Such a policy should be applied not only by DLF, but also by IBRD and IDB to those countries having temporary balance of payment difficulties arising from adherence to long-range monetary and fiscal reforms and to those countries whose present resources limit severely their capacity to service additional debt.

d. Give maximum support to the Central American common market Treaty of Economic Association, through a direct U.S. contribution to the Development and Assistance Fund provided in the foregoing treaty for the purpose of "contributing . . . <sup>6</sup> to the integration and economic development of the associated countries, facilitating public and private investment for productive purposes". (Boldness in the U.S. approach to support of this first Latin American common market and regional integration effort, and encouragement for the proposed free trade area among Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay, would go a long way to demonstrate U.S.-Latin American solidarity of interests on a level similar to that accorded to Western Europe.)

3. *Strengthening OAS.* As a means to improve and strengthen OAS as an effective instrument for the coordination of inter-American political, economic and military policies, give serious consideration to the 16 proposals for action to strengthen the OAS contained in a report, dated December 24, 1959, prepared for the Senate by Northwestern

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<sup>6</sup> Ellipsis in the source text.



University.<sup>7</sup> (If implemented, some of these recommended measures, such as establishment of an Inter-American Staff College, an inter-American auxiliary military force, and Inter-American Leadership Foundation, an inter-American free and autonomous university and the relocation of OAS headquarters in an inter-American district, might well warrant MSP funding.)

4. *Creating Favorable Climate of Understanding.* To create the requisite climate of understanding for future Mutual Security Program policies and programs in Latin America, at such time as a new U.S. policy approach to Latin America has crystallized, give serious consideration to selecting a forum such as the IDB or OAS to:

a. Place before responsible Latin American officials a frank and full exposé of U.S. economic assistance objectives and policies to be applied to Latin America and to other areas of the world; and

b. Discuss and consider Latin American proposals for any modifications which they deem vital to the achievement of their minimum objectives.

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<sup>7</sup> The Organization of American States, a study prepared at the request of the Subcommittee on American Republic Affairs of the Committee on Foreign Relations, U.S. Senate, 86th Congress, 1st Session. [Footnote in the source text.]

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**37. Memorandum From the Officer in Charge, Inter-American Security and Military Assistance (Spencer) to the Deputy Assistant Secretary of State for Inter-American Affairs (Mallory)<sup>1</sup>**

*Washington, July 7, 1960.*

**SUBJECT**

Pentagon Proposals for Internal Security Assistance to LA Countries

We now have before us for consideration (see JCS paper attached)<sup>2</sup> a large portfolio of internal security programs which the Pentagon proposes to conduct under its own auspices. This paper is now being reviewed by Mr. Hill (ARA). In addition, we have been confronted with a series of Pentagon actions (see enclosure) designed to implement these programs. According to our informal Pentagon contacts, the JCS paper was developed as a result of concern by the

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<sup>1</sup> Source: Department of State, ARA/OAP Files: Lot 63 D 127, Military Assistance Program. Secret.

<sup>2</sup> Not found with the source text.

Secretary of Defense<sup>3</sup> regarding the following: [3 lines of source text not declassified]; (c) prevailing LA unconcern regarding the danger posed by Castro and communist movements; (d) failure of existing U.S. policies and programs to counter the spread of Castroism and communism in the hemisphere.

To fill up the vacuum created by these deficiencies, the Pentagon would engage itself in the following activities: [4½ lines of source text not declassified]; (2) establish special courses in U.S. military schools for the indoctrination of LA military personnel in anti-communist doctrine and techniques; [3 lines of source text not declassified]; (4) establish in the Canal Zone a course in psychological warfare training for LA military personnel; (5) develop intelligence programs within the Inter-American Defense Board, including a program for the exchange of intelligence information, the FBI to supply information made available by the U.S. All of these programs appear to have the common aim of countering the export of Castroism from Cuba and the spread of communism generally throughout the hemisphere.

The JCS recommendations appear to be based on the assumption, which I believe is probably correct, that LA armed forces, rather than police forces, are in most LA countries the only groups really capable of maintaining security against widespread internal disorders fomented by Castro or communist movements, and hence, that our preponderant effort, in providing LA countries with intelligence and counter-intelligence assistance, should be directed toward the local armed forces rather than the local police. The JCS proposal seems to be based on the further assumption that an effort should be made not only to develop the physical capability of local armed forces to deal with communist activities, but also to promote, through political indoctrination programs, anti-communist and pro-U.S. attitudes within LA military groups. It should be noted, in the latter connection, that several of the programs identified in the JCS paper involve participation by the U.S. Army's unconventional warfare group at Fort Bragg. From my brief exposure to this group, I have serious reservations regarding many of the techniques they have developed for the indoctrination of foreigners.

Our decision regarding the JCS proposals would seem to be one of deciding how far it would be desirable to permit the Pentagon to become engaged in this sensitive field, bearing in mind two basic risks: (a) errors in judgment, particularly errors in political judgment, by U.S. military officers engaged in the sensitive area of internal security can seriously harm U.S. across-the-board objectives and relations in any LA country, yet it is virtually impossible to control the activities of the U.S. military, even at the MAAG and training mission level, where the

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<sup>3</sup> Thomas H. Gates, Jr.

chief of diplomatic mission is in theory expected to exercise control; (b) as our military become involved in the touchy area of internal security, we will become the target of local criticism, some of it emanating from non-communist sources, that we are building up the local military as an instrument of U.S. intervention in internal politics. If the communist or Castro threat in any country is sufficiently grave, it may be desirable to assume these risks. As we assess the merit of the JCS programs I believe we should bear in mind that the risks are lessened by the fact that we now have non-dictatorial, constitutional regimes presiding in most countries and that as wise a Latin American as Lleras Camargo<sup>4</sup> has stated his belief that our military programs throughout the hemisphere should concentrate on developing the capabilities of the Latin American military to maintain internal security. In his own mind, Lleras Camargo presumably maximizes the communist threat and minimizes the danger of building up local military forces as agents of repressive political movements. My specific views regarding the JCS proposal are as follows:

1. In my opinion, it would be unthinkable for us to write the Pentagon a blank check that would permit it to move ahead with all of the JCS programs on a wholesale basis, as it now seems intent on doing. In those JCS programs which provide for LA participation (except the internal security course now being conducted in the C.Z. with our approval), our decision to enroll an individual country should be based on a careful U.S. assessment of that country's requirement for the type of training provided, taking into account political considerations that favor or militate against our including it in such a program.

2. We should carefully assess the internal situation in each LA country with a view to identifying: deficiencies in military equipment needed to maintain internal security; other internal security deficiencies, including those which the various JCS programs are designed to meet; political considerations standing in the way of meeting such deficiencies through U.S. military programs; the most appropriate and effective U.S. channels to utilize in providing those types of internal security assistance that are politically feasible. [1 sentence (1½ lines of source text) not declassified] This assessment should be made by a competent team of State, Defense and [less than 1 line of source text not declassified] experts sent to individual countries for consultation with U.S. representatives on the ground.

3. In those countries in which we permit our military to become involved [less than 1 line of source text not declassified] we should develop an administrative arrangement to bring their activities under the careful supervision of our Ambassador. As a minimum, their activities should be controlled by written instructions, agreed to by State, Defense and the Ambassador, indicating the specific types of subject matter they should and should not deal with, and specific activities they should and should not engage in, in their dealings with the local military.

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<sup>4</sup> Alberto Lleras Camargo, President of Colombia.

4. The JCS paper appears to call for a long-range program for developing U.S. military specialists in the field of LA [less than 1 line of source text not declassified] and the development of political indoctrination courses for LA military personnel. The State Department should expose itself to such courses first hand, in order to insure that the political materials and courses developed for training U.S. and LA military officers are in every respect adequate and feasible. Perhaps the Foreign Service Institute could be called upon to review such courses, or a few appropriate State Department officers assigned to attend and review them.

*Specific Recommendations:*

1. That the substance of the foregoing view be expressed to the Pentagon in a letter which would make clear that the State Department must clear any action proposed by Defense in implementation of the JCS paper.

2. The attached letter from the Pentagon proposes that we seek to have the Congress remove the present restriction on the provision of internal security assistance to LA countries. We should defer taking a definitive position on this matter in our proposed reply to the Pentagon, but should consider the proposal during the development of next year's military assistance program. I doubt that we could get U/MSC or Mr. Dillon to take a definitive position on this subject at this early stage in the development of next year's program.

*Note:* I am circulating copies of this memo to Mr. Hill and all ARA office directors, so that they will be fully prepared to attend any meeting you may desire to arrange for a discussion of this broad problem.

**[Enclosure]**

PENDING CASES

1. *Costa Rica.* Request from our Ambassador in CR<sup>5</sup> for [less than 1 line of source text not declassified] advisor to be assigned to U.S. Army Mission. We have rejected this proposal, over the Pentagon's objections, but have advised our Ambassador that we are prepared to provide internal security training to selected CR officers in C.Z. or U.S. schools. The Pentagon continues to object strongly to our rejection.

2. *Colombia.* We have learned informally from the Army Department that a mobile [less than 1 line of source text not declassified] training team of two officers has been requested by CINCARIB for assignment to Colombia. Although the Pentagon first indicated that this team was necessary to implement the anti-guerrilla program being

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<sup>5</sup> Dempster McIntosh.

developed for Colombia, we subsequently learned that the team is to be assigned to our mission for two months [1 line of source text not declassified]. At our request, the Pentagon is withholding action until further word from us.

[numbered paragraph 3 (2½ lines of source text) not declassified]

4. *Colombia*. We accidentally learned from INR, in the Department, that the Pentagon has proposed that a military geographic specialist team be assigned to the Army Mission in Colombia [2½ lines of source text not declassified]. INR has advised our Embassy that such an assignment would be inadvisable and that such officers should be assigned to the office of our Army Attaché in Colombia.<sup>6</sup>

6. [sic] We note from an Army message to specified unified commands, including CINCARIB, that the Army is prepared to organize and despatch a number of MAP Military Action Mobile Training Teams in support of a military civic program which will provide advice and assistance to MAAGS, Missions and other elements of Country Teams in the conduct of civic action projects involving participation of indigenous country forces.

7. Defense has proposed that the FY 1961 military training program for LA include the following:

[subparagraph a (3½ lines of source text) not declassified]

b. \$79,000 for a Militant Liberty Program in Ecuador. This would provide for the indoctrination, by our military, of Ecuadoran military conscripts in "democratic processes";

[subparagraph c (3½ lines of source text) not declassified]

In a letter prepared for Mr. Dillon's signature,<sup>7</sup> U/MSC is advising Defense that we defer our approval of a. and b., above, pending further consideration, but that we approve c. The latter program is one we agreed to about a year ago.

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<sup>6</sup> Lieutenant Colonel Howard C. Parker.

<sup>7</sup> Not found in Department of State files.

**38. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Coordinator for Mutual Security (Bell)<sup>1</sup>**

*Washington, August 4, 1960.*

SUBJECT

FY 1961 Military Assistance Program for Latin America

I refer to my memorandum of May 27, 1960<sup>2</sup> in which I identified certain political considerations which should be taken into account in deciding what reductions could be made in the MAP program for Latin America, in the event that Congress should appropriate less money for the worldwide program than requested by the Executive Branch.

Taking into account that a reduction of \$7.0 million has already been necessary in order to bring the program within the ceiling of \$55.0 million imposed by the Mutual Security Act of 1960, I desire to state very strongly that any further reduction in the program would seriously affect our commitments and political objectives throughout the area for the following reasons:

1) In pricing out the FY 1961 program we have found that increased costs in the rehabilitation of ships (under the ship loan legislation) and in the acquisition of aircraft will result in an additional \$3.4 million which will have to be absorbed within the ceiling.

2) Due to political exigencies, it will be necessary to finance the following unanticipated projects during 1961:

\$1.5 million—Special Colombian Anti-Bandit Package

\$1.0 million—Internal Security Package for Bolivia

\$0.07 million—Carry-over security measures for proposed Quito Conference (not included in the Congressional presentation)

In view of the foregoing, we obviously cannot accept any recommendation from either the Defense Department or from the Caribbean Command to further reduce the Latin American program.

I would like to take this opportunity to bring to your attention the very serious situation confronting us in the Caribbean area, where a number of the governments are increasingly exposed to the threat of subversion by Castro elements operating within and outside their borders. In view of this threat, it may be necessary for us, in the near future, to provide grant military assistance to one or several of the

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<sup>1</sup> Source: Department of State, ARA/OAP Files: Lot 63 D 127, Military Assistance Program. Confidential. Drafted by Spencer and Allan F. McLean, Jr., of the Office of Inter-American Regional Political Affairs.

<sup>2</sup> Document 34.

countries in order to increase their defense and internal security capabilities. While it is not possible at this time to estimate the amount of U.S. funds that might be required for this purpose, I believe it is desirable that some advance plans be made for funding such assistance in the event that Caribbean developments should require that it be provided on an urgent basis. In this connection, I would also like to point out the possibility that the Foreign Ministers of American States, at their meeting of August 16, 1960,<sup>3</sup> may recommend the establishment of an OAS naval patrol of Caribbean waters as a deterrent to movements of clandestine arms shipments from the Dominican Republic and Cuba to other Caribbean countries. In the event of such a development, it might be necessary for the U.S. to provide military assistance of various types to Latin American countries participating in the OAS patrol.

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<sup>3</sup> Reference is to the Sixth Meeting of Consultation of Ministers of Foreign Affairs of American States, which convened at San José, Costa Rica, on August 16.

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**39. Letter From the Acting Assistant Secretary of State for Inter-American Affairs (Mallory) to the Assistant Secretary of Defense for International Security Affairs (Irwin)<sup>1</sup>**

*Washington, September 12, 1960.*

DEAR MR. IRWIN: On June 16, Assistant Secretary Rubottom responded<sup>2</sup> to Mr. Knight's letter of May 19, 1960 (File: X-13890/60),<sup>3</sup> which submitted a proposal of the Joint Chiefs of Staff that there be obtained from the next Congress a modification of Section 105 (b) (4) of the Mutual Security Act,<sup>4</sup> as amended, to permit the use of MAP funds for furnishing internal security assistance to Latin American countries without prior Presidential approval of each case, as now required by law. Mr. Knight's letter also transmitted a copy of the Joint Chiefs' program for strengthening the security and intelligence capabilities of the armed forces of Latin American countries.

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<sup>1</sup> Source: Department of State, ARA/ISA Files: Lot 65 D 285, Political Affairs & Relations, 1960–1962. Secret. Drafted by Spencer and Devine on September 8.

<sup>2</sup> Not printed. (*Ibid.*, Central Files, 720.5/6-1660)

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> Of 1954.

The Department of State fully agrees that the maintenance and strengthening of internal security has become a priority objective in Latin America and one essential to the security and defense of the hemisphere. It is clearly desirable to consider revision of Section 105 (b) (4) of the Mutual Security Act, as amended, in conjunction with the formulation of legislative provisions for submission to the next Congress.

Careful consideration has been given to the action programs developed by the Joint Chiefs of Staff, aimed at coping with the internal security problem throughout Latin America. While many of these proposals, in our opinion, have potential value, their implementation in some countries would be certain to touch on serious problems of internal political sensitivity. I believe, therefore, that before implementing those programs which provide for participation by Latin American countries or the dispatch of additional U.S. personnel to the area, we should have a U.S. assessment of the total internal security situation in each Latin American country, commencing with countries in the Caribbean area, where the situation is most critical, with a view to identifying: (1) deficiencies in military equipment required by the local police or armed forces for internal security purposes; (2) deficiencies in local intelligence or counter-intelligence capabilities [*1 line of source text not declassified*]; (3) local political considerations that may make one type of program more feasible than another; (4) the most appropriate and effective U.S. channels to utilize in furnishing types of internal security assistance determined necessary and politically feasible. This procedure would be consistent with the conclusions set forth in the study of August 29, 1960, entitled, "Counter-Guerrilla Warfare",<sup>5</sup> which was prepared and approved by the Ad Hoc Study Group<sup>6</sup> established pursuant to a decision taken at the State-JCS meeting of July 8, 1960.<sup>7</sup>

I suggest that representatives of our Departments meet with representatives of ICA [*1 1/2 lines of source text not declassified*] in order to arrive at an agreed procedure for making the type of assessment pro-

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<sup>5</sup> This report concluded, inter alia, that effective counter-guerrilla action by the United States required the development of measures by nondefense agencies to deal with the underlying political, social, and economic causes of guerrilla violence, and the formulation of a "counter-guerrilla doctrine" by defense agencies based on that principle. (Department of State, ARA/ISA Files: Lot 65 D 285, Political Affairs & Relations 1960-1962)

<sup>6</sup> The Ad Hoc Study Group was comprised of 12 working level officers from the Departments of State and Defense, the Joint Chiefs of Staff, and the Central Intelligence Agency. Edward E. Rice of the Policy Planning Staff and George S. Newman of the Office of the Deputy Coordinator of Mutual Security represented the Department of State.

<sup>7</sup> The record of this meeting is in Department of State, State-JCS Meetings: Lot 67 D 548.



posed above. I have accordingly requested my staff to consult your office and the other concerned agencies for the purpose of arranging a meeting to discuss this urgent matter at an early date.

Sincerely yours,

L.D. Mallory<sup>8</sup>

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<sup>8</sup> Printed from a copy that bears this typed signature.

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**40. Memorandum of the Substance of Discussion at the Department of State–Joint Chiefs of Staff Meeting, Pentagon, Washington, October 28, 1960, 11 a.m.<sup>1</sup>**

[Here follows discussion of agenda item 1.]

*2. Internal Security Programs for Latin America (JCS Initiative)*

General Lemnitzer asked what State had on its mind on the Latin American internal security item and so Mr. Hare turned the meeting over to Mr. Mann. Mr. Mann observed that our Latin American military training program had been a bulwark during the last ten years for the preservation of democracy in Latin America. By orienting Latin American military officers toward the U.S. we have been able to keep the military element, the only stabilizing influence in those areas, on the side of the West. The accent of this training program has been on hemispheric defense, although in effect the program has been a bilateral one between the United States and the twelve Latin American countries eligible for our training aid under this concept. We think that now, however, more attention should be paid to the training of the Latin American military in the internal subversion field. President Lleras Camargo recently asked us to do just this.

In addition to the military services' efforts in this field, both ICA and [*less than 1 line of source text not declassified*] are active but it is State's feeling that this training is being done on an inadequate hit and miss scale. We have, therefore, prepared a message which is still awaiting Defense clearance requesting detailed information on the

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<sup>1</sup> Source: Department of State, State–JCS Meetings: Lot 67 D 548. Top Secret. The source text indicates that this memorandum was a Department of State draft not cleared with the Department of Defense. The meeting was attended by 30 individuals: the Department of Defense was represented by 23, the Department of State by 6, and the National Security Council by 1. Under Secretary Merchant headed the Department of State group.

needs of the various Latin American countries in this field. Obviously, a program to increase the internal subversion defenses in Latin America must be tailored to the individual country. For example, Colombia needs increased training of the army to combat large scale guerrilla tactics while other countries riot control training.

In the past we have had difficulty in getting Congressional authorization for military training programs in South America since the Congress has looked at this as a program to perpetuate the right-wing dictatorships there. Now, however, with the rise of Castro and all he represents in South America we feel that there would be a definitely changed attitude in Congress and we could get much more support for a program of military training and equipment for internal security.

General Lemnitzer said that of course internal security measures have been one of the basic parts of the military program for Latin America. He said he was encouraged to hear that the Department of State wanted to act more vigorously in this field.

General White concurred, pointing out that in his view, given the lack of an effective middle class in most Latin American countries, a middle class being the sine qua non of democracy, the army in Latin America was the only effective repository of democratic practices.

Mr. Mann said that it was our feeling that internal security training should now be given a higher priority in Latin America than training and equipping for hemispheric defense, to which General Lemnitzer agreed.

General Decker said that the Army was interested in sending Army [*less than 1 line of source text not declassified*] experts to various countries in South America in order to advise the country team not only on normal Army [*less than 1 line of source text not declassified*] functions, but also as needed to advise on the necessary technical requirements in the internal subversion area.

General White wondered why we couldn't go to the Congress to get either special legislation for internal security or perhaps a separate title in the overall MSP for Latin America.

General Lemnitzer thought that we shouldn't delay pending Congressional authorization but should get on with this program. He said that actually the cost of the training envisaged would be small, training being one of the least expensive types of military activities.

Mr. Mann observed that while training might be inexpensive, it would be necessary to provide certain types of expensive equipment, particularly integrated communications nets to maintain adequate communication for internal security purposes.

Mr. Irwin said that he agreed a message requesting information on various countries' needs in the internal security field should be sent.

General Decker said that he understood the Department of State was objecting to the dispatch to some twelve Latin American countries of [*less than 1 line of source text not declassified*] experts to work in the embassy, advise the country team and train the local armies in [*less than 1 line of source text not declassified*] activities.

Mr. Mann said he was not familiar with this problem but that speaking personally he thought this might be a worth while exercise, particularly if these men could provide technical advice for training and equipment needs in the internal security areas.

[Here follows discussion of the remaining agenda items.]

# UNITED STATES REGIONAL ECONOMIC AND TECHNICAL ASSISTANCE POLICY

## 41. Editorial Note

Documentation concerning U.S. regional economic policies with relation to Latin America is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

The concern of U.S. policymakers with political and economic developments in Latin America in 1958–1960 led to some shifts in U.S. economic policies toward the region, foreshadowing the Kennedy administration's Alliance for Progress, although less extensive and dramatic.

### *Reexamination of U.S. Policies*

Early in 1958, the Department of State undertook a reexamination of U.S. policies in the light of economic trends in the area. Secretary of State John Foster Dulles initiated the study. 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. Dulles stated in a January 19 memorandum to Under Secretary of State Christian A. Herter and other officials that he thought U.S. economic policies in relation to Latin America were "too negative", that U.S. policy concerning trade between Latin America and the Soviet bloc was too restrictive, and that there should be a reexamination of the U.S. policy of opposing quota arrangements on commodities. He continued: "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." (ETA-1)

In response to Dulles' request, an interbureau task force examined a range of problems and possible policy changes. (ETA-4) Assistant Secretary for Economic Affairs Thomas C. Mann and Assistant Secretary for Inter-American Affairs Roy R. Rubottom summarized the task force's conclusions in an April 10 memorandum to Dulles. They called

for policy adjustments but no major initiatives. Noting that trade was the cornerstone of U.S. economic relations with Latin America, they urged efforts to prevent restrictions on U.S. imports from the region and recommended U.S. participation in multilateral study groups on coffee and on lead and zinc, leaving open the question of possible price stabilization agreements for these commodities. (For related documentation, see the compilation on strategic materials and international commodities in volume IV.) They did not think Soviet bloc efforts to expand trade with Latin America posed a major threat, but they recommended continued U.S. warnings against the risks of economic dependence and political penetration. They recommended efforts to respond to Latin American needs for financial assistance through existing institutions, but they also observed that there was strong Latin American sentiment for the creation of an inter-American development bank and recommended U.S. participation in a multilateral study of this possibility. (ETA–6)

#### *Creation of the Inter-American Development Bank*

After a visit to Brazil in early August 1958, Secretary Dulles became convinced that it was necessary for political reasons to take a regional approach to the problem of providing financial support for Latin American development. On August 12, Under Secretary of State for Economic Affairs Douglas Dillon announced that the United States was prepared to consider the establishment of an inter-American development institution. (ETA–8) After several months of discussions, a U.S. proposal was put forward for an inter-American bank. To ensure that the bank would be financially sound but at the same time fulfill the function of providing funds for economic development, it was determined that the bank would make both hard and soft loans but keep the two operations entirely separate. (ETA–8 through 15) Formal negotiations began in January 1959. At the outset, the United States proposed total initial resources of \$850 million for the bank, while Brazil called for \$5 billion, but a compromise was reached on \$1 billion with provision for a future increase to \$1.5 billion. (ETA–20, 21) An agreement establishing the Inter-American Development Bank was signed on April 8, 1959. (ETA–24)

#### *Special Fund for Inter-American Social Development*

By mid-1960, however, before the bank could begin operations, U.S. policymakers were concluding that more must be done to increase the flow of development capital to Latin America. (ETA–31, 32) 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. Assistant Secretary of State for Policy Planning Gerard C. Smith responded with a July 5 memorandum to Dillon proposing 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." (ETA-33) In a July 11 statement, Eisenhower affirmed U.S. 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. (ETA-38)

In an August 1 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." He proposed a Special Fund of \$600 million (including \$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. (ETA-44)

In spite of some opposition to the proposal within the administration on budgetary grounds, Eisenhower approved it. In an August 8 message to Congress, he requested an authorization for \$600 million, and Congress authorized the money in legislation signed into law on September 8. (ETA-45, 46, 47) Dillon presented a U.S. 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 U.S. 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. (ETA-49, 55)

## VICE PRESIDENT RICHARD M. NIXON'S TRIP TO SOUTH AMERICA, APRIL 27–MAY 15, 1958

### 42. Letter From the Secretary of State to the Vice President<sup>1</sup>

*Washington, March 6, 1958.*

DEAR DICK: 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.

In the hope that it might assist you, I have gone one step further and have had a possible itinerary drawn up for you to consider.<sup>2</sup> It would, I believe, extract the maximum advantages from a foreign policy standpoint from a short tour of the area by you. It suggests a Washington departure on April 13 with return ten days later and would include Venezuela, Uruguay, Argentina and Bolivia.

I have suggested Venezuela 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. As for 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. Argentina would be an important part of your trip because of the country's prominence in inter-American affairs, the transition period through which the country is moving, the significant presidential election on February 23, and the desirability of your meeting the Argentine President-elect. La Paz is 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.

If you approve the trip, I will undertake to ascertain from the governments of the countries concerned whether your visit will be agreeable to them. The Department would, of course, provide for your trip an escort officer and other suitable assistance.

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<sup>1</sup> Source: Department of State, Central Files, 033.1100–NI/3–658. Confidential. Drafted by Terry B. Sanders, Jr., on March 4.

<sup>2</sup> The proposed itinerary was not attached to the source text.

I hope that you will find it possible to make the tour to South America. I am confident that your trip would be of great benefit in the conduct of our relations with all countries of the area.<sup>3</sup>

Sincerely yours,

**Foster**

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<sup>3</sup> In circular telegram 861, March 17, the Department of State informed the Embassies in Quito, Buenos Aires, Montevideo, Asunción, La Paz, Lima, Bogotá, and Caracas that Vice President Nixon intended to visit Quito April 27 or 28–29; Buenos Aires April 30–May 3; Montevideo May 3–5; Asunción May 5–7; La Paz May 7–9; Lima May 9–11; Bogotá May 11–13; and Caracas May 13–15. (Department of State, Central Files, 033.1100–NI/3–1758)

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#### 43. Editorial Note

Vice President and Mrs. Richard M. Nixon, accompanied by Assistant Secretary Roy R. Rubottom, Jr., Samuel C. Waugh, Maurice M. Bernbaum, and members of the Vice President's staff, departed Washington on April 27. They visited Uruguay, Argentina, Paraguay, Bolivia, Peru, Ecuador, Colombia, and Venezuela, and returned to Washington on May 15, 1958.

Documentation on the bilateral aspects of the Vice President's trip is printed in the compilations on United States relations with Uruguay, Argentina, Paraguay, Bolivia, Peru, Ecuador, Colombia, and Venezuela. Additional documentation is in Department of State Central File 033.1100–NI as well as in the following Department of State lot files: ARA/EST Files: Lot 61 D 332; ARA Deputy Assistant Secretary Files: Lot 61 D 411; Rubottom Files: Lot 60 D 533; ARA Special Assistant's Files: Lot 60 D 513; and Presidential Cabinet Meetings: Lot 68 D 350. At the Eisenhower Library, material on the trip is in the Dulles Papers, White House Telephone Conversations, and in the Whitman File, Cabinet Series.

For the Vice President's recollections of his trip to South America, see Richard Nixon, *The Memoirs of Richard Nixon* (New York: Grosset & Dunlop, 1978), pages 185–193.



**44. Memorandum From the Acting Assistant Secretary of State for Inter-American Affairs (Snow) to the Secretary of State<sup>1</sup>**

*Washington, May 9, 1958.*

SUBJECT

Vice President Nixon's Trip to South America

Vice President Nixon has completed visits in five countries of South America (Uruguay, Argentina, Paraguay, Bolivia and Peru). He is now (May 9) in Ecuador, and he will visit Colombia and Venezuela before returning to the United States on May 15.

The Vice President's tour has thus far been well received by the government, the responsible press, and by the great majority of the people in each country.

In the capitals visited he has had cordial and useful conversations with government officials. Economic problems have been the predominant subjects discussed. The Vice President has, generally, expressed the desire of the United States Government to cooperate to the maximum extent its resources will permit and has stressed the importance of private investment. In Peru trade relations were emphasized, and the subsidy plan for minerals in the United States was helpful as illustrative of the desire of the United States to cooperate.

Press coverage in the United States has been extensive. The consensus of the press is that the Vice President's tour is making a valuable contribution to United States-Latin American relations and that he showed courage and resourcefulness during the Lima episode described below.

An incident on the trip which received adverse play in the United States press was the Vice President's arriving a few minutes late at the Congress Building in Buenos Aires for the swearing in ceremony of Argentine President-elect Frondizi. Actually, the ceremony started a few minutes ahead of time, and the Vice President was detained outside the building by crowds through which even the police could not make a passage for him quickly. The incident caused little comment in Buenos Aires.

The most dramatic and widely publicized feature of the Vice President's tour has been the anti-United States demonstration in Lima<sup>2</sup> 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. The Peruvian

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/5-958. Drafted by Sanders.

<sup>2</sup> This incident occurred on May 8.

Vice President,<sup>3</sup> the Foreign Minister,<sup>4</sup> and the Embassy in Washington have expressed keen regret, and the Government of Peru promptly replaced the floral offering at the statue of San Martin. The press in Lima deplored the demonstration. 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.

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.

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<sup>3</sup> Luis Gallo Porras.

<sup>4</sup> Raúl Porras Barrenechea.

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#### 45. Message From the President to the Vice President, at Quito<sup>1</sup>

*Washington, May 9, 1958.*

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. I note with satisfaction that the Peruvian Government has already expressed to you its regret. Indeed, I feel that every participant in the mob will finally come to feel a sense of guilt and embarrassment because of his failure to show toward a friendly

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/5-958. Unclassified; Priority. Transmitted in telegram 412 to Quito, May 9, with the notation "Codel Nixon." Telegram 412, which is the source text, was drafted by Frank J. Devine; cleared with Sanders, Sandy M. Pringle, Joseph A. Silberstein, Orville C. Anderson, James C. Haggerty, and Fisher Howe; and initialed by Snow. It was repeated to Lima and to Paris for the Secretary. The text of the message was preceded by the paragraph: "Acting Secretary today telephoned following message from President to Vice President Nixon. White House plans Washington release 11:45 EDT this morning."

visitor the ordinary measure of courtesy and hospitality. Give my love to Pat and warm regards to yourself.<sup>2</sup>

As ever,

**Dwight Eisenhower**<sup>3</sup>

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<sup>2</sup> In telegram 696 from Bogotá, May 11, Vice President Nixon thanked President Eisenhower for his message. (*Ibid.*, 033.1100–NI/5–1158)

<sup>3</sup> Telegram 412 bears this typed signature.

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**46. Memorandum of a Telephone Conversation Among the Minister-Counselor of the Embassy in Venezuela (Burrows), the Assistant Secretary of State for Inter-American Affairs (Rubottom) in Caracas, and the Deputy Director of the Office of South American Affairs (Sanders) in Washington, May 13, 1958, 2 p.m.**<sup>1</sup>

SUBJECT

Attack on Vice President Nixon and His Party

I telephoned Mr. Burrows at Caracas. The telephone communication was frequently broken off. The following is what I understood him to say.

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,<sup>2</sup> who was in the same

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<sup>1</sup> Source: Department of State, Central Files, 033.1100–NI/5–1358. Official Use Only. Drafted by Sanders.

<sup>2</sup> Oscar García Velatini.

car, was cut on the arm. The Embassy's naval attaché,<sup>3</sup> 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.

Mr. Rubottom came on the telephone and the following is what he is understood to have 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.

The Vice President plans to remain at the Embassy residence and not keep any of the scheduled appointments unless the Government of Venezuela can assure that order will be maintained. There will be no publication of any possible movements by the Vice President. The Vice President intends to remain in Caracas for approximately the scheduled time and to reach Washington, as previously indicated, at 11:00 a.m. Thursday.<sup>4</sup>

The Foreign Minister and Ambassador Santaella have called on the Vice President to express their regrets.

Groups of people are gathering and milling about in front of the Embassy residence.

The Government of Venezuela has said that adequate protection will be provided, but that protection has not yet arrived. Mr. Rubottom will call back soon to give us a further report.

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<sup>3</sup> Captain Robert E. Huse.

<sup>4</sup> May 15.

**47. Memorandum of a Telephone Conversation Between the Secretary of State and the President's Press Secretary (Hagerty), Washington, May 13, 1958, 3 p.m.<sup>1</sup>**

TELEPHONE CALL TO MR HAGERTY

The Sec said we are calling in the Venezuelan Chargé.<sup>2</sup> He said we just had a telephone call and don't know how we are going to get him out. H asked if the Pres knew—ok to tell him? The Sec said yes. The Sec said Herter has been in touch with White and are looking into the possibility of sending a helicopter in but the Sec does not think it is a good place to put one in. H asked if State is saying this fellow is coming in and the Sec said H can.<sup>3</sup>

Andy Goodpaster said the Pres said to say if Venezuela can't guarantee the safety of the VP they should ask us to do it.

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, White House Telephone Conversations. Transcribed by Bernau.

<sup>2</sup> Eduardo Acosta.

<sup>3</sup> Secretary Dulles spoke with the President at 4:01 p.m. that afternoon and informed him of the results of his discussion with the Venezuelan Chargé. Bernau's transcript of this telephone conversation reads in part as follows: "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 US 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." (Eisenhower Library, Dulles Papers, White House Telephone Conversations)

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**48. Memorandum of a Telephone Conversation Between Captain Kefauver, U.S. Navy, and the Deputy Director of the Office of South American Affairs (Sanders), Washington, May 13, 1958, 3 p.m.<sup>1</sup>**

SUBJECT

Dispatch of Marines to Caracas

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

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 332, Vice President Nixon's Trip—General. Confidential. Drafted by Sanders.

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 for Inter-American Affairs<sup>2</sup> the information he had conveyed, that any clearance by the Department would have to come from the highest levels, and that we would call him back.<sup>3</sup>

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<sup>2</sup> William P. Snow.

<sup>3</sup> After his conversation with Sanders, Kefauver telephoned Snow, confirmed the information he had given Sanders, and informed Snow of Admiral Burke's desire to obtain Department of State clearance for the operation. Snow, in turn, raised the matter with Secretary Dulles and Under Secretary Herter. 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. Snow and Sanders conveyed this decision to Kefauver and asked him to report the Department of State's position to Burke. (Memorandum of conversation by Snow, May 13; Department of State, Central Files, 033.1100-NI/5-1358)

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**49. Memorandum of a Telephone Conversation Between the Assistant Secretary of State for Inter-American Affairs (Rubottom) in Caracas and the Acting Assistant Secretary of State (Snow) in Washington, May 13, 1958, 4:30 p.m.<sup>1</sup>**

**SUBJECT**

Nixon Party—Caracas Situation

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 and Mr. Rubottom said he thought it was adequate, based on the judgment of the Secret Service. Mr. Rubottom reported that there were armored cars and tanks at the front door. Mr. Snow asked if he thought the protection was adequate. Mr. Rubottom replied yes; that he was telling Mr. Snow what others had told him.

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/5-1358. Official Use Only. Drafted by Alice W. Bartimus. Initialed by Snow.

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. 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. Snow asked what the Nixon party's plans were and Mr. Rubottom replied that they would not be going outside to any meetings. 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. 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 said that things seem to have quieted down. Mr. Rubottom said that no one within his immediate reach had been out on the streets. He heard that there were only a few people then at the Pantheon whereas there were six to seven thousand this morning.

Mr. Rubottom said they had not gone to the wreath-laying; that it was cancelled on the spot en route. There was a terrific mob and the Venezuelan flag—their own flag—had been desecrated, irrespective of any national honor or anything else.

Mr. Snow asked Mr. Rubottom if he could now tell the White House and the Secretary that Mr. Rubottom considers the protection adequate. Mr. Rubottom said that so far as he knows, and he has been checking every 15 minutes, the protection is adequate. Mr. Rubottom at this point in the conversation left to check again on security and reported once again that it seemed to be ample. Mr. Snow asked if the Secret Service thought so, too. Mr. Rubottom said yes and they have army units and armored cars and tanks at the Residence so the party can be evacuated if necessary.

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 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 he had just spoken with Sherwood<sup>2</sup> who had reassured him on the points just discussed. The Venezuelan Government seemed to have the facilities to do the necessary. Mr. Snow said that during the previous call he gathered that Mr. Rubottom had been doubtful about it. Mr. Rubottom said this was due to the way the police had dispersed at a critical moment.

Mr. Snow said he had all the information he needed for the time being and asked Mr. Rubottom to keep in touch. Mr. Rubottom said that they would call again after the meeting with the Junta.

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<sup>2</sup> Jack Sherwood was one of Vice President Nixon's Secret Service agents.

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**50. Memorandum of a Telephone Conversation Among the Secretary of State, the President's Press Secretary (Hagerty), and the President's Staff Secretary (Goodpaster), Washington, May 13, 1958, 5:14 p.m.<sup>1</sup>**

**TELEPHONE CALL TO GEN GOODPASTER (HAGERTY ON TOO)**

The Sec 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 agreed. It is healthy to have it known we have the will and capacity. H said the Navy said they are beginning to get queries. 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. The Sec reported Snow is worried but is satisfied if we say it is a precautionary move designed to cooperate with the Ven Govt if it thinks it

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, White House Telephone Conversations. Transcribed by Bernau.



necessary. He will try to work out something like that with Snyder and they agreed Navy would make statement. H said he wanted the same language as he would be getting queries.

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**51. Memorandum of a Telephone Conversation Between the Assistant Secretary of State for Inter-American Affairs (Rubottom) in Caracas and the Acting Assistant Secretary of State (Snow) in Washington, May 13, 1958, 9:15 p.m.<sup>1</sup>**

SUBJECT

Situation in Venezuela

Mr. Rubottom called to say that the Vice President's press conference went well.<sup>2</sup> He said he had not received the telegram referred to in an earlier conversation<sup>3</sup> but they were getting reports through the AP and UP about military units being sent down their way, and asked for confirmation. When 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. At this point 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.

Mr. Rubottom said they would have to find some means of counter-balancing that down there because the Junta is concerned about the reaction and wants the Embassy to put out some statement of denial which, of course, could not be done. He added he did not know what could be done or said at this stage but they might be able to work out some kind of statement indicating that the Venezuelans do not need the help. This whole matter will take a little undoing, he said.

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<sup>1</sup> Source: Department of State, Central Files, 033.1100–NI/5–858. Official Use Only. Drafted by Mary E. O'Brien on May 21.

<sup>2</sup> For an account of Vice President Nixon's press conference in Caracas on May 13, see Tad Szulc's article entitled "Vice President Unhurt As Furious Crowds Halt Reception" in *The New York Times*, May 14, 1958, p. 1.

<sup>3</sup> Presumably reference is to telegram 685 to Caracas, May 13, which transmitted the text of the 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. (Department of State, Central Files, 741B.5411/5–1358)

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.

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**52. Memorandum of a Telephone Conversation Among Captain Bettinger and Admiral Miller of the Department of the Navy and the Acting Assistant Secretary of State for Inter-American Affairs (Snow), Washington, May 13, 1958, 10:55 p.m.<sup>1</sup>**

SUBJECT

Nixon Trip—Despatch of Naval Vessels

Mr. Snow asked if Capt. Bettinger were familiar with the Venezuelan situation and he replied that to a certain extent he was. Mr. Snow read him a copy of the clear cable to Embassy Caracas regarding the movement of airborne and marine units to Guantanamo and Ramie.

Mr. Snow went on to say that this had been drafted by Mr. Snyder of the Defense Department and himself under instructions from higher authority and that it had gone out, resulting in a certain flurry in Venezuela. We had now received a message from the Vice President and Mr. Rubottom regarding an AP wire they had heard of 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. Mr. Snow said that he had to send an answer back and that he had heard nothing from any source that the Navy Department was sending a war vessel in that direction. The State Department had put a routine evacuation alert message into circulation that afternoon simply to enable the Embassy to plan and draw on funds without further orders; that in such a procedure various Naval offices are on the routing list and Mr. Snow feared that someone outside had heard of this, and had started speculating about ship movements.

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/5-858. Official Use Only. Drafted by Bartimus on May 22.

Capt. Bettinger said he had been directed to refer such requests to the Flag Representative because the latter had whatever information could be released.

Mr. Snow said that 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.

Capt. Bettinger promised to check with the Flag Representative and call back.

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.

Mr. Snow wanted to know how the AP could have obtained this information but Admiral Miller did not know the answer. He said that the information had been carefully guarded by the Navy but that evidently someone had said something. Mr. Snow mentioned the movement of troops to areas in the Caribbean but said that no mention of Naval vessels had been made. Admiral Miller said that this was merely routine—a precautionary movement placing the ships closer to Venezuela should evacuation be necessary but that their orders were not to go within sight of land.

Mr. Snow again referred to the message from the Vice President and Mr. Rubottom, saying that if the report were publicly confirmed that a Naval vessel was on its way to Venezuela it might be enough to cause the downfall of the present Government and no one wanted that to happen. Admiral Miller agreed and said he did not know how anyone could know what orders the ships had—that they could be going on exercises. Mr. Snow said this was fine if only the AP had not said that a Naval vessel had been despatched to Venezuela. Admiral Miller said this was not true, and Mr. Snow replied that that is what he wanted to be able to tell Mr. Rubottom so he can deny it. Admiral Miller stated that he could deny that "a Naval vessel had been despatched to Venezuela".

Mr. Snow said that in his cable he could say "No repeat no Naval vessel has been despatched to Venezuela" and Admiral Miller approved, stating that this is one of those things where you can on a technicality deny an allegation.<sup>2</sup>

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<sup>2</sup> In his telegram to Rubottom, Snow stated that the source of press reports that one or more U.S. 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 U.S. Navy ships had been despatched to Venezuela. If the evacuation plan had to

Mr. Snow hoped that whoever was handling this would keep the ships out of sight of land and Admiral Miller replied that those were strict orders.

Mr. Snow asked whether this movement was in conjunction with the evacuation scheme and Admiral Miller replied that it was—that should evacuation be necessary they did not want to have to run any farther than necessary. He said he thought Mr. Snow was perfectly safe on this. Mr. Snow said that he wanted to be safe on this—that the Vice President and his party were there and not due out for another 27 or 28 hours. He went on to say that the complete party was in the Embassy Residence and planned to stay there until departure and that our latest communication with them was at 9:15 p.m. They were still o.k. and the Vice President had rather set his mind on sticking it out. Mr. Snow said that he was going to tell them that the Department wished they would advance their departure. There are reasons which make this seem advisable although they are not clearly established.

Both agreed that an early departure from Venezuela would be advisable. Admiral Miller said that no ship will go in there and Mr. Snow said that at least there are no orders from the Embassy for that now, but if the evacuation plan goes into effect, that is a different matter. Admiral Miller confirmed that the ship will not go in without the concurrence and consent of the State Department, and Mr. Snow said that concurrence of the Venezuelan Government would be necessary, or lacking that the highest level clearance in Washington would be necessary.

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be implemented, however, the vessels would be in position to act. (*Ibid.*, ARA Deputy Assistant Secretary Files: Lot 61 D 411, N-Vice President Nixon's Trip to South America)

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**53. Memorandum of a Telephone Conversation Among the Secretary of State, the President's Press Secretary (Hagerty), and the President, Washington, May 14, 1958, 10:14 a.m.<sup>1</sup>**

TELEPHONE CALL TO MR HAGERTY

The Sec said he understands the Pres got through to Nixon. Anything significant? THE PRESIDENT GOT ON, and said he is carrying out a schedule today in the Emb. The advertised visits cause trouble.

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, White House Telephone Conversations. Transcribed by Bernau.

He does not know when he is coming in but earlier than we expected. The Sec asked if he said anything about playing down the precautionary troop movements. The Pres said it was not mentioned. The Sec said to play it down. The Pres will so do. Nothing was needed so all forgotten. The Sec said the whole junta came in and apologized. The Pres said N said he has lots of friends—the people are very friendly. It is o.k. to talk re economic policies and the Sec added the Pres can give a plug for mutual aid and reciprocal trade.

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**54. Memorandum From the Acting Assistant Secretary of State for Inter-American Affairs (Snow) to the Secretary of State<sup>1</sup>**

*Washington, May 15, 1958.*

SUBJECT

Vice President's Trip to South America (Uruguay, Argentina, Paraguay, Bolivia, Peru, Ecuador, Colombia and Venezuela)

The initial purpose of the trip 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 U.S. 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.

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

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<sup>1</sup> Source: Department of State, Presidential Cabinet Meetings: Lot 68 D 350, CP-7 Eisenhower Cabinet Material—1958. Official Use Only. Drafted by Snow and Sanders.

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.

There were some minor but apparently harmless manifestations of anti-Americanism in Uruguay, Argentina, and Colombia. It was, of course, in Peru and especially Venezuela that hostile demonstrations were serious. The pattern of organization and of slogans in all cases points to Communist inspiration and direction, as do certain of the intelligence reports.

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 U.S. recession). Political instability and weak governments characterize the countries emerging from dictatorships (Peru and Venezuela). There are numerous alleged or real grievances against the U.S. 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 U.S. relations, both past and present, with dictatorships in the area and U.S. policy on granting visas to political exiles (such as ex-Venezuelan dictator Perez Jimenez).

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 U.S. scientific superiority. The preponderance of U.S. influence in Latin America is being challenged.

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. A considerable amount of indignation and revulsion have been generated in the area against the treatment the Vice President received in Lima and Caracas.

Many implications for U.S. 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 U.S. trade policies, the effect in Latin America of measures taken largely for domestic reasons in the U.S. should be given every possible consideration.

Our basic policies, as set forth in the pertinent NSC documents,<sup>2</sup> 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.

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<sup>2</sup> Presumably the reference is to NSC 5613/1, "U.S. Policy Toward Latin America," September 25, 1956, printed in *Foreign Relations, 1955–1957*, vol. vi, p. 119.

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**55. Minutes of the Cabinet Meeting, White House, Washington, May 16, 1958, 9:05–9:50 a.m.<sup>1</sup>**

[Here follow a list of attendees and brief reports by Secretary Dulles on the recent NATO meeting and on the Algerian situation.]

The Vice President, in reporting on the South American riots during his trip, 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. 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.

The Vice President stressed that the Latin Americans much prefer to be friends of the United States rather than Russia and that the great problem was how we could best cultivate this friendship. He 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.

Sec. Dulles stated his agreement with the analysis of the problem, then 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

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Cabinet Series. Confidential. Prepared by Minnich.

power—rather they will bring in more of a dictatorship of the masses. In regard to broader contacts, the Secretary noted strictures on ambassadorial activity, hence the need for broader non-official contacts.

The Vice President 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. In response to Sec. Benson's question, he indicated that US businessmen in South America tend to mingle only with their American associates and Latin American counterparts without going farther afield.<sup>2</sup>

[Here follows discussion of unrelated subjects.]

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<sup>2</sup> In a May 20 memorandum to Murphy, Gerard C. Smith, Rubottom, and Berding, Davis E. Boster, Secretary of State's Staff Assistant, forwarded the following excerpt from the Record of Action of the Cabinet meeting of May 16:

"A. Discussion of the Vice President's Trip

"Action:

"The Cabinet noted with interest the analysis made by the Vice President of the problems of American-Latin American relations, and especially his suggestions that:

"1) Presidents and leading officers of American universities and Land Grant Colleges establish closer ties, including personal visits, with men and women in the intellectual life of Latin America;

"2) Methods be explored for widening and supporting more effectively the reservoir of firm friendship for the United States in all the Latin American countries;

"3) Our educational exchange program with Latin American countries, especially the sending of American teachers, has a particularly great potential." (*Ibid.*)

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**56. Memorandum of Discussion at the 366th Meeting of the National Security Council, Washington, May 22, 1958, 9:03 a.m.<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting and agenda item 1, "Significant World Developments Affecting U.S. Security," a report by Allen W. Dulles.]

*2. Report by the Vice President on His Trip to South America*

In his opening remarks, the Vice President pointed out that he had already made various reports on his trip to Latin America. He had reserved, however, a few items of information as of special interest to

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Gleason on May 23. The time of the meeting is from the President's Daily Appointment Book. (*Ibid.*)



the National Security Council. Later on he said he would submit his ideas in writing.<sup>2</sup> Meanwhile, what he was about to say was intended only for the ears of those in this room.

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? One ran into some very interesting speculations, particularly when one recalled all our fine words about the development of democracy and free enterprise in Latin America.

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. 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 Vice President said that he had talked at length and very frankly with all these new Latin American leaders. 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 politician 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.

The Vice President then turned to make a rather different point. In talking to the heads of the governments in Latin America, 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.

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<sup>2</sup> No such document has been found in Department of State files.

As for the issue of Communism, 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. The Vice President then explained that when these new leaders thus stated that they could not gain public support for policies they might actually think wise, they didn't mean the support of the masses. By public support they mean, rather, the support of the growing middle class, the intelligentsia, and the growing labor union movement. They also mean in particular the support of the so-called opinion-makers—that is, the journalists and the radio and TV people. The Vice President pointed out that there were very, very few pro-American newspapers in Latin America, at least among the rank and file, even though the editors and owners of some of these papers were friendly to the United States. The same was true in the fields of television and radio.

The Vice President then turned to the situation in the universities of Latin America. These were of great importance, not only for the obvious reason that they were providing the future national leaders, but also because they were a strong and vocal political force.

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. There were 250 Communist-controlled newspapers. There were some 50 Soviet friendship societies, and scores of Communist book-publishing houses. The Communist effort was being directed at those elements of the population who could be in a position to overthrow governments—namely, the labor unions and the universities. In illustration of his point, the Vice President singled out Uruguay 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.

As another illustration, the Vice President cited 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.

Accordingly, the Vice President deduced that neither the democratic system nor the system of private enterprise is necessarily a safeguard against Communism.

As to his conclusions, the Vice President pointed out initially that there existed a Latin American deficit of \$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. He said that he had found the quality of the USIA personnel stationed in Latin America to be higher than the quality of such personnel that he had observed on any other of his trips abroad. Yet, even so, we somehow failed to reach the people with our message. In illustration of this point, the Vice President cited a lengthy conversation with a Colombian General who was a very intelligent man and strongly pro-American. He said that he and the other leaders of Colombia were perfectly well aware of all the assistance which the United States had provided and was providing to Colombia. On the other hand, the people of Colombia, the ordinary run of people, were not aware of such U.S. assistance. Accordingly, continued the Vice President, the problem was how to get our story across to the rank and file. [2 sentences (5½ lines of source text) not declassified] We will have to contemplate here a long-range campaign. [1½ lines of source text not declassified] we must contemplate an increase in the activity of the USIA and vastly increased exchange programs with the key population elements of the intelligentsia, the labor leaders, and the newspaper people.

Generally speaking, the Vice President insisted that U.S. policy and what the United States is doing today in Latin America is not subject to very much criticism. Our policies and actions were generally correct, but the problem was essentially more subtle and hence more difficult to solve. We must join the battle in Latin America on the field of propaganda. Otherwise the Communists would ultimately win out.

The Vice President closed his remarks by stating that if the rumors that Milton Eisenhower's trip to Central America was going to be cancelled were true, the Vice President would regard the cancellation as a serious mistake.

When the Vice President had concluded his report, Mr. George Allen commented that as head of USIA he was naturally much interested in the Vice President's remarks. He personally was very glad indeed that the Vice President had made this trip; but the results of the trip would only be useful, as he himself had said, if it caused us here in Washington to take a very hard look at the situation in Latin America. As for organizing pro-U.S. groups among students in the Latin American universities, the real problem was what we were going to give

them as a message to rally round and about which they could become enthusiastic. Once we succeeded in setting up such groups, we will need a real program. [1 sentence (1 line of source text) not declassified]

As to the exploitation of petroleum and the use of private capital, Mr. Allen pointed out that the USIA has been sending about the world an exhibit called "People's Capitalism". While often successful in its impact, this exhibit sometimes arouses considerable grumbling and disapprobation because in Latin America, for example, there was no such thing as people's capitalism and, accordingly, many Latin Americans could not distinguish between people's capitalism in the American style and the old-fashioned capitalist imperialism.

Mr. Allen went on to say that according to every indication available to him, not a single politician could get elected to high office in any Latin American country unless he insisted that his program assured government exploitation of the petroleum resources of the country. This is an absolutely fixed idea in Brazil, in Argentina, and in Mexico. Accordingly, if these proposed student and other groups [*less than 1 line of source text not declassified*] in Latin America are to go out and fight for pro-American causes, we must avoid giving any over-emphasis to our policy of trying to keep Latin America as a safe preserve for U.S. private enterprise and U.S. private investment. We must, rather, try to go along more with the sentiments of the people of Latin America. This may sound like promoting socialism, but nevertheless this was the fixed point of view of most Latin Americans.

The Vice President replied that he found himself more or less in agreement with Mr. Allen's point. As to the question of providing a program for the pro-U.S. student groups, the Vice President believed that you could attack this problem both in a negative and in a positive way. Negatively, these groups could attack the Communists on the ground that they were advocates of dictatorship, rather than on the ground that they were socialists. On the positive side, the program would stress the fact that foreign investment in Latin America would be the means of raising living standards there and not, as often thought in the past, merely a means for foreign exploitation of the resources of these nations.

Secretary Dulles said that he was in general agreement with the Vice President's views. He said that we must realize that in Latin America, as well as in the Middle East and other parts of the world, there was a definite swing away from the old-fashioned ruler or king, in favor of the kind of dictatorship of the proletariat which was represented by a Nasser or a Sukarno, with their mass appeal. [2 sentences (5½ lines of source text) not declassified] We must develop a greater potential.

One of the weaknesses in our position, continued Secretary Dulles, was represented by our system of labor attachés. These labor attachés were almost universally bad. As the system worked, they were nominated for their posts by the Labor Department, which, in turn, got its candidates from the CIO and the AF of L. Unhappily, the CIO and the AFL usually presented as candidates labor leaders that they wanted to get rid of in the United States. There could be no change for the better in the quality of our labor attachés until this patronage system of the AFL and the CIO was itself changed. The Vice President strongly confirmed Secretary Dulles' view, and stated that he had not met a single effective labor attaché in the course of his entire trip.

Secretary Dulles then went on to say that there was one more very important factor in the Latin American problem which the United States faced. This was the collapse of religion generally in Latin America. We all believe in this country that religion, with its emphasis on the rights and freedom of the individual under God, is the very core of our democratic system and that it is also the greatest bulwark against atheistic Communism. Unhappily, the monopoly of the Roman Catholic Church in Latin America has had very serious repercussions, to a point where organized religion had practically no influence on the mass of the people as opposed to the aristocracy. Admittedly, said Secretary Dulles, he did not know what we could do about correcting this very grave situation, but it was certainly at the heart of our problem in Latin America.

The Secretary of State added that he was in complete agreement on the need of our stepping up our exchange programs with the Latin American countries.

The President 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.

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.

Mr. Allen commented that the USIA had been doing its best to keep alive the lessons of Hungary. Recently in France they had undertaken a survey to find out how effective they had been in keeping the Hungarian story alive. The survey had shown a dismaying lack of interest among most Frenchmen. It had been next to impossible to keep the Hungarian story vivid in the minds of these Frenchmen. When our people had brought up Hungary, one Frenchman had replied, "Why not talk about the Punic wars?"

The Director of Central Intelligence said he felt obliged to point out [3 lines of source text not declassified]. The trouble was that even though we had the goods on the Communists, we simply could not get any support from the Latin American governments to do anything about the disclosures which we had made. After what had happened during the Vice President's tour, we may at long last get the necessary support of these governments against the Communists. We are all ready to go if we can get such support.

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.

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.

*The National Security Council:*<sup>3</sup>

Noted and discussed an oral report by the Vice President on his recent trip to South America.

[Here follow the remaining agenda items: United States policy toward the Soviet-dominated nations in Eastern Europe and a consideration of United States policy toward Italy.]

**S. Everett Gleason**

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<sup>3</sup> The paragraph that follows constitutes NSC Action No. 1913, approved by the President on May 24. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, NSC Records of Action)

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**57. Memorandum From the Secretary of State's Staff Assistant (Boster) to the Secretary to the Cabinet (Patterson)<sup>1</sup>**

*Washington, September 12, 1958.*<sup>2</sup>

You have asked me informally for a brief status report on certain Cabinet action items. Following is the information which I have obtained on them:

[Here follow items 1–4: the question of returning vested German and Japanese assets, the management and use of U.S.-controlled local currency, the popular impact of economic aid in underdeveloped areas, and problems associated with accepting gifts from foreign dignitaries.]

*5. Discussion of the Vice President's Trip—RA-58-105.*

Below is set forth the action which has been taken as a result of the Vice President's suggestions made at the Cabinet meeting on May 16, 1958:

1) The Department of State's International Educational Exchange Service (IES) has proposed to all posts in Latin America a project for substantially increasing the exchange, in groups, of Latin American and United States professors and leading university officials. Replies are expected shortly. IES also recently conducted a meeting of US non-governmental experts on Latin American cultural affairs to advise on

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<sup>1</sup> Source: Department of State, Presidential Cabinet Meetings: Lot 68 D 350, CP-7 Eisenhower Cabinet Material—1958. Cabinet Paper—Privileged.

<sup>2</sup> The date is handwritten on the source text.

ways and means of quickly implementing an expanded exchange of persons program in Latin America, including projects for the exchange of leaders, university presidents, etc.

2) The following steps have been taken to widen and support more effectively the reservoir of firm friendship for the US in all the Latin American countries:

a. Dr. Milton Eisenhower visited Central America and Panama from July 12 to August 1, 1958 on a good will and fact-finding mission, and undertook frank and candid discussions with some 1200 government and other key leaders in the six countries.

b. The Secretary met with Brazilian officials in Brazil between August 4 and 7, 1958 to discuss bilateral and hemisphere matters of interest to the two countries. This was the Secretary's first visit to Brazil.<sup>3</sup>

c. The Secretary has invited the Foreign Ministers of the other American Republics to meet in Washington on September 23 and 24, 1958 for an informal discussion and exchange of views on current matters of common interest.<sup>4</sup> This will presumably consider the possibilities of more frequent meetings of this type, Brazil's plan for Operation Pan America, and economic matters including the proposed Inter-American Development Institution (see below).

d. The Secretary has continued and extended his periodic briefings of Latin American Ambassadors on world problems and crises. Such briefings have been appreciated by the Latin American countries and have contributed to their feeling of partnership with the US and the Free World.

e. During the Special Session of the UN General Assembly, the Secretary undertook to meet with the Latin American delegations to explain the US position on the Middle East problem.

f. Official invitations have been issued to President Frondizi of Argentina and President Lemus of El Salvador to visit the US in 1959.<sup>5</sup>

g. On August 12, 1958 Under Secretary Dillon announced that the US was now prepared to support the formation of a regional economic development institution to aid in economic development in the hemisphere.<sup>6</sup>

h. Since June 11, 1958 the US has participated in an international coffee study group to examine coffee trade problems and recommend measures to be taken to meet them.<sup>7</sup>

3) Educational and technical exchanges are being substantially increased during the current and ensuing fiscal years. IES received from Congress a \$2,000,000 additional appropriation earmarked for

<sup>3</sup> See Document 252.

<sup>4</sup> The Latin American Foreign Ministers met in Washington on September 23-24, 1958.

<sup>5</sup> Regarding the visits to the United States of President Frondizi of Argentina and President Lemus of El Salvador, see Documents 166 ff. and Document 307, respectively.

<sup>6</sup> For text of Under Secretary Dillon's announcement, see Department of State *Bulletin*, September 1, 1958, p. 347.

<sup>7</sup> Regarding U.S. participation in an international coffee study group, see Documents 7 ff.



Latin America. An OCB Ad Hoc Committee on Student Contacts has developed the following ten-point program. (The agency responsible is noted in parentheses.) (1) Short-term seminars in U.S. universities for Latin American student leaders (IES); (2) An increase in the number of ICA-financed university-to-university contracts to increase exchange of faculty and students in technical fields (ICA); (3) Surveys of educational requirements of certain countries, as requested (ICA); (4) An increased number of grants to U.S. student leaders for visits to Latin American universities (IES); (5) An increased number of grants to both Latin American and U.S. professors for visits to universities (IES); (6) Establishment of binational student centers in Latin American universities (USIA); (7) An increase in the book presentation program for Latin America (USIA); (8) Increased number of grants to U.S. secondary school teachers to teach American educational principles and practices in Latin America (IES); (9) Exchange of teachers between U.S. schools and American-sponsored schools in Latin America (IES); and (10) Increased use of Puerto Rican educational facilities to improve the quality of technical education at Latin American universities (ICA).

The OCB Subcommittee on Latin American Student Activities is continuing to study additional proposals in this general field.<sup>8</sup>

**D.E. Boster<sup>9</sup>**

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<sup>8</sup> See Documents 1 ff.

<sup>9</sup> Printed from a copy that bears this typed signature.

## DR. MILTON EISENHOWER'S TRIP TO CENTRAL AMERICA, JULY 12–AUGUST 1, 1958

### 58. Letter From the Secretary of State to the President<sup>1</sup>

*Washington, January 7, 1958.*

DEAR MR. PRESIDENT: I have given further thought to the possibility of my making a trip to Latin America and have concluded that it would be better not to do this in February. Combined with my trips to the Baghdad Pact meeting this month, the SEATO meeting in March, and a NATO meeting in Europe probably in May, I believe that adding Latin America might give an impression of too much travel and too much absence from Washington. This impression might give difficulty particularly while Congress is in session.

I am, however, keeping in mind the thought of a Latin American trip next summer or fall. Meanwhile, I have approved a recommendation that plans be made for Milton to visit Panama and Central America beginning about June 16.<sup>2</sup>

Faithfully yours,

**Foster**

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<sup>1</sup> Source: Department of State, Central Files, 110.11–DU/1–758. Drafted by Joseph N. Greene, Jr.

<sup>2</sup> In a memorandum to Secretary Dulles on December 26, 1957, Roy R. Rubottom recommended that Dulles approve Milton Eisenhower's plans to visit Central America and Panama around June 15, 1958. On January 3, 1958, Dulles initialed his approval of Rubottom's recommendation. (*Ibid.*, 120.1513/12–2657)

59. **Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State**<sup>1</sup>

*Washington, May 21, 1958.*

SUBJECT

Dr. Eisenhower's Trip to Central America

*Problem:*

Whether the trip should be carried out as scheduled<sup>2</sup> or be postponed.

*Discussion:*

In view of the incidents during the Vice President's trip to South America, there is clearly a calculated risk in proceeding with Dr. Eisenhower's trip to Central America. The timing of the trip, the scheduling of the countries, and the program in each country can be handled in such way as to minimize the risk, but it cannot be removed. In the final analysis the President will have to make the decision because it involves his brother and because any subsequent criticism would be directed largely at him since he has received a clear warning by the incidents which occurred on the Vice President's trip.

At this moment, I believe we should take the risk and proceed with plans for the trip, including extreme security precautions and other steps which might keep any demonstrations against Dr. Eisenhower within tolerable limits. The trip was publicly announced on March 29<sup>3</sup> as being scheduled "in June". Reports from Nicaragua, Honduras, El Salvador and Costa Rica indicate that Dr. Eisenhower's trip could be carried out as scheduled without serious risk. Similar assurances have been received from the Government of Panama with the proviso that the scheduled appearance of Dr. Eisenhower at the University be cancelled. However, the present political tensions in Panama are such as to require a very careful evaluation as to the desirability of his going there at the time scheduled.

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<sup>1</sup> Source: Department of State, Central Files, 120.1513/5-2158. Confidential.

<sup>2</sup> The date "June 15" is written in at this point in the source text.

<sup>3</sup> For text of the White House press release announcing the good will visit of Dr. Milton Eisenhower to the Central American countries of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama, see Department of State *Bulletin*, April 21, 1958, p. 663.

Guatemala presents the most difficult problem. Ambassador Malloy has recommended that the visit be postponed until August. The continued presence in that country of a large number of known Communists and the already proven ability of the University students to create serious disturbances have cast doubt on the advisability of going to Guatemala at all. On the other hand, the omission of Guatemala from the trip would be widely interpreted as a serious setback to the United States which has since 1954 continually pointed to Guatemala as an example of a country which had thrown off the Communist yoke.

A postponement of Dr. Eisenhower's trip as much as two weeks would require little explanation, although I do not know whether his personal plans permit that much flexibility. This would provide additional time for the necessary security precautions to be taken and would be more propitious as to timing in the case of at least two or three countries where the presently scheduled dates coincide with already planned student or labor events.

*Recommendation:*

That we be authorized to consult with the Central American Governments regarding a two-weeks' postponement of the trip; and that we not take a final decision until additional information has been received from our Embassies and other sources.<sup>4</sup>

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<sup>4</sup> The source text does not indicate the Secretary's action on this recommendation, but see *infra*.

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**60. Memorandum From the Secretary of State's Special Assistant (Boster) to the Executive Secretariat<sup>1</sup>**

*Washington, May 22, 1958.*

There follows, for appropriate distribution, an excerpt from a conversation between the President and the Secretary on May 22:

"I discussed the prospective trip of Dr. Milton Eisenhower to Central America. I expressed the view that it would be desirable to carry through on this visit, although perhaps some slight alteration in the timing might be useful to avoid labor and university gatherings.

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<sup>1</sup> Source: Department of State, Central Files, 120.1520/5-2258. Secret.

The President said he would get in touch with Dr. Eisenhower along these lines.”<sup>2</sup>

DEB

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<sup>2</sup> After this conversation with Secretary Dulles, President Eisenhower telephoned his brother and suggested that he inform reporters, if asked, that he intended to make his trip to Central America but to be vague about its timing. (Eisenhower Library, Whitman File, Eisenhower Diaries) During another conversation with the President on May 26, the Secretary informed the President that the Department of State was trying to get an accurate assessment of the current situation in each of the Central American nations that Dr. Eisenhower planned to visit. Dulles believed that Dr. Eisenhower should carry out the trip. He noted, however, that the situation in Panama was sufficiently serious to warrant cancelling that portion of the visit. (*Ibid.*, Meetings with the President)

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**61. Memorandum From the Director of Central Intelligence  
(Dulles) to the Secretary of State<sup>1</sup>**

*Washington, May 27, 1958.*

**SUBJECT**

The Likelihood of Anti-US Demonstrations during Dr. Eisenhower’s Central American Tour

1. We believe that, almost certainly in Guatemala and Panama, and possibly elsewhere, the Communists and associated anti-American groups will take advantage of Dr. Milton Eisenhower’s presence on his intended tour to stage demonstrations designed to discredit both the United States and the local governments friendly toward the United States.

2. The demonstrations in Lima and Caracas on the occasion of Vice President Nixon’s visits to those places were well organized and effective. Although undoubtedly Communist instigated, these demonstrations did give expression to a popular sense of grievances against certain phases of US policy, and the general feeling that with our preoccupation with Europe, Asia and Africa, South America has been relatively neglected. The host governments were, of course, embarrassed, and moderate opinion deplored the excesses of the mob. The

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, White House Memoranda. Secret; Eyes Only; Personal and Private.

A note on the source text reads: “This memorandum has been discussed informally with the members of the Intelligence Advisory Committee who generally share the views expressed herein.”

general public reaction, however, has been that the shock brought South American problems to our attention as nothing else could have done and hence may have long range benefits for the South American countries. It is likely that this fact is understood in Central America and that in at least some of the Central American countries disgruntled people would take the occasion of Dr. Eisenhower's trip to join Communist demonstrations to bring their case likewise vividly to our attention. From the Communist point of view, the demonstrations in Lima and Caracas were at least a temporary success though they did surface Communist agitators and alert the conservative elements to the extent of the Communist danger. The Communists will almost certainly plan to try to repeat the Venezuela-Peru type of tactics against Dr. Eisenhower in Central America, and will find followers outside of their own ranks.

3. Existing conditions in Guatemala and Panama are highly favorable for Communist-inspired action. In Guatemala the expectation that President Ydigoras would provide a strong government has been disappointed. Leftist, including Communist, political strength is growing rapidly. The security organization has been disrupted by the change of administration. There is no effective control over the return of Communist exiles. Dr. Eisenhower's visit will come during a month in which student disorders are traditional. The students are already in a ferment over unrelated matters. Certain grievances against the United States are already well established in the public mind: the alleged US role in 1954 in the upset of Arbenz,<sup>2</sup> US support for Latin American dictatorships, US "economic imperialism" as symbolized in the minds of the people by the United Fruit Company and other enterprises. Today, the Communists would have no difficulty in finding people eager to demonstrate against the United States in Guatemala.

4. In Panama, powerful ultra-nationalistic politicians are already carrying on a sustained agitation against the government for the softness of its attitude toward the United States, particularly for its failure to assert Panama's claims to sovereign rights in the Canal Zone and to a share in the gross income of the canal. There is already considerable popular irritation against the United States over these issues, over US delay in fully implementing the Remon-Eisenhower Treaty of 1955,<sup>3</sup> and over a general deterioration of the economic situation. Moreover,

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<sup>2</sup> Documentation in the overthrow of the Arbenz government in Guatemala in June 1954, is printed in *Foreign Relations, 1952-1954*, volume IV.

<sup>3</sup> On January 25, 1955, representatives of the United States and Panama signed a Treaty of Mutual Understanding and Cooperation and Memorandum of Understandings Reached concerning relations between the two countries arising from the construction, operation, maintenance, and protection of the Panama Canal by the United States in accordance with existing treaties. For text of both the treaty and the accompanying memoranda, see 6 UST (pt. 2) 2733.

there have recently been serious disturbances among the normally volatile students. Thus ultra-nationalist and Communist agitators could readily exploit existing unrest among the students and the unemployed to stage demonstrations against the United States and the local government on the occasion of Dr. Eisenhower's visit. The fact that Panama would be the last stop on the itinerary would in case of hostile receptions earlier in the trip make demonstrations there the more likely.

5. The governments of the area, except Guatemala, are understood to have given assurances that they can and will control any demonstrations that may occur. The attitude of President Ydigoras of Guatemala has been highly equivocal. While unwilling to admit that he cannot control the situation, he is disturbed about the visit and its timing and has privately suggested that Dr. Eisenhower's visit might well be postponed to a more convenient season.

6. Whether the governments of the area actually can and will make good their assurances is another matter. None of them have a sufficient intelligence capability to be sure of being able to anticipate Communist tactics in detail. The security forces of Guatemala and Costa Rica have recently been disrupted by changes in administration. Provided that Dr. Eisenhower consented to avoid close contact with the public, it is likely that he could be protected from the personal indignities to which Vice President Nixon was subjected. However, violent manifestations of anti-US sentiment probably could not be prevented, especially in Guatemala and Panama.

7. "Good will" missions by highly placed political personages to areas where a volatile people are looking to the United States for concrete aid or readjustment of American policies deemed prejudicial to the interests of the country concerned run an increasing risk of becoming counterproductive. Surely this will be true unless such missions are equipped to bring some alleviation of the causes of complaints or at least are ready to give a real hearing to the complaints, real or fancied.

8. The extent of the protests or disorders which may be incident to Dr. Milton Eisenhower's trip is dependent upon two factors which cannot be fully evaluated in advance of the trip but which have been discussed in this memorandum to the extent of available information; namely, the determination of the host governments to make the most effective possible use of the security forces available to them (we have already commented upon the inefficiencies of these forces in certain of these countries to be visited); and secondly, whether or not directives will go out from the Communist leadership to make an all-out effort to disrupt the trip as was done in Peru and Venezuela or whether they will prefer at this stage merely to register a protest but to avoid overt

incidents. We are rather inclined to believe that at least in Guatemala and probably in Panama, the Communists will be instructed to make a vigorous effort to disrupt the trip.

9. It remains to be noted that if, for the protection of Dr. Eisenhower, it became necessary for local security forces to employ violence against the population, or to call out the armed forces, especially if there were bloodshed, the credit of the United States, in the area and throughout Latin America, would be adversely affected.

Allen W. Dulles<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature.

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## 62. Memorandum for the Record of a Meeting, White House, Washington, June 2, 1958<sup>1</sup>

### SUBJECT

Dr. Eisenhower's Trip

### PARTICIPANTS

The President  
The Secretary  
The Under-Secretary  
Assistant Secretary Rubottom, ARA

At the meeting this afternoon the President decided that:

(1) Dr. Eisenhower would not make any announcement regarding his trip, such announcement to be made by the Secretary or possibly by Mr. Hagerty at the White House in coordination with the Department.

(2) The trip would be postponed temporarily but in such way as to make it clear that it would still be carried out in the near future.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 120.1520/6-258. Confidential. Drafted by Rubottom on June 3.

<sup>2</sup> Secretary Dulles' memorandum of this conversation reads as follows:

"4. We discussed the Milton Eisenhower trip. I expressed the view that we not indicate that this had been indefinitely postponed. The President suggested that we should make some statement indicating that while the trip was still on, there were conditions which made it difficult to find mutually convenient dates for all six countries, and that the scheduling was still being worked upon with a probability that the trip was not imminent. It was understood that a brief statement along these lines would be made from the State Department rather than from the White House, and that no statement would be made by Dr. Eisenhower." (Eisenhower Library, Dulles Papers, Meetings with the President)



**63. Telegram From the Department of State to the Embassy in Costa Rica<sup>1</sup>**

*Washington, June 2, 1958—10:26 p.m.*

279. President in meeting with the Secretary this afternoon decided that Milton Eisenhower's trip should be rescheduled preferably for some time in July thus avoiding any possible conflict with important student events scheduled late June certain countries and giving Government Panama time to overcome student and other political problems which resulted in state of siege there.

Request you consult with FonMin immediately to obtain his reaction to such postponement and his advice as to most convenient dates preferably latter part July. Department now considering scheduling trip in reverse order beginning with Panama about mid July and finishing with Guatemala, with approximately two days in each country.

Separate message follows with text of proposed press release.<sup>2</sup>

**Dulles**

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<sup>1</sup> Source: Department of State, Central Files, 120.1520/6–258. Secret; Niact. Drafted and initialed by Rubottom. Also sent niact to San Salvador, Guatemala City, Tegucigalpa, Managua, and Panama City, and repeated to Asunción, Bogotá, Buenos Aires, Caracas, Ciudad Trujillo, Havana, La Paz, Lima, Mexico City, Montevideo, Port-au-Prince, Quito, Rio de Janeiro, and Santiago.

<sup>2</sup> Telegram 268 to San Salvador, June 2, not printed. (*Ibid.*) For text of the press release dated June 4, announcing a delay in Dr. Eisenhower's trip, see Department of State *Bulletin*, June 23, 1958, p. 1042.

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**64. Memorandum From the Special Assistant in the Bureau of Inter-American Affairs (Hoyt) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, June 23, 1958.*

**SUBJECT**

Reports from Embassies on Milton Eisenhower Trip

A more detailed summary of the reports on each country follows. In general, however, Stephansky does not believe the situation is favorable for a visit to Panama. Newbegin believes it should be post-

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<sup>1</sup> Source: Department of State, ARA Special Assistant's Files: Lot 60 D 513, Eisenhower—Mr. Rubottom's Briefing Folder. Secret.

poned insofar as Honduras is concerned for three months, and if there is a labor strike—which seems possible—Dr. Eisenhower should not visit Honduras. I understand you have additional information on Nicaragua. Whelan feels the visit might degenerate into a debate in which Dr. Eisenhower would be on the defensive unless we can gain some psychological advantage for the US position. Willauer points out that the reorganization of the Home Guard forces makes them an unknown quantity which may not be able to maintain control should an incident occur. Mallory definitely has reservations as to the possibility of incidents. Ydigoras previously told us privately that he would appreciate the visit being postponed for one or two months. Uncontrollable student demonstrations on June 17, the failure of the Ydigoras Government to act against communist exiles and the general disturbed political situation in Guatemala give little hope that the situation there will be propitious. Only in El Salvador does everyone seem to concur that the visit would be propitious at this time.

### *Panama*

Although there has not been any violence in Panama during the last two weeks, the state of siege was only lifted on June 17. The Government is very much concerned over activities of the university students, and it is expected that now that censorship is off there will be a rash of newspaper stories complete with pictures featuring street fighting, dead and wounded students, etc.

ARA's Labor Advisor,<sup>2</sup> who has just been sent to assess the situation in the six countries which Dr. Eisenhower will visit, reports that *the situation in Panama was not, as of June 22, favorable for the Eisenhower visit.*

He reports that the students are arrogant and aggressive, feel they have the upper hand with the Government, and that the Guardia Nacional is on the defensive because of alleged brutality last month. He believes the visit could present a tempting opportunity for the opposition and communists to provoke students' broad complaints against the Government to include grievances against the United States in order to embarrass the Government and harass the Guardia Nacional. He also points out that the communists might receive orders to agitate the occasion of the Eisenhower visit in order to divert attention from current Soviet embarrassment over the Nagy execution.<sup>3</sup>

He urges the cancellation of the visit—providing student unrest continues—and believes that it could be done without loss of prestige because:

1. The prevailing impression that the visit has been cancelled.

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<sup>2</sup> Benjamin S. Stephansky.

<sup>3</sup> Imre Nagy, former Prime Minister of Hungary, was executed on June 17, 1958.

2. Announcement that the visit was postponed generated little comment (this is true throughout the whole area and in the US press).

3. The entire matter of the visit has been eclipsed in Panama by the May incidents.

4. The present student agitation is not directed at the United States and therefore we would not truly be running away from anything. On the other hand, if student unrest continues, we risk walking into a trap of our own creation by offering an opportunity to convert domestic discontent into anti-US demonstrations.

The Embassy, in addition, states that the Government had hoped the students would be quiet until the Assembly meets in October but there are growing indications that trouble may be brewing before that time. The Foreign Minister<sup>4</sup> has said that the students appear eager to provoke incidents with the Guardia Nacional and could even try to embarrass the Government by using Dr. Eisenhower's visit as a pretext for such incidents. The Foreign Minister made the suggestion that it might be necessary to put the Guardia Nacional personnel assigned to protect Dr. Eisenhower in plain clothes to conceal their identity.

#### *Costa Rica*

The Embassy has some concern over the proximity of the new schedule to the Congress of Americanists which is including those from behind the Iron Curtain who will presumably arrive in Costa Rica July 18 and 19 for the opening of the Congress on July 20. It also points out that the effectiveness of the new and reorganized public forces has not been tested and that the ability of these forces (which, you will recall, have been almost completely reorganized since Echandi took office) to quell any sizeable disturbance is still doubtful.

The Embassy points out that although the overwhelming majority of Costa Ricans are basically friendly toward the United States, many are unhappy over aspects of US policy of a nature such as that expressed by ex-President Figueres in his testimony before the House Foreign Affairs Sub-Committee the other day.<sup>5</sup> [1 sentence (3½ lines of source text) not declassified]

#### *Nicaragua*

The Ambassador<sup>6</sup> has reiterated statements of May 20 which were: "While I am confident Dr. Eisenhower can be protected in this country from gross discourtesies, I fear unless we can do something to regain the psychological offensive his visit to this area may turn into a

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<sup>4</sup> Miguel J. Moreno.

<sup>5</sup> José Figueres, former President of Costa Rica, testified on June 10 before a closed session of the House Inter-American Affairs Subcommittee that the outbursts of violence directed at Vice President Nixon had been manifestations of popular displeasure in Latin America against U.S. economic policies.

<sup>6</sup> Thomas E. Whelan.

round of debates in which he will appear to be only on the defensive and which will serve largely to confirm Central Americans in the irresponsible tendency to blame the US for their troubles."<sup>7</sup>

[2 sentences (4½ lines of source text) not declassified] I think the fact that such an attitude could be expressed in a place like Nicaragua is indicative of the type of student action we might expect on the trip.

### *Honduras*

Although the President<sup>8</sup> has stated that the new proposed dates for the Eisenhower visit are entirely satisfactory, the Embassy recommends postponing the visit at least three months longer. It points out that present negotiations for contracts between the United Fruit Company and labor unions got off to a bad start and that there is a real possibility that the north coast may be in the throes of a strike by the end of July. Should this occur, the overwhelming majority of the Honduran population would support the workers against the fruit company, with resultant anti-American feeling. The Embassy adds that should the strike develop, it would be inadvisable for Dr. Eisenhower to be in the country at that time.

The Embassy concludes that if the strike is averted, it sees a minimum of risk and unfriendly demonstrations, that Honduras is generally well disposed to the US and there is relatively little hostility. It believes Dr. Eisenhower would be generally well received, although there could be no guarantee that incidents precipitated by subversive or other discontented individuals would not arise.

### *El Salvador*

President Lemus has commented on the security aspects of the Eisenhower visit by reiterating to our Ambassador that the Eisenhower party would not be exposed to any unpleasantness while in El Salvador. He gave categorical assurance that the party would be safe and also free from unpleasant demonstrations. The Foreign Minister has said that the proposed new dates are agreeable and the Embassy has stated that with some qualifications the timing of the visit in the near future is propitious.

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<sup>7</sup> The quotation is from telegram 302 from Managua, May 20. (Department of State, Central Files, 033.1100-NI/5-2058)

<sup>8</sup> Ramón Villeda Morales.

*Guatemala*

We have not received word as to the Guatemalan Government's reaction to the new proposed dates. While here recently, Ambassador Mallory emphasized that the visit should not take place before July 26 (anniversary of Castillo Armas' death). The Ambassador was not at all sanguine about the possibility of avoiding incidents in Guatemala.

On June 18 the Embassy reported an incident in the Guatemalan Congress involving the interpolation of the Finance Minister<sup>9</sup> in the IRCA tax case. The gallery was described as hostile and packed with "uncontrollable student and other leftist agitators." The Finance Minister's statements were ridiculed by the PR Congressmen and the gallery. He was unable to speak above the shouted threats and insults from the gallery. Students and other leftists departed the Congress shouting vivas for Arevalo and Arbenz. When a sizeable group of the market women (traditionally friendly to the US) replied with shouts of "communists", fighting broke out and was only contained by the presence of a large police detachment.

[*less than 1 line of source text not declassified*] reports had indicated that the Ydigoras Government might deport some of the principal communists. This has not been done as yet. In addition, reports are now coming in that President Ydigoras is contemplating declaring a state of siege in order to oust some of his political opponents and the communists. If a state of siege is declared prior to the Eisenhower visit, it will almost certainly provoke protests from friends and adherents of those ousted and will create an atmosphere which would be hostile to us.

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<sup>9</sup> Julio Prado García Salas.

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**65. Memorandum of a Conversation, Department of State,  
Washington, June 24, 1958<sup>1</sup>**

SUBJECT

Dr. Milton Eisenhower's Trip to Central America and Panama

PARTICIPANTS

The Secretary  
Mr. Allen Dulles, Director of CIA

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<sup>1</sup> Source: Department of State, Central Files, 120.1520/6-2458. Secret. Drafted by Hoyt.

Mr. George Allen, Director of USIA  
Deputy Under Secretary Robert Murphy  
Assistant Secretary R. R. Rubottom, Jr., ARA  
Assistant Secretary William Macomber, H  
Col. J. C. King  
Deputy Assistant Secretary Allan Lightner, P  
Mr. Frank Oram, USIA  
Mr. Henry A. Hoyt, ARA

The Secretary inquired about the origin of the article by Mr. E. W. Kenworthy appearing in this morning's *New York Times*<sup>2</sup> reporting that Dr. Eisenhower would start his trip on July 15. Mr. Rubottom and Mr. Lightner said that checks within the Department revealed that the information had not been given out by any Department officer and that it was assumed that Kenworthy had pieced the story together with certain general information he had obtained from several sources, possibly including Central America. It was pointed out that the Department Press Officer<sup>3</sup> at his noon briefing had told the correspondents that the *New York Times* article was not correct and that dates for the trip have not been set since we are still discussing them with the host governments.

Mr. Rubottom explained the current situation in the countries which Dr. Eisenhower would visit, pointing out that Panama and Guatemala are still the countries in which trouble is most likely to occur. He reported that the trip is now being planned as a fact-finding mission rather than a good will tour and that in order to bolster the fact-finding aspects it is contemplated that Assistant Secretary of Treasury Coughran, the Deputy Director of ICA, Dr. FitzGerald, and the head of the Development Loan Fund, Mr. McIntosh, will be added to Dr. Eisenhower's party. It was the consensus that this was an excellent idea and that this type of trip should be developed. Mr. Rubottom also referred to the detailed security and other preparations which are being made in order to help minimize the prospects of any trouble and to help insure the success of the trip.

Mr. Allen asked whether the countries were enthusiastic about the visit and also asked what it was we hoped to accomplish by the trip. Mr. Rubottom explained the reactions of the various governments, pointing out that they had all enthusiastically invited Dr. Eisenhower originally. He said it was hoped the trip would accomplish the purpose of strengthening contacts between important representatives of our Government and those of the Central American countries. He said the trip had been planned originally in order to help rebut some of the Latin American criticism of our neglect of the area and

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<sup>2</sup> E. W. Kenworthy's article, entitled "Dr. Eisenhower Sets Latin Visit," was printed in *The New York Times*, June 24, 1958, p. 1.

<sup>3</sup> Lincoln White.

that it was believed by expanding the party to include representatives of Treasury, ICA and the DLF, there would be a genuine opportunity to discuss matters which vitally affect the countries visited and our relations with them.

The Secretary expressed the opinion that there might be some doubt about the value of a purely good will mission at this time but that it would be extremely damaging to allow Communist demonstrations to prevent high officials of our Government from going to countries of this hemisphere. The Secretary agreed that the character of the visit should be changed, as is now being contemplated.

It was suggested that developments arising as a result of the recent letter from President Kubitschek of Brazil to President Eisenhower and the forthcoming visit of the Secretary to Brazil might help overcome criticism that the United States was "running out" if the Eisenhower trip was postponed indefinitely.

Mr. Macomber expressed the opinion that Congressional reaction was likely to be bad if there was any trouble whatsoever during the Eisenhower trip. He pointed out that it would not need much of an incident to cause the press to pick up the story and highlight the bad points as had been done in the Nixon trip. Mr. Macomber posed the question whether the risks involved were not greater than any value which might arise from the trip.

Mr. Rubottom referred to previous and current [*less than 1 line of source text not declassified*] reports and said he believed the Secretary should weigh the risks which were outlined in those reports in deciding whether the trip should be held at this time. [*2 sentences (3½ lines of source text) not declassified*]

The Secretary said that the *New York Times* had put us on a spot and that it would now be difficult to postpone the trip. He said that prior to this *Times* article he had been willing to consider delaying the visit until we were more sure that the time might be propitious. The Secretary said we had to expect some kind of demonstrations but that he felt very strongly that an overriding consideration was that we just couldn't run away because of the threat of some demonstrations; that he did not like to operate from fear and that he did not feel that we could do so in this case. The Secretary said, however, that given the serious situation existing in Panama we should find out whether the visit might be used by opponents of the Government in such a way as to bring about the overthrow of the present friendly Government. The Secretary instructed that an intimate conversation should be held immediately with President de la Guardia of Panama to ascertain whether the visit would increase the dangers of a coup there. If the answer was in the affirmative, we should find a way to postpone the visit further. The Secretary also said he believed that if a serious situation should arise in any specific country en route—such as a labor

strike in Honduras or a state of siege in Guatemala—that a way should be found to bring Dr. Eisenhower home without visiting the country involved.

Mr. Allen Dulles said the question of security in Guatemala concerned him more than in Panama. He pointed out that in the latter, security forces are probably sufficient to cope with the situation, even though they might have to use violence, but in Guatemala the security forces could not be counted on as reliable.

Mr. Murphy then expressed the opinion that he could not see any political advantage to be gained from the visit. He asked whether an excuse could be found for Dr. Eisenhower to drop out. Mr. Murphy pointed out that it is the Eisenhower name and direct connection with the President that makes the risks involved so great. He re-emphasized that he could not see any political advantage to be gained from the visit.

Mr. Allen suggested the possibility of having only the representatives of Treasury, ICA and DLF go on the trip—leaving out Dr. Eisenhower. He echoed Mr. Murphy's thought that it is the direct connection with the President that makes Dr. Eisenhower's inclusion a difficult one.

The Secretary again expressed his opinion that we should not give the Communists cause to claim that we "had run out" and thus gain a victory which they would exploit at every opportunity.

It was concluded that the approach would be made to the President of Panama. If the latter is of the opinion the visit might endanger his Government, the visit will be postponed indefinitely. If not, it will go ahead as scheduled, with the character changed to a fact-finding mission.<sup>4</sup>

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<sup>4</sup> Ambassador Harrington telephoned William E. Price on June 27 and informed him that he had had a conversation that morning with Panamanian President de la Guardia, who wanted to proceed with Dr. Eisenhower's visit but believed he should call a meeting of his associates and advisers before reaching a final decision. As soon as he and his colleagues had decided, he would convey the result to Harrington. (Memorandum of conversation by Price, June 27; Department of State, Central Files, 120.1580/6-2758) In telegram 637 from Panama City, June 27, Harrington advanced the view that Dr. Eisenhower's visit might precipitate serious demonstrations in Panama against De la Guardia that could lead to his downfall and would be highly detrimental to American prestige. (*Ibid.*) In telegram 638 from Panama City, June 28, Harrington advised the Department of State that the Government of Panama had concluded that Milton Eisenhower's visit in July was welcome and would pose no threat to President de la Guardia's administration. (*Ibid.*, 120.1580/6-2858)



**66. Editorial Note**

Dr. Milton S. Eisenhower left Washington on July 12, for a fact-finding trip to Panama, Honduras, Costa Rica, Nicaragua, El Salvador, and Guatemala, and returned to Washington on August 1. Acting as a Personal Representative of the President with the rank of Special Ambassador, Dr. Eisenhower, accompanied by Roy R. Rubottom, Jr.; Thomas B. Coughran; Assistant Secretary of the Treasury; Dempster McIntosh; and Samuel C. Waugh conferred with government officials and others in these countries who were concerned with economic development and other problems of mutual interest. Discussions centered upon the problem of underdevelopment and possible U.S. aid.

Upon his return to Washington, Dr. Eisenhower urged that the United States review its economic policies toward the Central America area. In a preliminary report to the President of August 1, he recommended that the United States consider: 1) the imperative need for bankable loans, not grants, in every country visited; 2) the response which the United States should make to the appeal of Latin American nations for more stable relationships between raw commodity prices and the prices of manufactured products; and 3) the urgent and immediate need to bring about throughout the hemisphere a clear, accurate understanding of U.S. policies, purposes, programs, and capabilities.

Documentation on the bilateral aspects of Dr. Eisenhower's trip is printed in the compilations on United States relations with Panama, Honduras, Costa Rica, Nicaragua, El Salvador, and Guatemala. Additional documentation is in Department of State, Central Files 120.1513 and 120.1520, as well as in the following Department of State lot files: ARA/OAP Files: Lot 61 D 473; ARA Special Assistant's Files: Lot 60 D 513; and Rubottom Files: Lot 60 D 553.

For text of Dr. Eisenhower's preliminary report to the President, see Department of State *Bulletin*, August 25, 1958, page 309.

For Dr. Eisenhower's account of his trip to Central America, see Milton S. Eisenhower, *The Wine Is Bitter: The United States and Latin America* (Garden City, NY: Doubleday & Co., Inc., 1963), pages 208–223.

67. **Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Director of the Office of Central American and Panamanian Affairs (Leggett) and the Deputy Director of the Office of Inter-American Regional Economic Affairs (Conover)**<sup>1</sup>

*Washington, January 12, 1959.*

SUBJECT

Committee to Follow-Through on Dr. Eisenhower's Report

All of you are familiar with the report recently submitted to the President by Dr. Milton S. Eisenhower on United States-Latin American Relations. The report was dated December 27, 1958 and was released publicly by the White House on January 4, 1959.<sup>2</sup>

Dr. Eisenhower's report is a basic document, broad in its scope and recommendations as to the courses of action calculated to contribute to increasingly close, cordial and effective inter-American relations. A question which immediately confronts us, in the light of this report, is "Where do we go from here?"

I believe that this Bureau's interests and responsibilities in connection with Dr. Eisenhower's report will best be served by the establishment of an informal committee charged with following through on the observations and recommendations contained in the report. I shall appreciate it if you three officers will undertake to constitute such a committee. As I envisage it, your respective participations in this committee's activities would encompass:

1. Mr. Leggett—those recommendations, reactions and relations pertaining specifically to the countries of Central America visited by Dr. Eisenhower;

2. Mr. Conover—the recommendations and other aspects of Dr. Eisenhower's report which are predominantly economic in character;

3. Mr. Vaky—the recommendations and other aspects of Dr. Eisenhower's report which are predominantly of a political and/or public-relations character.

Dr. Eisenhower will presumably look to this Bureau for some periodic evaluation of the reaction to his report and some statement of the progress achieved toward implementation of his recommendations. Inasmuch as I am in reasonably frequent contact with him, I plan to serve as the contact point between Dr. Eisenhower and the

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<sup>1</sup> Source: Department of State, ARA/OAP Files: Lot 61 D 473, Dr. Milton Eisenhower 1958-1959. Official Use Only. Drafted by Devine. Also addressed to Viron P. Vaky.

<sup>2</sup> For text of Dr. Eisenhower's report to the President, see Department of State *Bulletin*, January 19, 1959, p. 89.

Bureau. I shall, however, look to you to keep me supplied with the information which I shall need in order adequately to advise him on these points.

Dr. Eisenhower is scheduled to visit the Department on January 15. I hope to meet with you between now and then for a general exchange of views as to exactly what our committee's functions will be and how it can best set about performing them. As always, the fullest possible expression of your ideas will be welcome on that occasion. Personally, I am inclined to feel that a useful start might consist of our making some initial tabulations setting forth by major category the recommendations which Dr. Eisenhower has advanced. These should facilitate a ready appreciation of the types of action called for and should also be useful in making periodic reviews of progress achieved and the current status of each initiative. Some means should also be devised for carefully collecting and identifying the responsible comment which will almost certainly be forthcoming—both domestically and internationally—with respect to the report itself. Finally, I feel that we must anticipate considerable inquiry from congressional, official, foreign, and general public sources. Your consideration as to the best means of handling and responding to this will also be appreciated.<sup>3</sup>

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<sup>3</sup> On November 14, President Eisenhower accepted the recommendation of the Secretary of State to establish a small committee to advise the Secretary on U.S.-Latin American relations. The National Advisory Committee on Inter-American Affairs was established on November 17. (Department of State Press Release No. 804; Department of State *Bulletin*, December 7, 1959, p. 823) See also Document 68.

# PRESIDENT DWIGHT D. EISENHOWER'S TRIP TO SOUTH AMERICA, FEBRUARY 23– MARCH 7, 1960

## 68. Memorandum of a Conversation, White House, Washington, December 3, 1959<sup>1</sup>

### SUBJECT

National Advisory Committee on Inter-American Affairs

### PARTICIPANTS

The President

Secretary of State

Committee Members: Amb. Walter J. Donnelly, Dr. Milton S. Eisenhower, Mr. G.

Kenneth Holland, Mr. O. A. Knight, Mr. Charles A. Meyer, Mr. Dana G. Munro,

Assistant Secretary of State Rubottom

Mr. Thomas Stephens, President's Appointment Secretary

The President greeted the Members of the National Advisory Committee on Inter-American Affairs as did the Secretary who had been in consultation with the President prior to the group's arrival. The President said that he was appreciative of their willingness to serve and delighted to have the Committee begin its functions.<sup>2</sup> He felt that they could make a real contribution by drawing on their knowledge and firsthand experience in the area. The very existence of the Committee was an additional indication of the importance which the United States gives to relations with its southern neighbors.

The President said that he would be taking off on a very long journey within a few hours,<sup>3</sup> the sole objective of which was to im-

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Eisenhower Diaries. Confidential. Drafted by Rubottom.

<sup>2</sup> President Eisenhower established the National Advisory Committee on Inter-American Affairs on November 14, 1959, following the recommendations made by Milton Eisenhower in his December 27, 1958, report upon the conclusion of his trip to Latin America. See Document 67. For text of the Department of State's announcement, see Department of State *Bulletin*, December 7, 1959, p. 823. According to a White House press release dated December 3, the purpose of the Committee was to consider U.S. current and long-range problems with Latin America and provide the Secretary of State with recommendations for solving these problems. For text of the White House announcement, see *ibid.*, December 21, 1959, p. 905.

<sup>3</sup> President Eisenhower left Washington on the evening of December 3 on a trip to Italy, Turkey, Pakistan, Afghanistan, India, Iran, Greece, Tunisia, France, Spain, and Morocco. He returned to Washington on December 22.

press all those with whom he would be speaking, and through them others, that the United States wants peace—peace with justice and freedom. He had been distressed that so many people in the world, including some of our friends, seemed to have doubts as to our real intentions. He was prepared to spend his remaining thirteen months in office to try to remove these doubts.

Even though his trip obviously was designed to talk to leaders in those countries which are right on the perimeter of the Communist world, and intended to underline our support of free people everywhere, 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. He recalled his meeting in Panama in 1956 with the other American Presidents,<sup>4</sup> and the considerable benefit derived from that. Dr. Eisenhower said that he was sure the Members of the Committee would be delighted if the President could find the time to make a trip to Latin America during the next year.

The President said that he would like very much to do this, but there was a scheduling problem. The Secretary commented that he also hoped that the President would be able to go to Latin America, but had felt that there might be a more propitious moment for planning a trip after the President's return from his presently scheduled journey.

The President expressed his regret that there seemed to be a conflict in dates between the summit meeting in Europe<sup>5</sup> and the inauguration of Brasilia, April 21. He alluded to the possibility of postponing the summit meeting to around May 1 to permit him to go to Brasilia, but the Secretary said that the summit participants had indicated their agreement to the late April date. The President then mentioned the possibility of visiting Buenos Aires to repay the call made by President Frondizi on him earlier this year,<sup>6</sup> wondering whether Frondizi might be able to invite all of the Chiefs of State to his capital for a day or two of talks following which they could all go to Brasilia. This idea was not pursued.

Mr. Rubottom said that if it were not possible for the President to visit President Kubitschek prior to or during the inauguration of Brasilia, perhaps he could plan a quick trip to Brazil, Uruguay, Argentina and Chile. This could be done in six or seven days and would have symbolic impact throughout the area. The President said that he

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<sup>4</sup> Documentation concerning President Eisenhower's trip to the meeting of the American Presidents in Panama, July 21–22, 1956, is printed in *Foreign Relations, 1955–1957*, vol. vi, pp. 437 ff.

<sup>5</sup> Reference is to the Heads of Government and Chiefs of State Meeting in Paris, May 12–21, 1960.

<sup>6</sup> Regarding President Frondizi's visit to Washington, January 20–23, 1959, see Documents 166 ff.

would have no objection to such a plan provided it did not evoke an adverse reaction in those countries not visited. Obviously he would be unable to make a tour of every country in Latin America. Mr. Rubottom pointed out that the Colombian President<sup>7</sup> had been invited to come to the United States in early April<sup>8</sup> and expressed the opinion that a quick trip to the southern tier countries could be planned with beneficial rather than harmful effects in the other countries.

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.

The Committee Members then took leave of the President, wishing him well on his journey to begin that night.

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<sup>7</sup> Alberto Lleras Camargo.

<sup>8</sup> Regarding President Lleras' visit to Washington, April 4-17, 1960, see Document 303.

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**69. Message From the Secretary of State to the President, at New Delhi<sup>1</sup>**

*Washington, December 9, 1959.*

DEAR MR. PRESIDENT: I have reviewed possible dates for six to seven day South American trip and feel that the first week in February is the most suitable. We have also canvassed possible repercussions from such a trip being confined to four countries only and are convinced that while there will be inevitable disappointment in other countries at your inability to visit them, nevertheless there would be general understanding of your confining your trip to Brazil, Argentina, Chile and Uruguay.

If you approve of this time schedule, we will begin to sound out the countries concerned as to suitability of these dates for your visit.

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<sup>1</sup> Source: Department of State, Central Files, 711.11-EI/12-959. Secret. Transmitted to New Delhi in Tomur 13, which is the source text. Tomur 13 was drafted by Herter; cleared with Rubottom, John A. Calhoun, and G. Frederick Reinhardt, and initialed by Herter.

I sincerely hope that you have not found your present trip too severe a physical strain. The unanimous opinion here is that it has been an extraordinary success to date and of inestimable value to the United States. We are all praying for its continued success.

Best,

Chris<sup>2</sup>

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<sup>2</sup> Tomur 13 bears this typed signature.

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**70. Memorandum of a Conversation Between the President and the Acting Secretary of State, White House, Washington, December 23, 1959<sup>1</sup>**

I spoke to the President regarding plans for his trip to South America. I pointed out that in view of the many rumors regarding this subject it would be helpful if we could get the matter definitely decided one way or the other in the relatively near future. The President said that he wanted to be sure that any visit to South America would achieve the purpose of increasing cooperation from the area and would not cause disappointment or resentment in the countries which he would not visit.

I said that we had in mind a visit to Brazil, Uruguay, Argentina and Chile, and the only country which I could imagine might feel left out would be Peru. The President said as far as his personal likes were concerned, he would hope it would be possible to omit Uruguay and include Peru. The President then inquired regarding Colombia and Paraguay. I pointed out that in the case of Colombia, the President of Colombia would be coming shortly thereafter to the United States and, in any event, the visit to Bogota would be difficult because of its high altitude. The President had not been aware of the altitude at Bogota and agreed that this would make it out of the question. Regarding Paraguay, I pointed out the problem posed by the dictatorial regime. The President recognized that this would probably make a visit inadvisable at this time, but commented that he had been struck in Asia by the growing feeling that a benevolent form of dictatorship is not a bad form of government for newly-developing countries that were not prepared for full democracy.

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<sup>1</sup> Source: Department of State, Central Files, 711.11–EI/12–2359. Confidential. Drafted by Dillon.

The President then said that if he were to make such a trip, he would prefer that it take place sometime between the 1st and the 20th of March, and that it be limited to a week or eight days. I told the President that we would restudy the question of Peru and Uruguay, and would put together a definite proposal for an itinerary for his consideration sometime next week.

CDD

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**71. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, December 29, 1959.*

SUBJECT

Your Proposed Visit to South America

Following your highly successful trip to Asia and Europe, it would be desirable for you to make a brief tour of about ten days of certain South American countries. Because of its prominent role in inter-American affairs and long tradition of close friendly cooperation with the United States, Brazil should be included in such a visit. Uruguay would also be particularly suitable because of its unique record of democratic stability, its devotion to free world interests and its long tradition of friendship with the United States. Chile should also be given recognition. This country has been recognized as one of the political and cultural leaders of South America. The present administration is committed to a democratic free enterprise system and has planted itself firmly in the camp of the West. It should be noted that Chile and Brazil were the only South American countries not visited by Vice President Nixon during his tour of South America. Finally Argentina should be included on your itinerary because of its traditional prominence in hemisphere affairs and to provide that country with the encouragement it deserves for carrying out an economic stabilization program against formidable difficulties. Argentine President Frondizi visited the United States as your guest in January 1959 and your proposed trip would offer an excellent opportunity to reciprocate.

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<sup>1</sup> Source: Department of State, Central Files, 711.11-EI/12-2959. Secret. Drafted by Melville E. Osborne.



Accordingly, I recommend that you make a tour of these key South American countries. A tentative suggested schedule is enclosed.<sup>2</sup>

If you approve, the various Governments concerned will be consulted to determine whether the dates proposed would be acceptable.

**Christian A. Herter<sup>3</sup>**

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<sup>2</sup> Not attached to the source text. The schedule is, however, enclosed with the copy of this memorandum in the Eisenhower Library, Whitman File, Dulles–Herter Series.

<sup>3</sup> Printed from a copy that bears this stamped signature.

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**72. Memorandum of a Conference With the President, Augusta, Georgia, December 29, 1959, 10:15 a.m.<sup>1</sup>**

OTHERS PRESENT

Secretary Herter  
Secretary Dillon  
General Goodpaster

Mr. Herter commented that it is remarkable that the President has experienced no physical letdown after his recent trip. The President said he is feeling fine and is not tired. He reiterated earlier comments that we must get into the State of the Union message something making clear that the wealthy nations must exert great effort to help the less developed nations to advance.<sup>2</sup>

Mr. Dillon brought up questions concerning the trip to South America which the President is considering making. The President had asked whether there would be any seriously adverse reactions to his going to some countries and not to others. Mr. Dillon said the evaluation in the State Department is that some of the countries skipped will not be happy, but there will be no adverse reactions so serious that we would have to take account of them. Others of the countries skipped will be pleased at this recognition of South America even though they were not visited. The President asked if all American Presidents were likely to go to the dedication of the Brasilia. If so, he thought perhaps Frondizi could get them all together for a talk

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Eisenhower Diaries. Secret. Drafted by Goodpaster on December 31.

<sup>2</sup> President Eisenhower delivered his State of the Union Message on January 7, 1960; for text, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, p. 3.

before going up to Brazil. Mr. Dillon said that no one else wants to have an overall meeting of this kind. The practical problems and enmities between the various Chiefs of State are too great.

The President said that every one of these countries has a vote in the UN. He did not think it would be worthwhile to make four of the countries happy if we lose the support of the other seventeen. Mr. Dillon and Mr. Herter thought that the four countries the President should visit should be, in order, Brazil, Uruguay, Chile and Argentina. Mr. Herter raised the idea of the President taking with him the Advisory Committee on Latin America which he recently appointed. The President thought this was an excellent idea and said the Committee could stay behind and visit some of the other countries. He would leave a plane with them for this purpose. He asked Mr. Herter to see if they could be made available for two weeks.

The President also asked Mr. Herter to get in the Ambassadors from the other South American countries and ask them what the reaction of their country would be if he went to four countries, taking the Committee with him, with the Committee then visiting other countries.

Mr. Dillon thought the trip might take ten days in all. The President thought there would be advantage in spending the night in Puerto Rico both ways. He could plan to take Mrs. Eisenhower on that basis. He said he would like to use helicopters at least one way between the airport and the city at each stop.

The President said he would like to know what ceremonies are foreseen, what length of stay in each place, what speeches, meetings, etc. After further discussion he said he was inclined to think that he had better go ahead and undertake the trip.

[Here follows discussion of unrelated subjects.]

**G**  
*Brigadier General, USA*

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### 73. Editorial Note

On January 6, 1960, the White House announced that President Eisenhower, accompanied by Mrs. Eisenhower, intended to visit Brazil, February 23–26; Argentina, February 26–29; Chile, February 29–March 2; and Uruguay, March 2–3.

The President's stated purpose was to fulfill his long-held desire to travel to South America, to meet the people, and to renew friendships with the leaders of nations allied with the United States in the Organization of American States and to work further with them to develop the inter-American system as an example of nations living in peaceful cooperation.

For text of the White House statement, see Department of State *Bulletin*, January 25, 1960, page 119.

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**74. Instruction From the Department of State to All Diplomatic Posts in Latin America<sup>1</sup>**

CA-6306

*Washington, February 4, 1960.*

SUBJECT

Policy Information Statement (ARA-305); President's Trip to Latin America, February–March, 1960

The enclosed Policy Information Statement is forwarded to the Post for use as outlined in Foreign Service Circular No. 49, November 18, 1953<sup>2</sup> and is also being transmitted to USIA and other interested agencies in Washington for their information and guidance. You are requested to make it available to appropriate officers of USIS and other interested U.S. agencies assigned to your Post.

Instructions regarding USIS treatment of this subject will be issued, as required, by USIA Washington.

**Herter**

**[Enclosure]**

[Here follow an outline of the President's itinerary and a listing of those individuals accompanying him on his trip.]

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1607. Confidential. Drafted by James A. McNamara of the Bureau of Inter-American Affairs and approved by Philip H. Burris. Also sent to Guayaquil, Maracaibo, Porto Alegre, Puerto La Cruz, Recife, Salvador, São Paulo, and Munich.

<sup>2</sup> In Foreign Service Circular No. 49, November 18, 1953, the Department of State defined its substantive relationships with the U.S. Information Agency and distributed this information to all Foreign Service posts. A copy of this circular is filed in the Records Management and Research Division of the Bureau of Personnel's Office of Management.

## II. United States Policy and Objectives

### *Begin UNCLASSIFIED*

The purpose of the trip was publicly expressed in the White House press release of January 6<sup>3</sup> which stated that 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 release further stated that the President hopes that the visit will serve two purposes: "Publicly reflect his deep interest in all the countries of the New World, and encourage further development of the inter-American system, not only as a means of meeting the aspirations of the peoples of the Americas but also as a further example of the way all peoples may live in peaceful co-operation."

### *End UNCLASSIFIED*

### *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 United States objectives and purposes in each of the four countries follows:

### *Brazil*

Because of its great size, strategic location, prominent role in inter-American affairs and long tradition of close co-operation with the United States, and the fact that relations with Brazil cooled in 1959, the visit to Brazil has special significance. President Kubitschek visited the United States as President-elect<sup>4</sup> and also met President Eisenhower in 1956 at the meeting of American Chiefs of State at Panama. 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,

<sup>3</sup> See the editorial note, *supra*.

<sup>4</sup> President Kubitschek visited the United States as Brazil's President-elect, January 4-10, 1955.

called Operation Pan America,<sup>5</sup> 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. A Presidential visit to Brazil, with evidence of special regard for Brazil's economic and political importance in the Americas, will provide a needed psychological impulse to improvement in 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. A visit by President Eisenhower may increase the prestige of the Argentine Government and thus its ability to carry on this program. Moreover, the President of Argentina, Arturo Frondizi, came to the United States on a State Visit in early 1959 and hence President Eisenhower's trip is in the nature of a return courtesy. 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.<sup>6</sup>

### *Chile*

Chile has long been regarded as one of the political and cultural leaders of South America. 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. Moreover, based on a proposal by President Alessandri, the Chilean Government is actively promoting a meeting of Latin American countries most affected to consider means of limiting arms expenditures to reasonable levels consistent with the needs of national defense and hemispheric security.

### *Uruguay*

Because of its unique record of democratic stability, its long tradition of friendship with the United States and with its neighbors, and its devotion to Free World interests, Uruguay—one of the smaller

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<sup>5</sup> See Documents 109 ff.

<sup>6</sup> General Juan Domingo Perón ruled Argentina from June 4, 1946, until September 19, 1955.

countries of South America—is particularly suitable for a Presidential visit. Furthermore, 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.

### *III. Special Considerations for Guidance of U.S. Agencies and Officials*

1. Although the President wishes that time would permit a visit to all of the countries in the area, he has necessarily had to limit his visits to a few contiguous countries in South America. While there are additional reasons for exclusion of certain countries from his itinerary, the selection of only four countries is based primarily on the fact that the fundamental duties and responsibilities of the American Presidency cannot be delegated to permit long absences.

2. It is expected that the President's trip will involve no negotiations. While the President will be glad to confer with the leaders of the countries visited on subjects of mutual concern, he does not intend to negotiate solutions to problems. Moreover, while leaders of the countries visited may raise the question of additional loans or other assistance from the United States, the President must not be expected to make new commitments nor alter present United States policy regarding area problems while on this trip.

3. The impact of the trip will be enhanced if emphasis is placed on the importance which the United States attaches to the inter-American system, the traditionally close relations among the twenty-one American Republics, the growing importance of the Latin American area and its individual nations, and the interest which the United States has in assisting the peoples of Latin America to meet their aspirations for higher living standards, increased economic development, and democratic, representative governments.

4. The fact that the President has asked all of the members of the National Advisory Committee for Inter-American Affairs to accompany him is indicative of the importance both of the Committee and of the trip.

5. While the trip is to be treated as part of the President's larger international mission of seeking direct contact and understanding with other peoples of the world, and the Latin American trip is linked with the other visits toward the achievement, in the President's words, of "peace and friendship in freedom", specific public comparisons of the President's Latin America trip with the President's previous trip to the eleven countries of Europe, Africa, the Middle East and South Asia should be avoided.

*End CONFIDENTIAL*

[Here follows a statement outlining the purpose of the President's trip.]

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**75. Memorandum of a Conference With the President, White House, Washington, February 8, 1960<sup>1</sup>**

OTHERS PRESENT

Secretary Herter  
General Goodpaster

[Here follows discussion of unrelated subjects.]

The President next referred to his South American trip. He said he knew it would be a good will trip, but he wanted to know what he should plan to talk about as regards substantive things. Mr. Herter said one problem is that Brazil and Argentina have been following diametrically opposed economic schemes. Brazil has not met the IMF requirements, whereas Argentina has. There are two great things in Brazil—one is Brasilia into which Kubitschek has put a great deal of money, and the second is Operation Pan America, which is his pet proposal. The President recalled that Ayub<sup>2</sup> had told him that he was spending much less money on Rawalpindi than Kubitschek is spending on Brasilia; in fact, he is limiting the expenditures to \$12 million a year. The city will build slowly so that Pakistan does not wreck itself. Mr. Herter cited as indicative of Brazil's problem a conversation he had had [*1 line of source text not declassified*]. They have a range with something over 100,000 head of cattle on it occupying an area larger than the state of Georgia. Such diversity between the rich and the poor creates terrible tensions.

[Here follows discussion of atomic weapons and U.S. disarmament policy.]

**G**  
*Brigadier General, USA*

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Eisenhower Diaries. Secret. Drafted by Goodpaster on February 12.

<sup>2</sup> General Mohammed Ayub Khan, President of Pakistan.

## 76. Editorial Note

President Dwight D. Eisenhower, accompanied by Secretary Christian A. Herter; the six public members of the National Advisory Committee for Inter-American Affairs (Ambassador Walter J. Donnelly, Dr. Milton S. Eisenhower, G. Kenneth Holland, O. A. Knight, Charles A. Meyer, and Dana G. Munro); Robert Cutler and members of the President's and the Secretary of State's staffs, left Washington on February 22. They visited Brazil, Argentina, Chile, and Uruguay, before returning to Washington on March 7.

Documentation on the bilateral aspects of the President's trip is printed in the compilations on United States relations with Brazil, Argentina, Chile, and Uruguay. Additional documentation is in Department of State, Central File 711.11-EI as well as in the following Department of State lot files: Rubottom Files: Lot 61 D 279; ARA Special Assistant's Files: Lot 62 D 24; Rubottom-Mann Files: Lot 62 D 418; Secretary's Memoranda of Conversation: Lot 64 D 199; and Conference Files: Lot 64 D 559, CF 1607 and CF 1609. At the Eisenhower Library, material on the trip is in the Herter Papers and in the Whitman File, Eisenhower Diaries, and Dulles-Herter Series.

For President Eisenhower's account of his trip to South America, see Dwight D. Eisenhower, *The White House Years: Waging Peace, 1956-1961* (Garden City, N.Y.: Doubleday & Co., 1965), pages 525-533.

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## 77. Memorandum From the Secretary of State to the President<sup>1</sup>

*Washington, March 12, 1960.*

### SUBJECT

Latin American Press Comment on Your Tour

Latin American press coverage on your tour of South America emphasized the benefit to hemisphere relations through first-hand knowledge of the area gained by you as Chief Executive of the United States.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. The source text bears the President's initials.



Other frequent themes stressed your personal success, as reflected in terms such as “apostle of peace” and “dedication to the reaffirmation of peace.” Front page treatment was heavy in most countries, even though not included in your itinerary.

Editorial treatment, particularly in the four countries visited, viewed your tour 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.

Stories distributed by Prensa Latina, the Cuban government-controlled wire service, were uniformly negative in emphasizing events of minor importance that suited their line. Some newspapers took editorial issue with this derogatory treatment of your trip.

Comment of government officials was laudatory although a few qualified their remarks with the proviso that the high hopes raised should be followed by action to solve the many problems facing Latin America.

**Christian A. Herter**

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**78. Memorandum From the Director of the Executive Secretariat (Calhoun) to the President's Staff Secretary (Goodpaster)<sup>1</sup>**

*Washington, April 28, 1960.*

SUBJECT

Follow-up Actions from the President's Good Will Trip to South America

You approved on March 30 the list of follow-up actions arising from the President's trip which I sent you with my memorandum of March 22.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 711.11-EI/4-2860. Secret. Drafted by Arthur R. Day of the Executive Secretariat's Reports and Operations Staff on April 27.

<sup>2</sup> Not printed. (*Ibid.*, 711.11-EI/3-2260)

The enclosed report describes the status to date and future actions contemplated with respect to these follow-up items.<sup>3</sup>

John A. Calhoun<sup>4</sup>

**[Enclosure]**

STATUS REPORT ON FOLLOW-UP ACTIONS—THE PRESIDENT

*A. Puerto Rico*

1. *Operation Big Slam*<sup>5</sup>

State Department action completed, as reported in my memorandum of March 22, 1960.

2. *Puerto Rican Taxes*<sup>6</sup>

State Department action completed, as reported in my memorandum of March 22, 1960.

*B. Brazil*

1. *Meeting of American Presidents*

The Department sees no advantage to holding a meeting of Presidents prior to the Eleventh Inter-American Conference, now scheduled to be held at Quito, Ecuador, March 1, 1961. Furthermore, it is possible that a meeting of the Committee of 21 will be held in August, 1960, and many countries of the hemisphere believe that the Quito Conference is the appropriate body to give impetus to the results of that meeting. Ecuador in particular would very likely oppose an intervening meeting of Presidents as detracting from the importance of the Quito Conference.

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<sup>3</sup> According to a handwritten notation on the source text, Goodpaster on May 4 informed officials of the Department of State that he approved the contents of the enclosed report.

In the copy sent to the White House, Goodpaster made the following handwritten notation in the margin next to this paragraph: "5 May 60. Told State this closes it out. G. Advised President. G." (Eisenhower Library, Whitman File, Miscellaneous Material)

<sup>4</sup> Printed from a copy that bears this stamped signature.

<sup>5</sup> According to a March 22 memorandum from Calhoun to Goodpaster, Operation Big Slam was an airborne military exercise that occurred in Puerto Rico during the latter part of March 1960. (Department of State, Central Files, 711.11-EI/3-2260)

<sup>6</sup> According to Calhoun's March 22 memorandum, Under Secretary Dillon had discussed the question of Puerto Rican taxes with Governor Muñoz-Marín and had informed him that legislation had been introduced in the House of Representatives to correct the technical aspects of the Puerto Rican tax problem. (*Ibid.*)

The Department does not believe that a commitment exists to reply to President Kubitschek on this point, and recommends that the matter be allowed to rest unless the Brazilians raise it again. No further report to you is contemplated.<sup>7</sup>

2. *Meetings of Committees of Nine and Twenty-one* (My memorandum to you of April 6, 1960)<sup>8</sup>

The Committee of 9 met in an organizing session on April 18, at the instance of the Brazilian representative and with US agreement, to prepare for further working meetings. Brazil proposed as an agenda for those meetings the five points of the Brazilian Aide-Mémoire II. It is expected that the Committee will meet again in early June to decide on an agenda and to begin working sessions. Eventually, possibly in August, it is thought that a meeting of the Committee of Twenty-one will be held to consider the results of these working sessions.

The train of events desired by President Kubitschek has thus been initiated. Action now lies within the normal procedural framework of the Organization of American States. Therefore, no further reports to you in the context of the President's trip are contemplated. Significant developments will be brought to the President's attention on an ad hoc basis.<sup>9</sup>

### C. *Argentina*

#### 1. *New Steel Mill*

Ambassador Donnelly has conveyed to the U.S. steel industry President Frondizi's interest in increasing Argentina's steel-making capacity. Ambassador Beaulac has informed President Frondizi of this, and of the fact that representatives of the U.S. steel industry will soon be visiting Argentina to study its potential for development in this field.

The Department believes that any commitment to President Frondizi has been fulfilled, and no further report to you on this subject is contemplated.<sup>9</sup>

#### 2. *Modernization of Armed Forces*

Deputy Assistant Secretary for Inter-American Affairs Mallory has conveyed President Frondizi's request to Assistant Secretary of Defense Irwin, stating that this was being done at your behest and offer-

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<sup>7</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph. (Eisenhower Library, Whitman File, Miscellaneous Material)

<sup>8</sup> Not printed. (Department of State, Central Files, 371.04/4-660)

<sup>9</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph.

ing State Department cooperation in dealing with the question.<sup>10</sup> A copy of Mr. Mallory's letter is attached for your information.<sup>11</sup>

### 3. *Civil Aviation Negotiations*

The negotiation of a bilateral air agreement and the grant of a loan for airport construction have never been linked in reaching U.S. aviation objectives. However, since this possibility has been raised by the Argentines, the Department is giving some tentative thought to the feasibility and desirability of relating them. With respect specifically to an Argentine loan request, on the other hand, neither the Export Import Bank nor the Development Loan Fund had, as of April 22, been approached by Argentina with such a request, nor was the Department, including ICA, aware of any follow-up by Argentina on the matter. (This report was cleared at the staff level in the Export Import Bank and the DLF.)

Meanwhile, Ambassador Beaulac met with representatives of the Civil Aeronautics Board and the Department on April 14 to discuss resumption of civil air negotiations, and Embassy Buenos Aires has talked with Argentine officials on the question. Resumption of negotiations is tentatively set for April 28.

The Department does not at present plan to raise with the Argentines the matter of airport loans in the continued absence of an Argentine initiative. Negotiations will be limited to civil air relations. It is considered that the President's commitment to look into the matter has been fulfilled, however, since all the agencies concerned have been brought into the preparation of this report. No further report to you within the context of the South America trip is contemplated.<sup>12</sup>

### 4. *Ban on Cured Meats*

The appropriate offices of the Department of State have been informed of the President's assurances to President Frondizi, and Deputy Assistant Secretary Mallory informed Assistant Secretary of Agriculture Miller concerning them. A copy of Mr. Mallory's letter is enclosed.<sup>11</sup> It is considered that the necessary steps have been taken to fulfill the President's commitment and no further report to you is contemplated.<sup>12</sup>

### 5. *Consultation with American Nations*

Progress in this direction has been made during the past two years. The briefings of Latin American Ambassadors started by Secretary Dulles and continued by Secretary Herter have been helpful in showing the interest of the United States in keeping the other republics informed on important world events. In the United Nations a

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<sup>10</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK—complete" in the margin next to this paragraph.

<sup>11</sup> Not printed.

<sup>12</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph.

special effort has been made by Ambassador Lodge to keep in close touch with Latin American representatives in the development of United States positions on world issues before that body. The President's briefing luncheon for Latin American Ambassadors on his return from South America helped convey the impression that his visit to four countries was evidence of his sincere interest in the problems of the entire hemisphere.

The problem of satisfying to an even greater extent the Latin American desire to cooperate more effectively with United States policy calls for country-by-country consideration. It is principally Brazil, Argentina and to a lesser degree Chile which have strong feelings in the matter. Mexico has expressed no concern partly because of its pride in the independence of its policy determinations, and also because its aspirations in this regard are satisfied through close association with the United States and active participation in the UN and other international organizations. The Central American and Caribbean countries, as well as most of the smaller South American states, while having a general interest in keeping abreast of United States policies, do not expect to participate significantly in their formulation. Special consideration would have to be given to frequent consultation with such countries as Venezuela, Colombia, Peru and Uruguay on issues of common interest.

A senior officer of the Department will be responsible for briefing Latin American Ambassadors on worldwide issues. This means of meeting Latin American desires to be consulted, or at least informed, about significant policy developments will be strengthened by a continuous effort by the Department to ascertain subjects of particular interest to the Latin Americans, as well as by supplementary background information transmitted to our Embassies in the field. Furthermore, our Embassies will be requested to recommend topics of general and special interest to the governments in the countries in which they are stationed. This will be a continuing program, and no further report to you concerning it is contemplated.<sup>13</sup>

#### 6. *Argentine Short-Term Debt*

Since the discussion held between President Eisenhower and President Frondizi on February 28 on the Argentine short-term debt there has been no approach by the Argentine Government to the Export Import Bank nor as far as we know to private U.S. banks to obtain refinancing of these short-term obligations. It should be mentioned that Argentine external debt repayments for the next two years are heaviest with regard to European creditors. At present it appears that the Argentine Government is likely to concentrate initially on

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<sup>13</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph.

securing refinancing from its European creditors rather than its U.S. creditors. According to the Argentine Embassy, the data for a future approach to creditors is now being compiled in Buenos Aires. This report has been approved by the Export Import Bank and the Treasury Department. No further report to you is contemplated.<sup>14</sup>

#### *D. Chile*

##### *1. Arms Limitation*

In the April 6, 1960 session of the Council of the Organization of American States, Chile proposed the convocation of an OAS Conference on arms limitation as soon as possible. The U.S. supported this proposal. The project was referred to a five-nation working group (the U.S. was not a member but sent an observer). During consideration by the working group, the complexity of the problem became evident and there began to emerge among some of the major Latin American powers an attitude of reluctance, each tending to feel that it should not be included. The results of the working group's study have now been referred to the governments of working group members and a delay of some weeks is anticipated before the group's report will be ready for submission to the Council.

Significant developments will be brought to the President's attention on an ad hoc basis, but no further report is contemplated within the context of the South America trip.<sup>14</sup>

##### *2. U.S. Tax on Copper*

The Departments of State, Interior and Commerce have considered the question of seeking suspension or removal of the copper excise tax and have concluded that this should not be done at this time.

Suspension or removal of the tax would require legislation. Prior suspensions were enacted at times of short copper supply, a situation which does not now prevail. In addition, the present session of Congress will probably be short, and its calendar is unusually crowded with items which would take precedence over copper legislation. Finally, there is some sentiment in Congress, reflecting that in certain segments of the domestic copper producing industry, in favor of raising the level of the present tax (1.7 cents a pound) or the price at which the tax increases to 2 cents (24 cents a pound). Raising the question of the tax in Congress might therefore bring about a situation less favorable from the Chilean point of view than the present one.

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<sup>14</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph.

The Department recommends that these conclusions be conveyed to the Chilean Government by our Embassy at Santiago. If you approve, we shall send the Embassy instructions to this effect. Otherwise no further action or report is contemplated.<sup>15</sup>

With respect to liquidation of the U.S. copper stockpile, this country agreed in April 1959 to consult Chile prior to undertaking a program of disposal of Government-owned copper stocks in excess of the Government's needs. The Department sees no need for further action on the matter at this time since, as the President told President Alessandri, it is not the intention of the U.S. to dispose of its stocks. No further report on this subject is contemplated.<sup>16</sup>

This report on both aspects of the copper question was approved by the Departments of Interior and Commerce.

### *E. Uruguay*

#### *1. Ambassador Woodward*

This report is the subject of a separate communication.<sup>17</sup>

### *F. Miscellaneous*

#### *1. Cuban Note*<sup>18</sup>

Action completed, as stated in my memorandum of March 22, 1960.

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<sup>15</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph. In a memorandum dated May 13, Calhoun informed Goodpaster that the Department of State had transmitted an instruction to this effect to the Embassy in Santiago. (Department of State, Conference Files: Lot 64 D 559, CF 1609)

<sup>16</sup> On the Eisenhower Library copy of this report, Goodpaster noted "OK" in the margin next to this paragraph.

<sup>17</sup> In an April 29 memorandum, Calhoun informed Goodpaster that President Nardone's anxieties that the Department of State intended to transfer Ambassador Woodward were unfounded, and that the Department of State supported President Eisenhower's statements to this effect to President Nardone. [1 sentence (3½ lines of footnote) not declassified] (Department of State, Central Files, 711.11-EI/4-2960)

<sup>18</sup> According to Calhoun's March 22 memorandum to Goodpaster, the U.S. Chargé in Cuba on February 29 had informed Cuban authorities, in response to the Cuban Note of February 22, that the U.S. Congress had to implement new sugar legislation to replace that which was expiring, and that the President was unable to extend existing legislation by executive fiat. (*Ibid.*, 711.11-EI/3-2260)

THE FIFTH MEETING OF CONSULTATION OF  
MINISTERS OF FOREIGN AFFAIRS OF THE  
AMERICAN REPUBLICS, HELD AT SANTIAGO,  
CHILE, AUGUST 12-18, 1959<sup>1</sup>

79. **Memorandum From the Assistant Secretary of State for  
Inter-American Affairs (Rubottom) to the Acting Secretary  
of State<sup>2</sup>**

*Washington, April 18, 1959.*

SUBJECT

Possible Action by the Organization of American States regarding the Caribbean  
Situation

*Discussion:*

[*less than 1 line of source text not declassified*] sources and Panamanian officials have reported to the Department plans apparently being carried out by one or more groups of revolutionaries in the Caribbean area to launch an attack on Panamanian territory for the purpose of overthrowing the present Government of Panama. An invasion force of Cuban, Argentine, Panamanian and other mercenaries was reported as planning to sail from Cuba on April 15 in two vessels bound for the Panamanian coast. The Panamanian Government has been seriously concerned over this situation, and has informally discussed it with members of the Council of the OAS in Washington, and especially with United States officials. On our urging, the Panamanians have taken the matter up with the Cuban Government under the Inter-American Convention on Duties and Rights of States in the Event of Civil Strife,<sup>3</sup> to which both states are parties, and as a result Cuba has

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<sup>1</sup> For documentation on the Fourth Meeting of Consultation of Ministers of Foreign Affairs of American States, held at Washington, March 26-April 7, 1951, see *Foreign Relations*, 1951, vol. II, pp. 925 ff.

<sup>2</sup> Source: Department of State, Central Files, 741B.00/4-1859. Confidential. Drafted by Redington with concurrences by Murphy, Whiteman, and Walmsley. The following handwritten notation by Walmsley appears on the source text: "I would lean to alternatives 2 or 3."

<sup>3</sup> Signed at Havana, February 20, 1928; for text, see 2 Bevens 694.



stated that it would make every effort to stop the two vessels from leaving its shores. If such efforts are successfully made, this situation would seem to be on its way towards alleviation.

However, the broader problem of tensions in the Caribbean area remains. Since the Castro victory in Cuba, other governments, particularly the Dominican Republic and Nicaragua, have been threatened with armed attacks by international revolutionary groups aimed at overthrowing the governments of those countries. At the same time, Cuba has been urging that the Foreign Ministers of the American Republics meet to consider the problem of existing dictatorial regimes and their continued violation of human rights. The United States as a member of the OAS should, therefore, be prepared with a position as to how the OAS might best deal with the Panamanian or any other incident in the Caribbean area, should it flare up any time, and as to what role the OAS might have with regard to the present unstable Caribbean situation as a whole.

The Council of the OAS does not of itself have the authority to take cognizance of a threat to the peace. However, the following courses of action are open to the OAS:

1. If the integrity, sovereignty, or political independence of an OAS member state should be affected by a given situation threatening the peace, the OAS Council could convoke the Organ of Consultation (a meeting of Foreign Ministers) under Article 6 of the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) (Tab A).<sup>4</sup> In the more serious and rare instance of an armed attack of one state upon another, Article 3 of the Rio Treaty would apply. In past instances of these convocations, the Council acting provisionally as Organ of Consultation under specific authority of the Rio Treaty has generally been able to deal adequately with the situation, without necessitating the actual meeting of the Foreign Ministers. Invocations of the Rio Treaty, however, with its provisions for the taking of concrete measures to assist the affected state, should, in the United States view, be reserved for serious threats or acts of aggression, such as have not yet been proved to exist.

2. The OAS Council could, at the request of a member government, convoke a Meeting of Consultation of the Foreign Ministers under Article 39 of the OAS Charter (Tab B),<sup>5</sup> which may be held "to consider problems of an urgent nature and of common interest to the American States." Such a meeting, although not having the "teeth" of the Rio Treaty, would at least demonstrate the firm purpose of the OAS to face up to the problem of international tensions in the Caribbean area and to alleviate them over both the short and long term.

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<sup>4</sup> Not printed here; for text of the Inter-American Treaty of Reciprocal Assistance, signed at Rio de Janeiro, September 2, 1947, and entered into force for the United States, December 3, 1948, see 4 Bevens 559.

<sup>5</sup> Not printed here; for text, see 2 UST (pt. 2) 2394.

3. In the event that Panama or another state confronted with a movement against it should present its case to the OAS Council, presumably in the form of a request for the convocation of a Meeting of Consultation of Foreign Ministers either under the Rio Treaty or the OAS Charter, and should the Council then decide, after general discussion, that the case was not such as to warrant convocation of a Foreign Ministers' meeting, it might be possible for the Council, as an alternative, to pass a resolution in which it would take note of the situation and decide to keep the matter under observation for possible reconsideration in case OAS action might seem desirable at any time in the future. Such an action would have the beneficial effect of a warning to disruptive elements in the Caribbean region that the OAS was watching developments with a view to fulfilling its role for the maintenance of peace and security in the hemisphere, and thus it could have a generally calming influence.

4. Another possible course of action, which has been suggested by OAS Secretary General Mora, would be the holding of an informal meeting of Foreign Ministers (such as was held last September in Washington on the invitation of Secretary Dulles) to discuss the Caribbean problem. While such a meeting would not take formal binding decisions, it could result in a common resolve to reduce tensions, prevent international revolutionary movements designed to overthrow governments and, at the same time, promote democratic principles of government.

It may be noted that if an individual Foreign Minister should not be able to attend a Meeting of Consultation, he may be represented by a special delegate.

Various prominent persons, including Senator Mansfield and Senator Smathers, have urged OAS action in the Caribbean situation. It should be realized that there has already been informal discussion of this situation among various governments, and among their representatives on the OAS Council in Washington. The United States has played an active part in these discussions which have probably had some beneficial effect. We should now be prepared to support formal OAS action along one of the foregoing lines in the manner and to the extent which the developing situation may seem to require.

*Recommendation:*

That you authorize United States support of action by the OAS in the present Caribbean situation along one of the lines indicated above, as may, in the opinion of ARA, seem preferable in the light of developing circumstances.<sup>6</sup>

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<sup>6</sup> Murphy initialed his approval of the recommendation on April 18.

**80. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, June 25, 1959.*

SUBJECT

Possible Action by the Organization of American States regarding the Caribbean Situation

*Discussion*

Reference is made to my memorandum of April 18, 1959 on this same subject as a result of which U.S. support of action by the OAS in the Caribbean situation was in general terms approved by the Acting Secretary (Tab A).<sup>2</sup>

Since that time, the Council of the OAS has convoked the Organ of Consultation in the Panamanian situation and again in the Nicaraguan crisis. The territory of the Dominican Republic has now been invaded by armed forces proceeding from foreign soil, very likely from Cuba and possibly from Venezuela. There is danger of additional violations of the principle of nonintervention which is a corner stone of the inter-American system. Danger exists that warfare may break out between Cuba and the Dominican Republic, or other countries of the area, if these activities continue.

The Dominican Republic has indicated that it will not request OAS assistance in the current crisis. Even if such assistance were petitioned specifically in the Dominican case, it is doubtful that the necessary support could be obtained in the Council of the OAS, so strong is the anti-Trujillo feeling. Haiti feels itself endangered in its geographical position between Cuba and the Dominican Republic but until now considers that it has not had sufficient grounds for bringing the matter before the OAS.

The United States has consulted the governments of the Latin American countries on the growing seriousness of the Caribbean situation.<sup>3</sup> Responses have indicated concern along with an open mind and recognition of the problem. Nevertheless, some of the countries, par-

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<sup>1</sup> Source: Department of State, Central Files, 713.00/6–2559. Secret. Drafted by Luboensky and Dreier; sent through Murphy. In a concurring memorandum addressed to the Secretary and Murphy attached to the source text, Walmsley expressed IO's concern that if the situation worsened and the OAS failed to take appropriate action, "we could well be confronted with an initiative in the United Nations on this matter which would give the Soviets an opportunity to meddle directly."

<sup>2</sup> *Supra.*

<sup>3</sup> The Department of State requested the consultation through U.S. Embassies in Latin American countries, excepting Cuba and the Dominican Republic, on June 18, 1959. Documentation on the consultation is in Department of State, Central File 713.00.

ticularly Cuba and Venezuela, may be expected to oppose vigorously any action of the OAS which might appear designed to prevent the overthrow of Trujillo in the Dominican Republic as they opposed action in the case of Nicaragua.

The basic cause of conflict in the Caribbean area is the continued existence of the Trujillo dictatorship on the one hand and the strong tide of pro-democratic and anti-dictator sentiment on the other. The latter force conflicts with the principle of nonintervention and there is no doubt but that any effort to take action which will in effect defend the Trujillo dictatorship will be widely condemned in public opinion in Latin American as well as in the United States.

At the same time, the United States cannot permit the treaty guarantees of the OAS system to be disregarded. A corollary aspect of the problem is that international communism is to an undetermined extent involved in the revolutionary movements emanating from Cuba and Venezuela, and might well extend its influence over governments set up thereby.

Under the circumstances, it is believed that a meeting of Foreign Ministers of the American Republics is required in order to consider the problem in all its aspects. The meeting of Foreign Ministers might consider the threat to the nonintervention principle on the one hand and the need to encourage peaceful and orderly development of representative democracy on the other, as well as giving due regard to the extent of communist connections with the present disturbed situation.

A meeting of Foreign Ministers might be convened in connection with the Nicaraguan case, or through some other procedure to be worked out in consultation with other member governments. It should, in any event, meet as soon as possible, preferably at a Latin American capital. Further consultation with Latin American governments on this matter would be necessary before action is taken by the United States in the OAS Council.

### *Recommendation*

That you authorize consultation with other governments and other appropriate action leading up to the holding of a Meeting of Ministers of Foreign Affairs of the American Republics to consider the present Caribbean situation.<sup>4</sup>

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<sup>4</sup> Herter initialed his approval of the recommendation on June 25.

**81. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Acting Secretary of State<sup>1</sup>**

*Washington, July 6, 1959.*

SUBJECT

OAS Consideration of Dominican Charges Against Cuba and Venezuela

*Discussion*

The Council of the OAS meets at 3:00 this afternoon to consider the charges brought by the Dominican Republic against Cuba and Venezuela for permitting the organization of armed expeditions intending to invade the Dominican Republic and overthrow its government.

*1. Procedural Situation in COAS*

From indications received thus far, it appears unlikely that most of the members of the Council will have received specific instructions as to how to deal with the Dominican request.<sup>2</sup> It is therefore likely that the Chairman, after sounding out the members of the Council, will suggest postponement of the vote once again in order to permit representatives to obtain their instructions. It is in our interest to avoid a vote on the Dominican proposal itself, and it is clear that a large majority of the Council feels likewise.

*2. Substantive Position on Dominican Request*

If the United States supports the Dominican request, we will be widely criticized throughout the American republics, and in many circles in the United States, for supporting the Trujillo dictatorship. If we vote against the Dominican request, we will be liable to criticism on the grounds of denying the application of the guarantees of the Rio Treaty to another government because of the widespread animosity and opposition to it because of its dictatorial character. It is therefore believed that the best solution to this problem is to have the Council of the OAS, taking account of the several instances of tension and conflict in the Caribbean area, defer action on the specific request of the Dominican Republic and favor the holding of a meeting of Foreign

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<sup>1</sup> Source: Department of State, Rubottom Files: Lot 61 D 279, Foreign Ministers Meeting—Santiago 1959. Confidential. Drafted by Dreier.

<sup>2</sup> The Dominican Representative on the OAS Council, Virgilio Díaz Ordóñez, withdrew the Dominican request of July 2, 1959, to invoke the consultation procedure in Article 11 of the Rio Treaty on July 10, in order to facilitate OAS Council choice of other means of resolving the Caribbean situation.

Ministers under the Charter of the OAS (rather than under the Rio Treaty) to consider the entire problem of tensions in the Caribbean area in the light of basic principles of the OAS. The advantage of this procedure is a) to bring the full weight of a Foreign Ministers' meeting to bear upon the Cuban and Venezuelan Governments, and the Dominican Government, in recognizing the necessity for stopping interventionist activities, b) to permit consideration of the problem of democracy and human rights in the OAS on a general basis in order to demonstrate U.S. and OAS interest in this matter, and c) to avoid specific action on the Dominican request itself.

An alternative proposal, favored by Mexico which does not consider a meeting of Foreign Ministers desirable, would be to appoint some sort of committee of the OAS to look into the situation much as the meeting of Foreign Ministers would. The main objection to this procedure is that no such committee would have any authority unless appointed under provisions of the Rio Treaty which would mean first approving the Dominican request.

### *3. Initiative on Foreign Ministers' Meeting*

A major immediate difficulty is the failure of any Latin American government to be ready to propose a meeting of Foreign Ministers, and the feeling on the part of several of our Latin American friends, which ARA shares, that it would be preferable to have the meeting proposed by a group of South American countries rather than by the United States. It is important that the idea of the meeting of Foreign Ministers be formally launched as soon as possible and for that reason it is my thought that if one or more Latin American countries are not prepared to do this by tomorrow (assuming today's meeting is adjourned), the United States should do so.

### *Recommendations*

It is recommended that the following instructions be given to Ambassador Dreier:

1. If it is clear that the Council is not prepared to vote on the question today, the Chairman should be urged to adjourn the meeting immediately for 24 hours to avoid useless debate and forestall any unforeseen move that might complicate the matter further.

2. In the event a move is made either by the Dominican Republic or Cuba to force a vote on the Dominican request, he should use every reasonable means to prevent such a vote. One means would be to amend the resolution which might be submitted by the Dominican Republic to add a clause providing for the consideration by the Foreign

Ministers under the Rio Treaty of the basic causes of the present conflict including the problem of dictatorships and democracy in the Americas.

3. Ambassador Dreier and the Department should make every effort to encourage a group of Latin American countries, preferably outside the Caribbean area, to propose a meeting of Foreign Ministers at either today's meeting or the next one. If such action is not forthcoming, the United States should propose it at the next meeting.

4. If a vote on the Dominican request as such cannot be avoided, the United States should support the request and at the time of the vote make a full statement of its position regarding the need for equal application of treaties to any government regardless of its political complexion and that our favorable vote in no way implies any lack of interest on our part in encouraging through all appropriate means a more effective exercise of representative democracy in the Americas.<sup>3</sup>

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<sup>3</sup> There is no indication on the source text of any action by the Acting Secretary on these recommendations.

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**82. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Acting Secretary of State<sup>1</sup>**

*Washington, July 15, 1959.*

SUBJECT

Meeting of Foreign Ministers of American States

*Discussion:*

The Council of the OAS approved on July 13, under the Charter of the Organization of American States, a Meeting of Consultation of Ministers of Foreign Affairs of American Republics to consider the current Caribbean situation.<sup>2</sup>

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<sup>1</sup> Source: Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, NSC 5902 Memoranda. Official Use Only. Drafted by Luboensky.

<sup>2</sup> The request for the meeting was contained in a resolution sponsored by Brazil, Chile, Peru, and the United States; for text, see Council of the Organization of American States, *Decisions Taken at the Meetings, January–December 1959*, vol. XII (Washington, 1964), p. 136.

*Site of Meeting:*

The Chilean Ambassador has offered in the name of his government the city of Santiago as the site for the meeting. The possibility of the meeting being held at Washington at the headquarters of the OAS (at the Pan American Union) has also been mentioned, and has been favored by some countries because they believe there is less likelihood in Washington for political disturbance in connection with the meeting. There appears, however, to be a majority which would favor Santiago, but this will not be decided by the Council of the OAS until its meeting Friday, July 17.<sup>3</sup>

*Date of Meeting:*

If Santiago were selected as the site Chile would be ready to have the meeting any time after August 3, but wishes to keep this flexible in order to allow for the attendance of the U.S. Secretary of State. The U.S. has expressed its feeling of urgency in this whole matter and would not consider it appropriate to delay the meeting beyond August 10.

*Agenda of the Meeting:*

Formulation of the agenda of the meeting is now in process in the Council of the OAS. The proposed list of topics which the four co-sponsors of the resolution convoking the meeting of Foreign Ministers have jointly worked out is attached.<sup>4</sup> It is certain that there will be an attempt to add additional items to this list, and it cannot be determined at this time how the agenda may finally turn out. ARA believes that the attached draft adequately treats the matters of interest to the U.S. and that the all-important subject of Communism can best be brought into the discussion by the Secretary at the Conference without having it as a separate item on the agenda. The U.S. representative in a statement before the Council of the OAS has already mentioned the Communist problem.<sup>5</sup> The U.S. representative will resist efforts to expand the draft agenda to bring in other matters not related to the urgent Caribbean situation.

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<sup>3</sup> At its meeting on July 17, the OAS Council voted to consult with the Foreign Ministers on the desirability of having the meeting open on August 12. The Council also thanked the Chilean Government for offering Santiago as the site of the meeting. For further information, see *ibid.*, p. 137. At its meeting of July 24, the OAS Council agreed upon August 12 as the opening date of the Fifth Meeting of Consultation. For additional information, see *ibid.*, p. 139.

<sup>4</sup> Not printed here; for text, see *Inter-American Efforts To Relieve Tensions in the Western Hemisphere, 1959-1960* (Department of State publication 7409, Washington, 1962), p. 22n.

<sup>5</sup> Reference presumably is to U.S. Representative Dreier's statement before the OAS Council on July 10; for text, see Department of State *Bulletin*, July 27, 1959, p. 136.



**83. Instruction From the Department of State to All Embassies  
in the American Republics<sup>1</sup>**

CA-534

*Washington, July 16, 1959.*

SUBJECT

The Caribbean Situation

Enclosed for your background information are copies of three memoranda of conversation concerning the Caribbean situation. The Department feels that the line taken by Mr. Rubottom in these conversations might serve as valuable background for ARA Chiefs of Mission in connection with any similar conversations.

**Dillon**

**Enclosure 1**

**Memorandum of a Conversation, Department of State,  
Washington, July 8, 1959<sup>2</sup>**

SUBJECT

OAS Action in Caribbean Situation

PARTICIPANTS

Henrique Rodrigues Valle, Brazilian Chargé d'Affaires, a.i.  
Maury Gurgel Valente, Counselor of Embassy, Brazilian Embassy

R. R. Rubottom, Jr., Assistant Secretary of State for inter-American Affairs  
John J. Ingersoll, Acting Officer in Charge of Brazilian Affairs

After a brief call on the Secretary, at 11:00 a.m. today, to deliver a message about Brazil's financial problems,<sup>3</sup> Minister Valle accompanied Mr. Rubottom to the latter's office for further discussion of the Caribbean situation.

Valle opened the conversation by stating that his Government is greatly concerned over recent developments in the Caribbean, considers them of the most serious import for the future of Inter-American relations, and wishes to cooperate closely with the United States in seeking a peaceful and constructive settlement. He said that he had just returned from Rio where he had discussed the Caribbean situation with President Kubitschek and was impressed with the President's

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<sup>1</sup> Source: Department of State, Central Files, 713.00/7-1659. Confidential. Drafted by Luboensky. Repeated to USUN.

<sup>2</sup> Drafted by Ingersoll.

<sup>3</sup> This message, dated June 30, is attached to another copy of this memorandum in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

serious worry over it. The Brazilian Government agrees with the U.S., he said, that a Council of Foreign Ministers should be called to deal with this problem, not in specific terms of Cuba and the Dominican Republic but in the framework of the whole Caribbean area with all the trouble spots and the underlying causes for the trouble. A working group should be set up at once to draw up the agenda and set the time and place for such a meeting.

Mr. Rubottom said that he was very pleased to hear this directly from Minister Valle, speaking for the Brazilian Government. He said that the Brazilian Representative on the COAS, Mr. Haddock-Lobo, has been working very closely with Ambassador Dreier in the Council but that Valle's statements were most welcome, particularly in the light of his very recent visit to Rio. Mr. Rubottom said that we have a good deal of information and definite proof of Cuban official participation in the launching of three invasion attempts against the Dominican Republic and of Cuban implication in other disturbances in the area. He said that Haiti is in a terrible position. It is in dire straits economically and we have an aid program there. It is right in the middle between Cuba and the Dominican Republic and there is good reason to fear that an attempt might be made to strike at the Dominican Republic by invading through Haiti.

Mr. Rubottom said that we do not like dictators, that we have always supported the principle of representative government and that our whole 180 years of independent history affords ample evidence of this. However, we cannot allow individual groups of "liberators" to pass judgment on the governments of particular countries and to undertake from bases in other countries to launch attacks aiming to oust violently the governments they dislike. This amounts to anarchy. It is a shame and a mistake for anyone to imply that our abhorrence of this sort of behavior constitutes support for or protection of the despotic or dictatorial governments being attacked.

Minister Valle said that he had been working closely with Haddock-Lobo and that they have been telling the other Latin American representatives who oppose OAS efforts to restrain the growing attacks on the Dominican Republic that they don't realize what they are doing. He said that to allow outside groups of individuals or individual governments to intervene and try to oust a Latin American country's government which they didn't like would create a precedent for placing in the hands of the overwhelmingly powerful United States Government the justification for passing judgment on each Latin American Government and for intervening to oust any government it considers undesirable.

Mr. Rubottom agreed, pointing out that if U.S. public, press and Congressional opinion should become disillusioned with the ability of the OAS and the established procedures of the inter-American system

which has been built up with such painstaking effort, there is no telling where we might end. Given our security interests in the Hemisphere, a considerable fillip would be given the proponents in this country of unilateral action on our part to intervene in the affairs of Latin American countries to insure the existence of friendly, acceptable governments.

Minister Valle pointed out that we must be very careful about matters of procedure within the COAS. Mr. Valente asked whether the U.S. attitude was based on the Caracas Declaration.<sup>4</sup> Mr. Rubottom said that for the present it is not; rather we are basing our position for OAS action on Articles 39 and 40 of the Charter.

## Enclosure 2

### Memorandum of a Conversation, Department of State, Washington, July 9, 1959<sup>5</sup>

#### SUBJECT

The Caribbean Situation: Venezuela's Position in the COAS

#### PARTICIPANTS

Dr. Marcos Falcón-Briceño, Venezuelan Ambassador  
R. R. Rubottom, Jr., Assistant Secretary for Inter-American Affairs  
John C. Dreier, U.S. Ambassador to the OAS  
John J. Ingersoll, Office of Venezuelan Affairs

Ambassador Falcón-Briceño expounded at length his Government's position to the effect that whatever action may be taken by the OAS with respect to the turbulent situation in the Caribbean area it must somehow be completely dissociated from the Dominican Republic's resolution calling for action to protect it from imminent invasion attempts being prepared in Cuba and Venezuela.<sup>6</sup> He repeatedly urged that this might be done in one of two ways: (1) by voting down the Dominican resolution or (2) by delaying action, allowing the Dominican request to die a natural death, and then having a group of relatively disinterested countries (like Brazil, Argentina, Uruguay, etc.) introduce a resolution calling for a meeting of Foreign Ministers to consider the threatening situation in the entire Caribbean area, without any specific reference to Cuba and the Dominican Republic.

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<sup>4</sup> Reference is to Resolution XCV adopted by the Tenth Inter-American Conference, March 28, 1954; for text, see *Tenth Inter-American Conference, Caracas, Venezuela, March 1–28, 1954: Report of the Delegation of the United States of America with Related Documents* (Department of State Publication 5692, Washington, 1955), p. 158.

<sup>5</sup> Drafted by Ingersoll.

<sup>6</sup> Regarding the Dominican resolution, see footnote 2, Document 81.

Mr. Rubottom said that he fully understands the deep emotional feelings of President Betancourt, Ambassador Falcón-Briceño and the Venezuelan people with respect to Trujillo. But, he said, he feels that they are allowing these to obscure a much more important and fundamental danger. He said that he has considerable evidence, in fact unquestionable proof, of Cuban complicity in attacks on Panama, Nicaragua, the Dominican Republic, and now a new threat of attack on Nicaragua which might materialize this very week. This borders on anarchy. Nobody in this country, he said, likes Trujillo or his regime. But to allow this feeling toward Trujillo to obstruct prompt action to maintain the effectiveness of the OAS in preventing this sort of thing would be a sad and serious mistake. Mr. Rubottom said that we have incontrovertible evidence of communist involvement in the various attempts made against several Caribbean countries. One naturalized U.S. citizen participating as a leader in one of the attacks on Nicaragua is closely related to Concepcion Palacios, a known communist. Also, there have been a number of U.S. nationals (Puerto Ricans) involved in the attempts against the Dominican Republic. We are ashamed of these people and disavow them but that does not alter our serious concern for the preservation of the effectiveness of the inter-American system for the protection of all American countries from attacks launched from other countries.

Falcón-Briceño said that this situation poses serious problems for his Government and people. He insisted that the passage of a whole week without any invasion has given the lie to the Dominican request for urgent OAS action to forestall an "imminent" invasion. He argued that since the urgency has thus been disproven it would be quite possible to pigeon-hole the Dominican request and after a decent interval of two or three weeks have some of the uninvolved countries present a resolution calling for a Foreign Ministers' meeting. He said that Venezuela itself might be willing to present such a resolution in those circumstances. Falcón-Briceño expressed his own confidence that if the Dominicans should present a resolution calling for OAS action and a Foreign Ministers' meeting and it were put to a vote at Friday's COAS meeting the resolution would be voted down.

Mr. Rubottom explained that we consider the matter to be one of great urgency. One of the most disturbing things is the terrible position of little Haiti, caught between the two tigers (Cuba and the Dominican Republic). After a series of Government changes and internal strife in the past 18 months the freely elected government of Duvalier deserves a chance to straighten things out. While the Duvalier Government may not be a paragon of excellence it at least offers some promise of stability. We have a grant-aid program, amounting to some \$6 million per year, in Haiti to help relieve the serious economic distress

in this poorest of the Latin American nations. To see Haiti caught in the line of fire, as a likely route for a foreign-based invasion into the Dominican Republic is abhorrent.

The meeting lasted a full hour with repeated reiteration and elaboration of the opposite viewpoints described above. It ended, when Mr. Rubottom was obliged to leave for another appointment, with no apparent resolution of the differences in position. Falcón-Briceño said that he would see Mr. Rubottom in the evening (at the Argentine national holiday reception) and that perhaps they could discuss the matter further.

### Enclosure 3

#### Memorandum of a Conversation, Department of State, Washington, July 13, 1959<sup>7</sup>

#### SUBJECT

Visit of Ambassador Dihigo to Exchange Views on U.S.-Cuban Problems

#### PARTICIPANTS

Ambassador Ernesto Dihigo, Cuban Embassy  
Dr. Emilio Pando, Cuban Embassy  
ARA—R. R. Rubottom, Jr., Assistant Secretary  
CMA—R. A. Stevenson, Cuban Desk

Ambassador Dihigo called at his request to inform Mr. Rubottom of his intention to return to Habana on July 14. He said that he expects to return to Washington together with Mrs. Dihigo in five or six days. He also advised Mr. Rubottom that Minister of State Roa would return to Cuba from New York City on Thursday, July 16. Mr. Rubottom thanked the Ambassador for this information and told him that the Department would inform the pertinent authorities in New York City of Minister Roa's travel plans in order that he may receive the proper courtesies upon his departure.

The Ambassador said that he had another matter which he would like to discuss, namely, the Bridges-Johnston amendment to the Mutual Security Act.<sup>8</sup> He stressed that he wished to do this only in the spirit of an informal exchange of views on matters of mutual interest; that he had prepared a memorandum on the subject<sup>9</sup> not a note or

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<sup>7</sup> Drafted by Stevenson.

<sup>8</sup> This amendment, proposed by Senator Styles Bridges and Senator Olin D. Johnston, suspending aid to any country which the President determined to be expropriating U.S.-owned property without adequate compensation until the situation was corrected, was included in the Mutual Security Act of 1959 (P.L. 86-108), approved July 24, 1959. For text of the Act, see 73 Stat. 252.

<sup>9</sup> Not identified.

other formal communication which he desired to leave with Mr. Rubottom. In his view Cuba is not directly affected by the amendment, but it is an action, nevertheless, which will be resented in Cuba, and, of more importance, it will be considered as a threat to all of Latin America. Although he understands the motivation of the members of the Senate who supported this amendment, their desire to protect the interests of their constituents, he considers this to be too narrow a focus in which to view an action of this kind.

Mr. Rubottom thanked the Ambassador for giving him the benefit of his views on this matter and said that he wished, if the Ambassador's time permitted, to take up several topics with him. With regard to the amendment he pointed out that the Executive Branch of the Government is not responsible for this action; that the amendment has not yet passed; and that once passed there is always the chance that it might be vetoed. However, with regard to the last named possibility Mr. Rubottom noted that such action would incur the risk of depriving many countries of the very real help which they would continue to receive if the legislation is passed and made effective.

In Mr. Rubottom's opinion, however, the great significance to Cuba of this action by the Senate is that the vote of 59 Senators in favor of the amendment signifies a real loss of confidence in the Cuban revolution. These Senators were concerned not so much by the effects of the Agrarian Reform Law<sup>10</sup> on American private interests but rather by the continued reports of Communist infiltration into many areas of Cuban society. On January 1 Castro had an immense reservoir of good will and support among the American people. Again when Castro came to the United States, in spite of criticisms which he had made of this country, he received an enthusiastic reception.<sup>11</sup> In the ensuing weeks, however, the frequently expressed antagonism of the Government of Cuba toward the United States, the evidence of revolutionary expeditions which have left Cuban shores, for example, the foolish and ill-conceived invasion of Panama, the continued reports of Communist activities in Cuba—all have contributed to a climate of opinion in the United States regarding Cuba which has led to the approval of an amendment which even six weeks ago would not have had the favorable vote of most of these same 59 Senators.

Mr. Rubottom then referred to the recent note which Ambassador Dihigo had sent the Department in which he stated that the admission of Batista to the United States, should he enter U.S. territory legally or illegally would be viewed with deep displeasure by the Government

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<sup>10</sup> For text, see Ministerio de Estado, Departamento de Prensa, *Agrarian Reform Law*, Boletín No. 49, July 20, 1959.

<sup>11</sup> For documentation on Premier Fidel Castro's unofficial visit to the United States in April 1959, see volume vi.

of Cuba.<sup>12</sup> He referred to an earlier conversation with Ambassador Dihigo [June 12]<sup>13</sup> in which he had mentioned certain broad humanitarian principles which we all might wish to consider in a case like Batista's and remarked that perhaps the Ambassador had misunderstood the intent of those words. Mr. Rubottom then read aloud the following paragraph from the note: (Page 2, second paragraph)

In the first place, with respect to inter-American relations, the Embassy believes that the democratic nations of this hemisphere would not view favorably, nor even with indifference, an offer by the United States of asylum to one who completely destroyed democracy in Cuba for no other reason than his personal ambition for power and money, and who repeatedly refused to allow a peaceful solution of the situation, maintaining himself in power through brutal methods and by violating the most fundamental rights of man. Such asylum and protection afforded a person with such a record would doubtless be viewed as a rather unsympathetic attitude toward the democratic movement taking place in Latin America today, which has already eliminated most of the dictatorships.

Referring to the above statement, Mr. Rubottom expressed in positive terms that the U.S. considers itself among the democratic nations, and, moreover, a nation which has favored and supported the development of true democracy throughout the hemisphere. However, we believe that each country should decide for itself what type of government it wants to have. In this respect we are certainly in agreement with Latin American tradition which has always strongly condemned the intervention of one country into the affairs of another. In fact, Latin America has taken the lead in demanding this principle as a key plank in the Charter of the OAS. If Latin America would now wish to do more to encourage functioning democracy in this hemisphere, the United States is prepared to listen sympathetically to such proposals, and undoubtedly more could be done, but we will insist that each people should be allowed to choose its own form of government without outside interference. With regard to the question of political asylum, this again has been a right and a practice advocated chiefly by the countries of Latin America and not by the United States. We are not aware that there is a unanimity of opinion throughout the hemisphere that Batista should not be admitted to the United States. However, the question of Batista's possible admittance to the U.S. is an internal matter dependent upon the applicable U.S. laws. Until now no decision has been reached one way or another. With reference to the Cuban attitude in the case of Batista, one is struck by the recent

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<sup>12</sup> Dated July 6, not printed. (Department of State, Central Files, 737.00/7-659)

<sup>13</sup> Brackets in the source text.

example of President Villeda Morales in Honduras who recognized the political asylum granted to his sworn mortal enemy, Colonel Velasquez, and then issued him a safe conduct to leave the country.

Ambassador Dihigo hastened to reassure Mr. Rubottom that he well recognizes that the U.S. has always been a champion of democracy in the hemisphere and that no implication to the contrary was intended in his note. He stated that he feels much of the change in public opinion in the U.S. with regard to Cuba is the result of the activities of Batista supporters in the U.S. who have succeeded in influencing the press and in finding special ways to influence members of Congress. Press stories have often been very misleading and harmful. Mr. Rubottom acknowledged that some of the critical articles may result from the efforts of Batista agents, but that many others have appeared in reputable papers which have heretofore been friendly to the Revolution. He remarked that even so, in Cuba the Communist paper, *Hoy*, and some of the non-Communist press as well have printed distorted and unfair stories about the United States which have not been helpful.

Mr. Rubottom assured the Ambassador that the Department is making a thorough investigation of the Hidalgo affair in Miami, bearing in mind the possible applicability of the Consular Convention between our countries,<sup>14</sup> and that we hope to have a factual report soon in order that we may reply to the Ambassador's note on the subject.<sup>15</sup> He also mentioned that we are still in the process of reviewing the various Cuban requests for military equipment which were the subject of a list left by the Ambassador on the occasion of his last previous visit on June 29.

The Ambassador thanked Mr. Rubottom for his frank expression of his views and said that he would convey them to his Government. In his opinion such discussions offer the best prospect of arriving eventually to a solution of our differences.

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<sup>14</sup> Signed at Havana, April 22, 1926; for text, see 6 Bevans 1149.

<sup>15</sup> Reference is to an attack on Alonso Hidalgo, the Cuban Consul General, at Miami on July 4; documentation is in Department of State, Central File 602.3711.



**84. Circular Telegram From the Department of State to All Diplomatic Missions in the American Republics<sup>1</sup>**

*Washington, July 18, 1959—3:51 p.m.*

59. Depcirtel 58.<sup>2</sup> Department considers main problem re MFM at this stage is tendency several governments add subjects to agenda which will distract attention from central point and convert what should be brief and personal meeting of Foreign Ministers to consider single problem into broad conference that would invade sphere Quito Conference<sup>3</sup> and extend time of MFM. This tendency obviously being furthered by Cuba and possibly Venezuela as means diverting attention from Caribbean problems as such.

Unless you have objection inform Foreign Minister that 1) US believes list subjects transmitted to govts by COAS adequate to permit consideration any aspect of Caribbean situation which is sole purpose of MFM, and that addition further topics or extraneous subjects would militate against success of meeting; 2) US hopes MFM can take form of truly personal discussion among Foreign Ministers as was originally envisaged when consultative meetings were first established, and that any tendency for MFM to develop into elaborate conference such as 4th MFM 1951<sup>4</sup> should be resisted for reasons mentioned first paragraph above and to save time of busy Foreign Ministers. US hopes meeting could conclude successfully within a few days. Transitory regulations re Committee of the Whole should help achieve this end.

Should question of inclusion economic topic be mentioned, you should say that if any Foreign Minister at MFM wishes suggest resolution pointing out relationship between economic progress and political democracy, that could be done under existing agenda items. However, inclusion separate item on economics would tend promote substantive discussion economic problems, which have been thoroughly considered in OPA and Committee of 21, will be taken up again at Quito and are therefore inappropriate for consideration in brief MFM called to consider political tensions in Caribbean.

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<sup>1</sup> Source: Department of State, Central Files, 363/7–1859. Confidential. Drafted by Dreier and signed by Rubottom. Also pouched to USUN.

<sup>2</sup> Circular telegram 58, July 18, sent to the same addressees, concerned the OAS Council Resolution of July 17, regarding the date, site, and agenda of the Fifth Meeting of Consultation. (*Ibid.*)

<sup>3</sup> Reference is to the Eleventh Inter-American Conference originally scheduled to meet at Quito in February 1960, but postponed until March 1961, and then postponed indefinitely.

<sup>4</sup> For documentation on this meeting, see *Foreign Relations*, 1951, vol. II, pp. 925 ff.

Refer also to tentative US ideas re action to be taken by MFM as set forth third paragraph Depcirtel 8<sup>5</sup> and request Foreign Minister's thoughts this regard. FYI Further information re US objectives at conference will be sent shortly. End FYI.

Date August 12 was suggested in view various conflicts other Foreign Ministers and obvious desire to LA governments facilitate attendance Secretary Herter. Dept. has said that it is not at this time possible state definitely when Secretary Herter might be able return from Geneva<sup>6</sup> and participate OAS MFM. We trust this situation will be clearer by July 24 when final decision date is to be taken COAS. Dept. does not at this time wish to encourage any further postponement of MFM date.

**Dillon**

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<sup>5</sup> This paragraph of circular telegram 8, July 4, reads as follows: "Department continues to believe that MFM must consider Caribbean problem with reference to causes as well as present circumstances; that MFM should on one hand reaffirm nonintervention policy and validity of collective security system, possibly appointing special committee to assist in pacifying action; on other hand express interest American peoples in achieving greater representative democracy possibly directing COAS to prepare specific projects this theme for consideration Quito Conference." (Department of State, Central Files, 713.00/7-459)

<sup>6</sup> Reference is to Meetings of the Foreign Ministers of the United States, the United Kingdom, France, and the Soviet Union at Geneva, May 11-August 5, 1959.

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## 85. Editorial Note

A Cuban proposal to include an item entitled "Economic Underdevelopment and Political Instability" on the agenda of the Fifth Meeting of Consultation failed of adoption in the Council of the Organization of American States on July 30 by a vote of 8 in favor to 4 against, with 9 abstentions (including the United States). The Cuban Interim Representative, Levi Marrero, then stated that his government would have to consider whether it should be represented at Santiago because of "serious reservations" about the "limited orientation" of the meeting. The Council adopted the agenda without reference to the Cuban item by a vote of 20 to 0, with Cuba absent. For text of the agenda, see Council of the Organization of American States, *Decisions Taken at the Meetings, January-December 1959*, volume XII, page 147.

At an informal meeting of the Council on August 5, Chairman Gonzalo Escudero of Ecuador explained that a proposal to include the Cuban item under point I of the agenda had been drawn up by some

Council Members to make possible Cuban attendance at the meeting of foreign ministers. In a memorandum of August 6 to Secretary Herter, Assistant Secretary Rubottom stated that “though this move does not appeal to us, we are inclined to go along with the majority on this resolution. We, of course, also desire that the Cubans attend the Meeting.” (Department of State, Rubottom Files: Lot 61 D 279, Foreign Ministers Meeting—Santiago 1959) The Council adopted this resolution on August 6 by a vote of 17 (including the United States) to 1, with 2 abstentions (including Cuba) and one absent. For text of this resolution, see Council of the Organization of American States, *Decisions Taken at the Meetings, January–December 1959*, volume XII, page 149.

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**86. Position Paper Prepared by the Acting Director of the Office of Inter-American Regional Political Affairs (Dreier)<sup>1</sup>**

MFM D-2/2<sup>2</sup>

*Washington, August 6, 1959.*

Agenda Item II—Effective exercise of representative democracy and respect for human rights, including:

a) Doctrinal study, taking into account the strict maintenance of the principle of nonintervention, of the possible juridical relation between the effective respect for human rights and the exercise of representative democracy, and the right to set in motion the machinery provided by American positive international law;

b) Procedure that will make it possible to measure compliance with two fundamental principles of American international law; the effective exercise of representative democracy and respect for human rights; and measures that should be taken in cases of noncompliance with those principles.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1418. Confidential.

<sup>2</sup> The designation “MFM D-2/2” is one of a series of designations for papers included in briefing books prepared for use by members of the U.S. delegation to the Fifth Meeting of Consultation. These briefing books consisted of position (D- ) papers, background (B- ) papers, and reference (Ref- ) papers.

*Recommended U.S. Position*

The basic position of the United States with respect to this controversial issue involves balancing of various factors. In general our stance should be characterized by the following:

1. A positive identification of the United States with the forces contributing to the achievement of genuine political democracy.
2. Opposition to measures which extremists, such as Cuba or possibly Venezuela, might propose which, in our opinion, contravene the principle and rules of nonintervention.
3. Acceptance, short of point 2 above, of any reasonable policies or steps within the principles of the OAS which a substantial majority of the Latin American countries favor.
4. Exercise of discreet leadership to help the MFM work out a moderately progressive posture on this subject and avoid a serious division between those governments which pose as champions of democracy and those which are labeled as reactionary or dictatorial.

The United States should make clear, if the need arises as a result of proposals made by other governments, that it is not prepared to enter into any international convention for the guarantee of human rights or the establishment of a court to enforce such a convention. It should also, if necessary, make clear that this Government is not prepared to subordinate its rights regarding the establishment or maintenance of diplomatic relations with other governments to any multilateral decisions except as provided for in the UN Charter and the Treaty of Rio de Janeiro.

The United States Delegation should be authorized to suggest in any discussion of this subject that the OAS, at the proper time and through the proper channels, give consideration to any or all of the following steps:

1. A declaration, either at the Santiago Meeting of Foreign Ministers or the Quito Conference, that it is a matter of concern to all American States if human rights are subjected to notorious and systematic violation in any American State, and that it is proper for the American governments, individually or collectively, to express their concern over any such situation.
2. Establishment within the OAS, presumably by the Quito Conference, of a commission which, subject to safeguards against its abuse, might study situations referred to it by the Council of the OAS or by a minimum number of governments, involving the notorious and systematic violation of human rights.
3. A declaration, presumably by the Inter-American Conference, setting forth the basic features of representative democracy: e.g., the holding of periodic and free elections, the maintenance of an elected legislature, maintenance of an independent judiciary, and guarantees of freedom of speech, press and religion.

4. Authorize the Secretary General of the OAS to make technical studies of electoral systems of American Republics and to assist governments in obtaining competent technical advisers for the purpose of improving their electoral systems.

*Discussion: Attitude Towards Proposals of Other Governments:*

Point II a) on the agenda is the proposal of Uruguay for a theoretical study. The basic thesis of this study would be that governments which violate principles of the OAS Charter (e.g., the need for representative democracy and respect for human rights) should lose their right to appeal for protection under other principles and procedures of the OAS (e.g., economic cooperation, protection against aggression under the Rio Treaty). While the United States should not support the undertaking of such a study, it should make clear, if there is any discussion of the substance of this proposal, that it is opposed to the basic thought that the rights of members of the OAS, particularly under the Charter and the Rio Treaty, should be subject to the judgment of other States as to their adherence to principles, many of which are stated in vague and general terms.

At this juncture in the development of international law, and in the development of multilateral machinery within the OAS, there is legally no connection established or recognized between (a) the effective respect for human rights and the exercise of representative democracy and (b) the authority to set in motion the machinery provided under international law whether by treaty or otherwise.

Without giving consideration to whether states or their governments are "good" or "bad", "democratic" or "undemocratic", "respectors" or "disrespectors" of human rights, the United States is of the view that all states and all governments in this day and age are bound to comply with their international obligations, including the obligation to resort to the peaceful procedures and machinery provided both within the OAS and within the United Nations. It is to the interest of all peace-loving states and governments that all states and governments, of whatever description, be able to set in motion such machinery as is available to maintain the peace. That is a primary obligation and a primary right.

The proposal comprises, as understood, at least three distinct aspects or problems: (1) definition or common understanding as to "human rights" and as to "representative democracy"; (2) machinery whereby the American community of States would objectively determine whether such rights are being respected by a particular government; and (3) determination of the precise rights having to do with the utilization of machinery within the OAS or under international law, thereby lost. Even if problems (1) and (2) and (3) were feasible, even if a fair and objective system could be devised for passing judgment

upon the government of a sister Republic, even if this were legal, the problem would remain of the lack of legal connection between the possession of the specified prohibited attributes and lack of ability to invoke machinery agreed to by the particular State contained, let us say, in a multilateral treaty. The sanction for violation of human rights or for failing to have the required degree of representative democracy, would thus be to "black ball" the particular State from resort to the peaceful procedures thus far devised among the American Republics. For its part, the United States does not desire to become party to such a sanction, a sanction that would be illegally imposed and as to which there is no legal foundation to be found in either treaty law or in general international law.

Should, however, the Meeting of Foreign Ministers approve the making of a "Doctrinary study" on "the possible juridical relation between the effective respect for human rights and the exercise of representative democracy, and the authority to set in motion the machinery provided by American positive international law", the United States should make it clear that it does not exert itself more strenuously to defeat the proposal for the reason that a careful study can only demonstrate that absence of legal right to attach such conditions to the invocation of rights heretofore agreed upon and recognized.

Point II b) of the agenda is a Venezuelan proposal which will presumably be implemented by more concrete suggestions regarding methods for forcing individual governments to observe human rights and practice democracy. It is very likely that other Latin American governments, such as Mexico and Argentina, will oppose any suggestion along these lines as constituting a violation of the nonintervention principle. The United States should take a secondary role in this discussion, but at the proper time make clear that it cannot support any proposal which in its view violates the principle of nonintervention as the Venezuelan's appears to do.

Any declaration setting forth the basic principles of representative democracy should be consistent with American Declaration on the Essential Rights and Duties of Man<sup>3</sup> and the Universal Declaration of Human Rights adopted by the United Nations.<sup>4</sup>

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<sup>3</sup> Resolution XXX of the Ninth International Conference of American States at Bogotá, adopted May 2, 1948; for text, see *Final Act of the Ninth International Conference of American States, Bogotá, Colombia, March 30-May 2, 1948* (Washington, 1948), p. 38.

<sup>4</sup> Resolution 217A (III) adopted by the U.N. General Assembly, December 10, 1948; for text, see United Nations, *Official Records of the Third Session of the General Assembly, Part I, 21 September-12 December 1948, Resolutions* (Paris, 1948), p. 71.

Article 20 of the American Declaration of the Essential Rights and Duties of Man reads “Every person having legal capacity is entitled to participate in the Government of his country, directly or through his representatives, and to take part in popular election, which shall be by secret ballot, and shall be honest, periodic and free.

Article 21 of the Universal Declaration of Human Rights reads:

1. Everyone has the right to take part in the Government of his country, directly or through freely chosen representatives.

2. Everyone has the right of equal access to public service in his country.

3. The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

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**87. Circular Telegram From the Department of State to Diplomatic Missions in the American Republics<sup>1</sup>**

*Washington, August 6, 1959—9:31 p.m.*

108. Department views forthcoming meeting of American Foreign Ministers as being of great, and perhaps critical, importance in maintaining integrity of principle of non-intervention and authority of OAS as cornerstones of U.S. policy towards Latin America, and as foundation of relations among American states. Erosion of these basic concepts, especially at time when Free World faces need for strength and unity for long and global struggle for survival of principle of representative democracy against encroachments of international Communist tyranny, would result in significant weakening of U.S. position and open up prospect that U.S. would have to divert energies and resources needed elsewhere for preservation of national security to deal with disorders in Caribbean Basin and possibly elsewhere in Latin America. At same time, looking beyond immediate implications for world security situation, Department remains convinced that preservation of unique inter-American system based on charter OAS with its non-intervention principle is essential not only to maintenance of

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<sup>1</sup> Source: Department of State, Central Files, 363/8–659. Confidential. Drafted by John C. Hill, Jr., and signed for Herter by Rubottom. Sent to all diplomatic missions in the American Republics, except Ciudad Trujillo, Habana, and Managua, where it was sent for information.

peace and good relations in hemisphere but also to achievement of satisfactory progress towards representative democracy and higher living standards to which peoples of Latin America and U.S. alike aspire.

In this light, Department deeply concerned about timidity of representatives of most other American Republics in situations calling for active and vocal support of fundamental inter-American principles, their tendency to focus on short-term and localized considerations such as animosity towards Trujillo and other dictatorial regimes and fear of appearing in slightest to be opposed to pro-democratic protestations of Castro regime, and their consequent reluctance effectively to assert authority of OAS.

Accordingly, Department desires you to call on President and/or other ranking authority with view to underscoring great importance of forthcoming Foreign Ministers meeting, assuring that delegation from country to which you are accredited plays an active role in Santiago in support of principles underlying inter-American system, and that meeting receives adequate private and public support from Presidents and other ranking officials concerned. In your presentation, you may find any or all of following points suitable and useful.

1) United States, based on recent contacts with Soviet bloc at Geneva and during Vice President's trip to USSR and Poland,<sup>2</sup> is more than ever convinced that nations of free world must for protracted period maintain posture of maximum firmness, unity and patience in resisting persisting expansionist ambitions of international Communism which is exhibiting new and aggressive confidence as Soviet and bloc power increases. In this context, preservation of peace and establishment of climate for further perfection democratic institutions and further progress in economic field take on global importance. Future of democratic institutions this hemisphere thus depends on success free world demonstrates in maintaining its unity and strength against Communist expansion.

2) United States has been and is deeply committed to policy of non-intervention in inter-American affairs, most recently illustrated by unanimous Senate ratification of 1950 Protocol to Habana.<sup>3</sup> This policy was initially adopted in response to American people's deep feelings concerning application democratic principles, including juridical equality of states, to international affairs and in answer to Latin American sentiments regarding previous United States intervention in Caribbean area. Inherent in U.S. non-intervention policy, however, are assumptions that other American Republics will likewise observe it as

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<sup>2</sup> Vice President Nixon visited the Soviet Union, July 23–August 2, and Poland, August 2–5, 1959.

<sup>3</sup> Reference is to the Convention on Duties and Rights of States in the Event of Civil Strife, opened for signature at Washington, May 1, 1957, but not yet ratified by the United States; for text, see 284 UNTS 201.



standard of conduct and that, in event of breach of this principle, the community of American States as whole rather than U.S. unilaterally will take effective action to preserve peace of Caribbean. If at MFM and subsequently, non-intervention principle and assumptions on which it rests are allowed to be whittled away, the basis of inter-American relations and of U.S. policy towards Latin America will be undermined. Since, at least in Caribbean basin, U.S. is least vulnerable to intervention in its affairs, it is Latin American countries which will be most adversely affected by such development.

3) U.S. is convinced, on basis extensive intelligence coverage of area, that there have been important violations of principle of non-intervention by governmental support of, as well as acquiescence in, the mobilizing, training and equipping of revolutionary expeditions designed to overthrow Governments of other countries. This is clearly form of indirect aggression, similar to pattern of indirect aggression which has sown political and economic instability in other parts of world. Evidence, although not brought out in detail in press or in reports of COAS Special Committees clearly shows (a) expedition against Panama had at least benevolent acquiescence of leading figures in Cuban Government while most expeditions against Nicaragua and Dominican Republic were given training, Cuban Government controlled equipment and otherwise encouraged and supported by Cuban Government, (b) Dominican Republic has likewise encouraged and supported counter-revolutionary movement being organized by ex-Cuban Chief of Staff Pedraza and (c) groups intending to take military action to overthrow Governments of Haiti as well as Dominican Republic and Nicaragua are reliably reported to be continuing preparations in Cuba and other countries. In addition, Cuban supported groups have used and are continuing to use territories of Costa Rica and Honduras as staging areas for anti-Somoza excursions, causing serious internal difficulties for those two Governments. Thus six countries of Caribbean area are directly involved or threatened by current wave of indirect aggression while scarcely any country, including U.S., has escaped efforts by revolutionary elements to make use their territory for purposes contravening Habana Convention.

4) If this situation is to be dealt with successfully by American Republics, it is vitally important at this time that all governments give strong support, through their delegations to Santiago meeting and before their own public, to authority of OAS and underlying principle of non-intervention. Conference should not be permitted to degenerate into venting of political animosities and recriminations engendered by current Caribbean tensions. If at all possible, it not intention of U.S. publicly to apportion blame for past violations of non-intervention principle as those have been aired in COAS, but it is U.S. hope Conference will result in moral and practical measures to prevent future

violations. Should it fail to do so, U.S. fears that chain of events might be set in motion seriously affecting peace and security throughout Caribbean area with unforeseeable consequences to inter-American relations.

5) Criticism is sometimes expressed that non-intervention system as reenforced by OAS tends to protect dictatorial regimes since opposition elements, unable to effect peaceful changes and modifications at home, are blocked by non-intervention system from attempting to effect forcible change from foreign bases. This argument, however, does not offer any solid justification for any Government or its officials to give material or moral support to attempts by such exiled elements to overthrow their home Governments, since this constitutes direct intervention in internal affairs of another country as well as indirect aggression. U.S. is deeply committed to perfection of representative democracy in U.S. and welcomes great progress which has been made by its sister American Republics. It would welcome at Santiago concrete suggestions as to how OAS might be of greater assistance on growth of democratic process on which Latin American members might agree. U.S., however, remains convinced that progress towards democracy and higher living standards throughout hemisphere must rest on foundation of non-intervention and that if Foreign Minister's meeting and OAS fail to meet test of effectively sustaining this principle in current Caribbean situation further political and economic progress in area will be in serious jeopardy.

**Herter**

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**88. Position Paper Prepared by the Acting Director of the Office of Inter-American Regional Political Affairs (Dreier)<sup>1</sup>**

MFM D-2/1

*Washington, August 7, 1959.*

Agenda Item I—For the purpose of maintaining peace in the Americas, consideration of the situation of international tension in the Caribbean area in its general and several aspects, in the light of

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1418. Confidential.

the principles and standards that govern the inter-American system, and of means to assure the observance by States of the principles of nonintervention and nonaggression.

*Recommended U.S. Position*

The U.S. position on this subject involves two main aspects of the problem: a) methods for dealing with the immediate situation of tensions in the Caribbean area which have brought about the calling of the Meeting of Foreign Ministers, and b) a review of inter-American peace procedures for the purpose of developing improvements therein which will help to reduce the likelihood of future recurrences of the present situation.

With respect to the first aspect of the problem, the present situation of tensions, the United States should:

1. In a statement to the Meeting of Foreign Ministers, and in other conversations as appropriate, emphasize the serious view which the United States takes of the tensions and unrest that have characterized the Caribbean area during the past six months. It should be pointed out that the situation involving threats to governments, and threats to the peace between countries, has already done considerable harm to the entire inter-American community. The spectacle of instability and irresponsible action by armed bands of guerrilla fighters has undermined confidence in the economic and political future of the area. The consequent controversies between governments have put a serious strain on inter-American solidarity and cooperation which are an essential part of the strength of the free world in this period of history. The revolutionary activities, and development of guerrilla warfare tactics by revolutionary movements, with or without support of governments, have created political strains in several countries in addition to those against which revolutionary activities are directed. All these developments serve to favor the Communist purpose of weakening the free world, and provide an ideal opportunity for trained Communist leaders to infiltrate and extend their influence.

2. Propose the adoption of a strong resolution by the Meeting of Foreign Ministers, declaring their adherence to the principle of non-intervention, couched in terms related to the present situation. This declaration can also contain, if desired, a reference to the other main item on the agenda, namely the need for greater democracy and human rights in the American community.

3. Propose, or support a proposal, that the Foreign Ministers request the Council of the OAS to establish a committee of five or seven governments which will have the functions of a) studying the causes of the present Caribbean tensions, and b) assisting governments in the Caribbean area to resolve any conflict or controversy that may arise in connection with official or unofficial activities that threaten the princi-

ples of nonintervention and nonaggression. This committee should be asked to report to the Quito Conference at which time it should be terminated, unless the Conference decides otherwise.

4. Oppose efforts of any individual governments such as Cuba, the Dominican Republic, Nicaragua or Venezuela, to place specific charges of intervention, or of the violation of the Habana Convention of 1928, before the Foreign Ministers. The United States should take the position that such charges have been fully aired in the Council of the OAS, and that the Meeting of Foreign Ministers, without attempting to consider the validity of individual charges, can more usefully consider the basic causes of these international tensions and means of preventing their occurrence. Any insistence upon the presentation of new charges should be met with the suggestion that they be turned over for consideration to the committee referred to in paragraph 3 above.

With respect to the second aspect of this problem, namely the inter-American peace procedures, the United States should propose, or support a proposal, that the Council of the OAS study the present inter-American peace machinery with particular reference to the means of dealing with the type of situation presently existing in the Caribbean and make recommendations with respect to possible improvements therein for consideration of the Quito Conference. This study should concern itself particularly with methods whereby incipient conflicts can be brought to the attention of the OAS for solution before they reach the point of open conflicts requiring the application of the Treaty of Rio de Janeiro, and in connection therewith special mention should be made of the possibility of revising the statutes of the Inter-American Peace Committee<sup>2</sup> with that objective in mind.

### *Discussion*

When the Dominican Republic on July 2 charged Cuba and Venezuela with assisting in the organization of armed revolutionary expeditions aimed at overthrowing the Dominican Government, the tensions in the Caribbean area reached a high point. At the time the decision was reached to call the Meeting of Foreign Ministers to consider the entire Caribbean problem, it had been made clear that action by the Council acting provisionally as Organ of Consultation under the Rio Treaty was not enough to impress the Cuban Government with the need to desist from such activities. The decision to call the Meeting of Foreign Ministers, as well as the failure of armed expeditions that invaded Nicaragua and the Dominican Republic from other countries, appears to have discouraged somewhat the interest of the Cuban

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<sup>2</sup> These statutes were approved by the OAS Council, May 9, 1956; for text, see *Annals of the Organization of American States*, vol. VIII, no. 3, 1956, p. 194.

Government and others in promoting further revolutionary activities in other countries. Dr. Fidel Castro in fact said as much in a private conversation with two representatives of the *New York Times* in July when he also freely admitted his support of earlier ventures. As a result, tensions in the Caribbean have relaxed considerably and the Cuban Government, anxious to divert attention from its past sins, has done everything in its power to create the impression that there are no tensions in the Caribbean area requiring the consideration of the Meeting of Foreign Ministers. For this reason it is necessary to remind the Foreign Ministers of the situation that has actually existed and of the necessity for taking some effective measures to prevent its resurgence.

### *Nonintervention and Nonaggression*

A strong expression by the Foreign Ministers of the adherence of the American Republics to the principles of nonintervention and nonaggression is one of the important steps which the Santiago meeting can take. The declaration should, particularly in its preamble, have some reference to the current situation not only in the Caribbean but in the Latin American area as a whole in order to give the document an element of timeliness.

It is quite possible that those governments which are particularly keen on stressing the subject of democracy and human rights will wish to have the expressions on nonintervention coupled with a declaration on the subject of democracy. If a proper balance between these two elements is maintained, there would be no objection to combining both subjects in one document which might then be called "Declaration of Santiago". A rough draft suggesting how this might be done is being prepared as a basis of negotiation and development.

Some more concrete action by the Foreign Ministers seems however essential in order to give more meaning to the declaration in regard to nonintervention and nonaggression. In view of the present relatively quiet situation in the Caribbean and the susceptibility of individual governments, it would not seem desirable to attempt to establish a "watch-dog" committee as such. However, the establishment of some committee should in fact, perhaps by its very existence, have a calming effect on the area and would seem to be useful. With this in mind, it is thought that the Meeting of Foreign Ministers might request the Council of the OAS to organize such a committee of the Caribbean, the life of which would extend only until the Quito Conference. The committee would be asked to study the causes of the situation which has created tensions in the Caribbean area and report thereon to the Quito Conference. It would also have the power of assisting governments of the Caribbean area in the solution of any

controversy or problem that might arise between them with respect to activities alleged to violate the principles of nonintervention or nonaggression.

It is probable that the champions of democracy will urge that this committee be given the authority to investigate the charges of violation of human rights and suppression of democratic rule. If pressure for this develops, the United States should adopt an attitude such as that set forth in the position paper on item II of the agenda and help work out a formula which will command a large majority in its support.

Another alternative to the establishment of the above mentioned committee would be the creation of a committee, not limited to the Caribbean area, which would have only the function of helping governments resolve controversies with respect to nonintervention or nonaggression that might arise between the time of the Santiago meeting and the Quito Conference. Such a proposal might be made by some countries of the Caribbean area which would prefer not to have their region stigmatized by the creation of such a committee to look into their problems. This alternative is, however, distinctly less desirable than the former: it would on the one hand be less closely related to the purpose for which the Meeting of Foreign Ministers was called; it would also raise the question of what other disputes might be in the minds of Foreign Ministers in establishing such a group and thereby raise the specter of such long-standing and classical controversies as the Ecuador-Peru boundary dispute, the Bolivian desire for a seaport, etc.

#### *Review of Inter-American Peace Procedures*

There is considerable room for negotiation in regard to the conduct of a study of inter-American peace procedures with a view to making recommendations to the Quito Conference regarding improvements therein. As indicated above, the weakness of the Inter-American Peace Committee on the one hand, and the absence of any intermediate machinery on the other, has made it necessary for American States, particularly in the Caribbean area, to allow conflicts to develop to the point of an actual or threatened armed attack justifying the invocation of the Rio Treaty. In the cases of Panama, Nicaragua and the Dominican Republic, it was felt by many of the American governments that the Rio Treaty was being used for purposes for which it was never intended. The objective of the Rio Treaty is the protection of the territorial integrity and political independence of the American States primarily from attacks by other states. It was never conceived of as an instrument for the protection of governments against revolutionary movements as such. However, if governments are not to call upon the Rio Treaty in times of conflict such as that which has existed in the

Caribbean, some other means of facing these problems must be devised. This is the objective of the study which should be recommended by the Ministers of Foreign Affairs, presumably to be carried out by the Council of the OAS.

A major opportunity for achieving this objective is through a revision of the statutes of the Inter-American Peace Committee in order to restore to it some of the initiative which it had originally set up at the Second Meeting of Foreign Ministers at Habana in 1940. However, there may be other alternatives which should be considered in this connection and the Council should not be limited to a review of the statutes of the Inter-American Peace Committee. It is believed that the best approach to this problem would be to have the Meeting of Foreign Ministers adopt a resolution requesting the Council of the OAS to make this study with a view to achieving certain basic objectives which might be stated as follows:

To provide for the establishment within the OAS of a committee or other organ which would have the authority: 1) to offer its collaboration to any American States between which a controversy developed which they had been unable to settle through peaceful procedures; 2) to investigate, with the agreement of the governments directly concerned, charges of activities in one State directed at fomenting civil strife in another; and 3) to recommend to States measures or procedures which might serve to resolve such controversies, and otherwise assist the States directly concerned in reaching a solution.

Any final action by the COAS to establish such a committee or other organ should be taken by the Quito Conference, in order to ensure thorough study by the Council of the OAS, including the preparation of a draft agreement for the consideration of the Conference.

**89. Position Paper Prepared by the Officer in Charge of Inter-American Security and Military Assistance (Spencer)<sup>1</sup>**

MFM D-2/3

Washington, August 7, 1959.

OAS PATROL OR POLICE FORCE

(To be raised only at foreign initiative)

*Anticipated Position of the Foreign Governments*

Some members of the U.S. Senate have manifested a strong interest in the establishment of regional military forces, under the auspices of the OAS, for use in connection with the settlement of intra-American disputes, and presumably, for use in resisting aggression from outside the hemisphere. This interest has been publicized widely in the Latin American press and has provoked some informal comment by Latin American officials. The Latin American reaction has been preponderantly negative, with the following notable exceptions:

a. The Chilean Foreign Minister<sup>2</sup> has suggested the establishment of a vigilance committee to maintain surveillance of the Caribbean area with a view to discouraging intervention. He has suggested that such a committee might be given authority to request individual countries to contribute navy and air forces to be utilized for patrolling areas outside the territorial limits of individual States and reporting to the committee military movements observed in the area.

b. The Ecuadoran Defense Minister<sup>3</sup> has expressed to the Chairman of the Inter-American Defense Board,<sup>4</sup> who has responded negatively, the hope of the Ecuadoran Government that a hemispheric defense force, "like NATO in Europe", may eventually be established to "give the hemisphere initial protection and security in the case of aggression from outside".

*Recommended U.S. Position*

1. The U.S. should support the majority Latin American position at the Conference, which is expected to be negative, regarding the establishment of small regional patrol or police forces under the control of the COAS for use in connection with intra-American disputes. A contribution of patrol units under the command of individual countries has been accepted by the COAS in connection with previous

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1418. Confidential.

<sup>2</sup> Germán Vergara Donoso.

<sup>3</sup> Gustavo Diez Delgado.

<sup>4</sup> General Lemuel C. Shepherd, Jr., USMC.



intra-American disputes (*see discussion, paragraph 3 (b), below*). For U.S. position re vigilance committee concept, *see position paper on agenda item No. 1*.

2. The U.S. should oppose the establishment, at this time, of regional forces under the COAS or IADB to resist aggression from outside the hemisphere, on the ground that the regional defense problems which motivated the establishment of NATO forces are quite different, in character and scope, from the problems of hemispheric defense against outside aggression.

### *Discussion*

#### *(1) U.S. Congressional Sentiment*

When the Senate Foreign Relations Committee considered the mutual security legislation this year, a number of Senators, particularly Senators Fulbright, Smathers and Church, favored the establishment of inter-American forces under the control of the Council of the OAS or the Inter-American Defense Board. The Senate version of the mutual security legislation stated specifically that a designated amount of the total funds appropriated for the Latin American military assistance program now being conducted on a bilateral basis must be used for the establishment of regional forces or else devoted to economic assistance. However, this provision was not included in the legislation finally approved by the Congress and signed by the President.<sup>5</sup>

U.S. Senators who favored the concept of regional forces appeared motivated by the following considerations: (1) they believed that if U.S. military assistance were extended to Latin American countries through multilateral rather than bilateral channels the U.S. would avoid a great deal of the type of Latin American criticism which was manifested against the U.S. bilateral program during the Castro rebellion in Cuba; (2) they believed that regional forces could be maintained at less Latin American expense than existing Latin American military establishments, and at less U.S. expense than the cost of our present bilateral military program; (3) they believed that regional forces might prove useful in the settlement of intra-American disputes under the Rio Treaty.

#### *(2) Latin American Reaction*

Although we did not query Latin American governments officially, the proposal provoked considerable comment in the Latin American press. These reports, together with informal comment by Latin American representatives, indicate very little enthusiasm for the proposal, principally because: (a) the Latin Americans have a preference for handling conflicts between American States without resort to armed force; (b) individual countries fear the future possibility that

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<sup>5</sup> Reference is to the Mutual Security Act of 1959.

such forces would be utilized against themselves under circumstances which they would consider in violation of the principle of non-intervention.

(3) *Considerations Underlying U.S. Position*

a. The establishment of regional forces would require agreement by American States at an appropriate inter-American conference. Such agreement is at present unlikely, in view of the prevalent Latin American preference for handling disputes without resort to armed force.

b. Intra-American disputes which have arisen, to date, for consideration under the Rio Treaty have demonstrated no requirement for regional combat forces under the control of the COAS. In several of these cases, important functions have been performed on behalf of the OAS by small numbers of military officers assigned to the OAS by the U.S. and Latin American governments. Their functions have been limited to advising the OAS Committee members and carrying out observation operations with land, air and sea patrols. In no case has it been necessary for the OAS to resort to military force to end a conflict. It is recognized, of course, that intra-American disputes requiring the use of armed force to preserve the peace may arise in the future, and that the COAS, in such circumstances, may find it necessary to call upon American Republics to contribute military assistance on an ad hoc basis for that purpose. While advance military planning for such a contingency would facilitate the expeditious and orderly assemblage and operation of required military units, if and when they should be required, this subject should not be raised at the Conference in view of the Latin American attitude described in paragraph numbered (2) above.

c. While the cost to Latin Americans of maintaining a small mobile regional force for use in settling intra-American disputes would be less than the cost of maintaining existing Latin American military establishments, virtually all countries would consider the cost of regional forces additive to their present military expenditures. Regional forces would not release a significant quantity of Latin American military funds for economic development.

d. The establishment of regional forces to resist an aggression from outside the hemisphere would not, at present, be in the U.S. interest. The U.S. is already providing 12 Latin American countries with bilateral grant military assistance for this purpose. If regional forces should be established, it would be virtually impossible to limit participation, since most countries would feel compelled politically to participate, irrespective of their military or financial capability to do so. Furthermore, individual countries would consider that they could not afford politically to assume military responsibilities in connection with regional forces of significantly less magnitude than neighboring countries clearly eligible, for strategic and economic reasons, to assume

more important roles. In such a climate there would be great pressure upon the U.S. to concur in the unrealistic recommendations of 20 Latin American countries regarding the matériel requirements of a regional force, and in addition, great pressure for the U.S. to provide greater quantities and more costly equipment than it is now providing 12 selected countries in the current bilateral program.

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**90. Background Paper Prepared by the Officer in Charge of U.S. OAS Delegation Matters (Redington)<sup>1</sup>**

MFM B-2/52

*Washington, August 7, 1959.*

SITUATION IN THE CARIBBEAN

*Summary*

The Caribbean area has had a chronic problem of tensions and disturbances stemming particularly from the agitation of political exiles against the frequently dictatorial governments of their native countries. The coming into power of Fidel Castro in Cuba at the beginning of this year, with his avowed position against the remaining dictatorships of the area, and the influence of his victorious 26th of July revolutionary movement in Cuba, gave great impetus to Haitian, Nicaraguan and Dominican political exile groups and allied elements in the Caribbean, and initiated the present period of heightened international tension in that area. Numerous plots and plans were hatched to overthrow unpopular governments, especially the Trujillo regime of the Dominican Republic and the regime of the Somozas in Nicaragua, through action initiated principally from outside their borders. Pro-communist elements have taken advantage of the situation in infiltrating some of the exile and revolutionary groups and in exacerbating tensions in the area for their own purposes.

There have resulted a series of invasions and invasion attempts by armed revolutionary elements of different nationalities against Panama, Nicaragua and the Dominican Republic during the period April–June, 1959. These attempts to promote civil strife in those countries and overthrow their governments all failed, especially in view of the inadequacies of the expeditions and the failure of domestic elements within the countries invaded to support them. Cubans were

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1418. Confidential.

conspicuous members of most of these enterprises, and Cuban authorities rendered them assistance in most cases, despite official protestations of Cuba's adherence to its international obligations and its prevention of interventionist activities.

Haiti at the same time has felt itself threatened by invasions from Cuba aimed at the bordering Dominican Republic through Haiti, and Trujillo's dictatorial regime of the Dominican Republic has prepared a counter-revolutionary force aimed against Cuba. A war of nerves and of propaganda developed between the Trujillo regime on one hand, and Cuba and Venezuela on the other, culminating in the latter two governments breaking diplomatic relations with the Dominican Republic. At the same time Nicaragua has been disturbed by the existence of elements in its neighboring states of Honduras and Costa Rica supporting or sympathetic to the Nicaraguan rebel movement, and has on occasion threatened the possibility of counter-measures against these potential sources of aggression.

The Organization of American States took effective action under the Rio Treaty to help terminate the invasion of Panama at the end of April, but played a more passive role on applying that Treaty in the case of the invasion of Nicaragua in June, for fear of appearing to be intervening in favor of an unpopular government against its internal opposition. A Dominican request for the application of the Rio Treaty, in view of the invasions it had suffered in June, was superseded by the decision of the Council of the OAS, taken on July 13, to convoke a Meeting of Consultation of Foreign Ministers in order to consider ways of resolving the over-all acute problem of tensions in the Caribbean.

#### *Rise in Tensions in early 1959 and Invasion of Panama*

The present period of heightened international tension in the Caribbean area dates from the beginning of this year with the overthrow of Batista's repressive regime in Cuba and the coming into power in that country of Fidel Castro and his 26th of July revolutionary movement. Flushed with the triumph of their cause in Cuba, Castro and his lieutenants predicted the downfall of what they characterized as the remaining dictatorships of the region, i.e., the Trujillo regime of the Dominican Republic and the regime of the Somozas in Nicaragua, and proclaimed their solidarity with the forces seeking to replace those regimes with "democratic" ones. This development gave great encouragement and impetus to Nicaraguan and Dominican exile groups and allied elements in the Caribbean opposed to the governments of the two countries, and stimulated a rash of plots and plans to overthrow those governments through action initiated principally from outside their borders. The present liberal government of Venezuela came into being when President Betancourt took office on February 13, 1959, and it made clear its stand in favor of the forces of

democracy against the remaining dictatorships. Caracas became, like Havana, a haven for exiles and a center for anti-dictatorship activity. The "Democratic Declaration of Caracas,"<sup>2</sup> signed on February 16 by the head of Betancourt's *Acción Democrática* party, by Raul Roa, present Minister of State of Cuba, by José Figueres, ex-President of Costa Rica, and by liberal newspaper editors of various countries, listed the Governments of the Dominican Republic, Nicaragua, and Paraguay as dictatorships, asked for their exclusion from the OAS, and called for a united, free Latin America and a democratic inter-Americanism. Governor Muñoz Marín of Puerto Rico added his voice to the chorus of well-known liberals calling for democratic action and the end of dictatorship in the Caribbean area.

With these developments, the Governments of the Dominican Republic and Nicaragua felt increasing concern over activities and propaganda directed against them, and the Duvalier government of Haiti also became alarmed in view of subversive plots against it being hatched by Haitian exiles in Cuba, which on occasion seemed to enjoy some measure of Cuban support.

The atmosphere in the Caribbean became charged with threats and rumors of invasion of the Dominican Republic, Nicaragua, Haiti, and finally Panama and there was widespread evidence of subversive plotting against those governments. The professional revolutionary, mercenary and adventurer, types historically indigenous to the Caribbean area, joined with the idealists, and helped swell the ranks of would-be invaders. Efforts to coordinate anti-dictator plotting, however, were hampered by the diversity of objectives and outlook of the various exile groups and differing attitudes toward them by varying sectors of the host governments. In this connection, ex-President Figueres of Costa Rica, well-known liberal and supporter of movements against the Nicaraguan regime of the Somozas, and Fidel Castro broke publicly with each other in March, primarily because of Castro's extremist policies and tolerance of communist elements of which Figueres did not approve.

Strangely enough, the first Caribbean country to be invaded by armed elements was Panama, whose government was generally considered to be democratic in character. A group of 90-odd men, almost all of whom were Cubans, sailed from Cuba and landed on the coast of Panama April 25. The group had been organized and financed, apparently, by two Panamanian political figures opposed to President de la Guardia's regime. It is likely that certain Cuban officials knew and approved of the expedition; however, when the invasion was denounced by Panama in the OAS, the Cuban Government also de-

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<sup>2</sup> A report on the signature of this declaration on February 15, 1959, is in item 4 of despatch 718 from Caracas, February 25, 1959. (*Ibid.*, Central Files, 731.00(W)/2-2559)

nounced it and took prompt steps to dissuade the invaders from their intentions. With the assistance of an OAS investigating committee, the invasion was brought to an end without bloodshed.

### *Cuba-Dominican Republic*

At the heart of the strained Caribbean situation has been the intense hostility between the Castro and Trujillo governments. The dictatorship of Generalissimo Rafael L. Trujillo, viewed with repugnance by most American states and a major irritant in Caribbean relationships, has been Castro's principal target and foreign enemy. A war of nerves warfare developed between the two countries, with public figures, the press and radio of both countries indulging in strong vituperative attacks on the regime of the other side. The Trujillo propaganda machine especially characterized the Castro government as communist-dominated. The Trujillo regime, concerned over the possibility of invasion of the Dominican Republic, possibly through Haiti, by a force of Dominican exiles having Cuban assistance, started making large scale arms purchases in Europe, and recruited foreign mercenaries to serve in an "anti-communist foreign legion," which was to help defend Haiti. By May, Dominican plotting against the Castro government had taken shape and a considerable force of men was developed in the Dominican Republic to be held in readiness to invade Cuba and overthrow Castro. The force was apparently to be headed by ex-General Jose Pedraza, one-time Cuban National Police Chief under the deposed Batista regime, and included Cuban exiles associated with the Batista regime and mercenaries procured in Spain by the Dominican Government, and also in France.

At this juncture, there occurred by air and by sea armed invasions of the Dominican Republic by groups coming from Cuba. Under the command of Enrique Jiménez, a Dominican exile and comrade-in-arms of Fidel Castro, a group of some 60 armed men, mostly Dominicans and Cubans, landed by plane on June 14 in the interior of the country. On June 20, 2 ships carrying about 150 armed revolutionaries, also dedicated to the overthrow of the Trujillo regime, landed on the Dominican coast. Both invasions were crushed by the Dominican armed forces, and there was an apparent lack of local popular support for the invaders.

After these invasions, it was reported that Generalissimo Trujillo was on the verge of launching the force organized under General Pedraza against Cuba, but that he thought better of it, especially in view of the attitude of the United States.

With suspicions, animosity and propaganda warfare at a height between the two countries, Cuba on June 26 broke diplomatic relations with the Dominican Republic, citing, among other things, the latter's protection of "Batista war criminals," the sacking of the Cuban

Embassy in Ciudad Trujillo, the preparation of a "counter-revolutionary force of 25,000 men" aimed against Cuba, insults against Cuba by the government-controlled press and radio and, especially, attacks by the Dominican air force on its own defenseless civilian population and the "torture and assassination of prisoners" (presumably captured invaders).

### *Haiti*

Although Haiti has not, at least as yet, been the victim of an invasion attempt, there have been continued reports of preparations in Cuba by a relatively large group of revolutionaries to invade Haiti so as to secure that country as a base whence to launch an attack against the strongly entrenched Trujillo regime in the bordering Dominican Republic. Haiti has found itself in a most difficult position, geographically between the hostile states of Cuba and the Dominican Republic and subject to encroachments from either side. Much concerned over the possibility of invasion from Cuba, Haiti has felt obliged to request military assistance of the United States to defend its coasts and air space.

### *Venezuela–Dominican Republic*

Relations between the Dominican and Venezuelan Governments deteriorated notably in the first part of 1959. The situation was featured by marked hostility between Generalissimo Trujillo and President Betancourt, and sharp attacks by the press and radio of each country against the regime of the other. Venezuelan elements provided hospitality and assistance to Dominican exiled groups, although the government maintained a position of non-interference in the affairs of other states. Finally, Venezuela suspended diplomatic relations with the Dominican Republic on June 12, citing, among other things, the unresolved problem of the Dominicans who had been in asylum in the Venezuelan Embassy in Ciudad Trujillo since January 22, unjustified declarations of *persona non grata* of Venezuelan diplomatic officials, subversive literature introduced by the Dominican Government into Venezuela, its insults and propaganda attacks against the Venezuelan Government, and Dominican-financed espionage activities to overthrow the present Venezuelan Government.

President Betancourt and his Foreign Minister<sup>3</sup> have a deeply emotional attitude against the Trujillo regime, and have stated that only with the removal of the Generalissimo can peace and stability be restored to the Caribbean.

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<sup>3</sup> Ignacio Luis Arcaya Rivero.

*Puerto Rico–Dominican Republic*

The active support by Puerto Rican elements of anti-Trujillo activity, including their participation in revolutionary expeditions aiming at the overthrow of the Dominican Government, and the general sympathy in Puerto Rico for democratic forces opposed to Trujillo, have been an irritant to that Government, which has indulged in harsh verbal attacks on Governor Muñoz Marín. The Dominican Government has complained formally to the United States regarding this situation.

*Nicaragua and its Bordering States*

A separate and special problem is involved in Nicaragua's relations with Costa Rica and Honduras. Widespread dislike of the Somoza government in the two latter countries and attendant sympathy for Nicaraguan revolutionaries, as well as the geographic contiguity of both countries with Nicaragua, have made them the natural jumping off place for armed movements against the Nicaraguan Government, not to mention the target of possible Nicaraguan countermeasures. Both the Costa Rican and Honduran Governments have stated their policies of adhering to their international commitments vis-à-vis Nicaragua, including non-intervention in the internal Nicaraguan situation and the prevention of hostile activities in their territories aimed against the Government and civil order of Nicaragua.

In Costa Rica, however, the application of these policies by President Echandi has been made difficult by elements in the country notably sympathetic to the Nicaraguan rebels, including a majority of the Costa Rican Congress and the strong opposition party headed by ex-President Figueres. The latter, traditional enemy of the Somozas, has been a rallying point for Nicaraguan revolutionaries in Costa Rica, whom he has supported in one form or another and who have enjoyed relative freedom during their exile in that country. Under such circumstances, a group of about 110 armed men, almost all Nicaraguans, were able to organize in Costa Rica and invade Nicaragua by air on May 31 and June 1, using a plane of a Costa Rican airline. The operation was carried out without the knowledge of the Costa Rican Government, which took prompt steps to prevent the occurrence of similar incidents. The invading group received no support from Nicaraguan farmers they encountered, and were captured by the Nicaraguan National Guard. Later, on June 16, the Costa Rican authorities discovered at Punta Llorona, an area on the Costa Rican Pacific coast from which the earlier invading group had departed, a new concentration of about 160 well armed men of various nationalities who were preparing for another invasion of Nicaragua. Two members of the Costa Rican Con-



gress were actively collaborating with this group. The situation was a very delicate one for the Government which, however, managed to achieve the peaceful dissolution of the group.

With regard to Honduras, a group of some 60 armed revolutionaries was captured by the Honduran Army on June 24, near the Nicaraguan frontier. This group, which intended to enter Nicaragua in an attempt to overthrow the Somoza government, was under the command of Rafael Somarriba, a naturalized American citizen of Nicaraguan birth, and included Nicaraguans, Cubans and Guatemalans. The guiding force behind the group, which had gathered surreptitiously in Honduras, was a pro-communist group of Nicaraguan revolutionary exiles in Havana, which had the sympathy and active support of Major Ernesto "Che" Guevara, prominent leftist military official of the Castro government. Later, the Honduran authorities captured at the mouth of the Rio Patuca on the Caribbean coast a group of some 20 armed Cubans and their leader, Chester Lacayo, an unaffiliated Nicaraguan exile, who had landed there on a revolutionary mission against the Nicaraguan Government. The group had sailed from Cuba some days before, apparently unknown to the Cuban authorities.

Reports continue to be received of armed rebel groups maneuvering in the Nicaraguan-Honduran and, especially, the Nicaraguan-Costa Rican border areas, and thus the possibility of the occurrence of border incidents continues.

### *Policy and Role of Cuba*

After the bravado of their initial declarations against the remaining dictatorships, and since the occurrence of the Panamanian invasion, Castro and his lieutenants have tended to proclaim a correct policy of fulfilling Cuba's international commitments of non-intervention and of not permitting Cuba to be used as a base to launch expeditions against other states, in accordance with its obligations under the Havana Convention. At the same time, they have expressed Cuba's moral support of democratic movements against dictatorships and have stated that Cuba would remain a haven for exiles from tyranny.

The record of Cuba's support of revolutionary activity in the Caribbean has been quite at variance with its declared policy. Cuban authorities have, "under the table", aided various revolutionary expeditions and activities, notably the pro-communist Nicaraguan exile group in Havana and the related armed group in Honduras under Somarriba, the Punta Llorona force discovered in Costa Rica on June 16, and the groups which invaded the Dominican Republic from Cuba. They have facilitated the provision of men, arms and transport for these groups, and continue to support training camps in Cuba for the preparation of revolutionary forces directed against other governments.

Despite the foregoing and Cuba's conspicuous role in the complex of revolutionary expeditions in the Caribbean, Cuba has denied before the Organization of American States many of these facts or otherwise tried to distort them.

### *Communist Activity*

Significant sectors of both the Dominican and Nicaraguan exile groups engaged in revolutionary activities have been pro-communist. The Dominican Patriotic Union, with communist-dominated branches in Venezuela and Cuba, has enjoyed the support of Castro. Enrique Jimenez, who trained and headed the forces which invaded the Dominican Republic, was a leader of the Cuban branch of this party, although evidently himself not a communist or sympathizer.

The most important group of Nicaraguan revolutionaries in Cuba has been the pro-communist one previously referred to. The only Nicaraguan exile organization known to be in Venezuela, the Nicaraguan Patriotic Union, is communist-influenced, if not communist-dominated.

While the possibility of any of these groups succeeding in setting up pro-communist governments in their homelands appears remote, the support they have received from Cuban sources is a matter of significance, as is the fact that their activities contribute to tensions in the Caribbean area and tend to serve communist purposes of fomenting inter-American discord and hostility towards the United States.

### *Arms Supply*

The Castro revolutionary regime, which on coming to power obtained access to Cuban Government arsenals in addition to its own considerable arms stock, has been a principal source of arms and equipment for Caribbean revolutionary movements. Available evidence points to the conclusion that senior Castro lieutenants—probably under Castro's direction—made available arms and in some cases training facilities and transportation used in most of the recent invasion attempts in the Caribbean area.

There has also been a considerable increase in clandestine arms traffic in the area. The conservative expedition against Nicaragua evidently obtained most of its arms on the Costa Rican black market, and there have been recent attempts of revolutionary and counter-revolutionary elements to obtain arms and transport in the United States (especially Miami).

*Role of the Organization of American States**a. Dictatorships and Human Rights*

Attendant upon Castro's and Betancourt's coming to power, pronouncements started to come forth from Cuba and Venezuela calling for the expulsion of dictatorial governments from the OAS, and for collective OAS action against dictatorships and in support of representative democracy and human rights. Cuban officials went so far as to say that Cuba would withdraw from the Organization if the dictatorships were not ejected. At the first meeting of the OAS Council which he attended (in March), the new Cuban representative, Raul Roa (now Minister of State), spoke of the profound distrust the Cuban Government and people had in the effectiveness of the OAS, which had stood idly by when Batista was trampling on the rights of Cubans.

The new Cuban Government, however, became exposed to the facts of life of the OAS, i.e., that there was no provision in the OAS Charter for the expulsion of member states, that all the governments were juridically equal and entitled to similar treatment, that there was no provision or feasible method for qualifying governments as between democratic and dictatorial nor for enforcing the protection of human rights within a state, which most governments would consider a violation of the basic principle of non-intervention. The Cuban position as expressed in the OAS Council, therefore, was watered down to a general call for collective juridical action in cases where human rights were violated and for collective machinery for promoting the observance of representative democracy and human rights. Cuba's doctrine, as it was developed, seemed, in effect, to sanction interventionist activities in the case of dictatorships, with strict non-intervention to be applied in the case of democratic countries.

*b. Rio Treaty Action*

Meanwhile Cuba found itself on the defensive end in a sudden flurry of OAS activity pursuant to its role for the maintenance of peace and security in the Americas. Article 6 of the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) was invoked three times during the April–June period, by Panama, Nicaragua and the Dominican Republic (and almost by Haiti). In the first two cases the Council applied the Treaty by convoking the Organ of Consultation and acting provisionally in that capacity, although Panama and Nicaragua had accused no governments in connection with the invasions of which they had been victims.

(1) *Panama.* In the case of the invasion of Panama, previously described, all the governments approved the Council's resolution of April 28 convoking the Organ of Consultation and calling for support

for Panama.<sup>4</sup> An Investigating Committee of the Council went to Panama, and facilitated the surrender of the invaders to the weakly defended government of that country. The Committee, as authorized by the Council, sponsored an air and sea patrol of Panama's Atlantic coast, observing for reported new invasion craft coming from Cuba. The United States, Colombia and Ecuador provided the units for that operation, which was coordinated by the U.S. Caribbean Command. The Cuban Government denied any knowledge of the invasion expedition, cooperated in OAS efforts to bring it to an end, and asserted that its increased vigilance would not make possible any further such armed enterprises embarking from Cuba.

On terminating the Organ of Consultation on June 18, the Council recommended to the member states that they strengthen, if indicated, their measures to prevent situations such as had affected Panama, and recommended that all governments become parties to the 1928 Havana Convention and the 1957 Protocol thereto.

(2) *Nicaragua*. Nicaragua requested on June 3 convocation of the Organ of Consultation in view of the invasion from Costa Rica which had just occurred, and of an expedition of armed rebellious elements which, it alleged, had departed in three boats from Cuba to invade Nicaragua. The Nicaraguan representative spoke of the possibility of Nicaragua having to counterattack against further invaders coming from Costa Rica, which might lead to a Nicaraguan-Costa Rican conflict.

This request posed a dilemma for many of the governments, in view of the general unpopularity of the Somoza regime, the fact that the invaders appeared to be essentially Nicaraguans, which gave the matter an internal aspect, and the fear that favorable action on the request might be interpreted as OAS support of the Somoza regime against its own domestic opposition. Cuba and Venezuela vigorously opposed the application of the Rio Treaty to this case, labelling it an internal Nicaraguan matter, and Bolivia also stated its opposition. The United States declared its support of the Nicaraguan request, stating its opinion that the case fell within Article 6 of the Rio Treaty, and that incidents such as these threatened the principles of non-intervention set forth in the Charter and the principles of the 1928 Havana Convention.

The Council then passed a cautious resolution on June 4<sup>5</sup> opposed only by Venezuela and Cuba, convoking the Organ of Consultation,

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<sup>4</sup> For text of the resolution, see Council of the Organization of American States, *Decisions Taken at the Meetings, January-December, 1959*, vol. XII, p. 31.

<sup>5</sup> For text, see *ibid.*, p. 49.

but reserving judgment on the nature of the facts until a fact-finding committee which it established could gather further information on the case.

The above-mentioned Committee visited Honduras, Nicaragua and Costa Rica, while the Cuban Government took the unprecedented step of stating that it would not receive the Committee if it should decide to go to Cuba. It presented to the Council two factual reports<sup>6</sup> on its findings regarding the various Nicaraguan invasion attempts, and the Council on July 28 approved a rather vague and pusillanimous resolution<sup>7</sup> terminating the Organ of Consultation and recommending to the American states that they reinforce measures to maintain peace, observing the principles of non-intervention. The various Latin American delegations were clearly reluctant to take positive decisions or face up to responsibility in connection with this case, especially with regard to singling out Cuba for its failure to prevent interventionist activities.

(3) *Dominican Republic*. The OAS member governments were placed in a greater dilemma when on July 2 the Dominican Government suddenly requested the Council to convoke the Organ of Consultation in view of the invasions of the Dominican Republic of some days earlier. The spectacle of seemingly going to the assistance of the Trujillo regime would doubtless have brought a storm of criticism upon the OAS. The Dominican representative charged the Cuban Government with assisting the invasion expeditions, and asserted that some 3,000 men were at the moment being trained in Cuba and 25 warplanes had been supplied by the Government of Venezuela, constituting preparations for new invasions of his country. The Cuban and Venezuelan representatives flatly denied all the allegations pertaining to their respective countries, and vehemently opposed the Dominican request for the application of the Rio Treaty. Raul Roa, both Cuban Foreign Minister and Representative on the Council, launched a harsh attack on Trujillo, whom he accused of preparing an invasion of Cuba. The Nicaraguan representative, on the other hand, indicated his readiness to vote in favor of the Dominican request, and the Haitian representative spoke with concern about the debarkation in Haiti, expected at any moment, of an armed group bent on invading the Dominican Republic through Haiti. It seemed evident, however, that few others would be able to support the Dominican request. The Venezuelan

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<sup>6</sup> Reference is to reports submitted June 26 and July 28; for texts, see *Reports of the Committee of the Council Acting Provisionally as Organ of Consultation in the Case of Nicaragua in Compliance with the Provisions of Paragraph 4 of the Council Resolution Approved June 4, 1959* (OES/Ser. G/IV C-i-419 (English) Rev. 2 Corr.). OES/Ser. G/IV C-i is the series designator for OAS Council committee reports. Copies of these reports are in Department of State, USOAS Files: Lot 72 D 291.

<sup>7</sup> For text of the resolution approved July 28, see *Council of the Organization of American States, Decisions Taken at the Meetings, January–December 1959*, vol. XII, p. 142.

Government felt so strongly with respect to this matter, that it informed other governments that if the Dominican request should be approved by the Council, Venezuela would be obliged to withdraw from the OAS.

During this same period the proposal for a Meeting of Consultation of Foreign Ministers on the whole Caribbean situation was gaining support. In the face of this situation, on July 10 the Dominicans withdrew their request before there was an opportunity for it to come to a vote.

c. *Foreign Ministers Meeting.* It became apparent to the United States that these acts of intervention and aggression occurring in the Caribbean area were part of a pattern which required a region-wide approach and needed to be dealt with at a high level, as handling of the problem by the OAS Council on a case by case basis was developing into somewhat of a futile exercise. The United States, therefore, started consultations on June 18 with all Latin American governments regarding this serious matter, and subsequently suggested to them the possibility of convoking a Meeting of Consultation of Foreign Ministers under the OAS Charter to consider the over-all problem of tensions in the Caribbean, both from the standpoint of maintaining peace and non-intervention, and of promoting the exercise of representative democracy and respect for human rights. The United States also expressed its concern to those governments over the evidences of communist infiltration of revolutionary movements in the Caribbean. To generalize the approach to the Caribbean problem as much as possible, three South American countries, Brazil, Chile and Peru, joined with the United States in submitting to the Council on July 10 a proposal for the convocation of the Foreign Ministers Meeting under the Articles 39 and 40 of the Charter. The way was facilitated by the withdrawal of the Dominican request for Rio Treaty action, as mentioned above, and with Cuba and Venezuela apparently finding to their satisfaction that the Foreign Ministers Meeting proposal neither was linked to nor grew out of the Dominican request, the proposal was approved unanimously by the Council on July 13.

91. **Telegram From the Department of State to the Embassy in Chile<sup>1</sup>**

*Washington, August 8, 1959—6 p.m.*

111. Embtel 75.<sup>2</sup> As indicated on other occasions (e.g. in UN) US does not feel it can enter into convention on human rights or join in establishing court to enforce them, but would have no objection if others wished to do so. Department doubts that MFM will be able to come to any concrete conclusions on complicated subject of democracy and human rights, and has felt that declaration on subject, plus assignment certain projects and topics for study to COAS with view submital projects to Quito Conference would be most that could reasonably be expected.

Department sympathetic to establishment within OAS, if other governments so desire, of some form of commission on human rights with carefully defined functions which would enable it to promote understanding of and respect for democracy and human rights without violating nonintervention principle. This might well be a subject on which MFM would request COAS prepare draft for Quito Conference.

FYI Department's further ideas this subject set forth in position paper carried by Henry Allen and now approved.<sup>3</sup> End FYI.

**Herter**

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<sup>1</sup> Source: Department of State, Central Files, 363/8-759. Confidential. Drafted by Dreier who signed for Herter.

<sup>2</sup> Telegram 75, August 7, requested guidance on a Chilean plan to propose a resolution stating basic political rights and establishing an OAS committee on human rights. (*Ibid.*, 363/8-759)

<sup>3</sup> The paper carried by Henry E. Allen, Office of International Conferences, has not been further identified, but see Document 86.

92. **Record of a Delegation Meeting, Santiago, August 12, 1959,  
10 a.m.**<sup>1</sup>

*The Secretary, Chairman*

*1. Procedural Matters*

Mr. Rubottom discussed the procedural arrangements for the Inaugural Session this morning. He said that the important procedural question still to be decided was whether meetings of the General Committee should be open to the public. The Secretary commented that this is a touchy matter and said that, while making such sessions public would cut down on the time for the real work of the conference, the United States should avoid taking the lead in urging that they be held in secret. Mr. Rubottom thought the Colombians might take the initiative in arranging a suitable compromise on public sessions. Ambassador Dreier called attention to the demagogic Cuban attitude which he said challenged the success of the conference. He thought that we could work out a solution which would satisfy the public without sacrificing the objectives of the conference.<sup>2</sup>

*2. Chilean Political Situation*

Ambassador Howe said that the Chilean left in general is identifying itself with the Cuban position. In Chile, Cuba is supported not only by the far left but by other opponents of the Government as well, among them the Christian Democrats. The United States must therefore, in the Ambassador's view, be careful not to allow itself to be placed in the position of charging up all public pressure on this issue only to the Communists.

*3. Reported Invasion of Nicaragua*

Mr. Rubottom cited a report from Costa Rica that an invasion attempt was being mounted in Costa Rica by the Cubans against Nicaragua. If the attempt develops, Mr. Rubottom thought we should prevail upon President Echandi to have his Foreign Minister<sup>3</sup> discuss

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1432. Secret. Drafted by A.G. James.

<sup>2</sup> At the First Plenary Session on the afternoon of August 12, Permanent Chairman of the meeting, Chilean Foreign Minister Germán Vergara Donoso, accepted a proposal by Cuban Minister of State Raúl Roa to open both the plenary and General Committee sessions of the meeting to the public.

<sup>3</sup> Alfredo Ortíz Mancía.



the matter with the Cubans here and make public the facts in this situation. Mr. Rubottom said that he would be conveying these views to the Department and our Embassy in Costa Rica.

#### *4. Cuban Situation*

The situation in Cuba, Mr. Rubottom said, is confusing, with a substantial force apparently fighting the Government in central Cuba. He surmised that this development would affect Roa's posture here.

#### *5. Invitation to Lleras Camargo to Visit US*

The President has agreed to the issuance of an invitation to Colombian President Lleras Camargo to visit the United States in March of next year. Mr. Rubottom suggested, and the Secretary agreed, that the invitation be discussed today with the Colombian Foreign Minister.<sup>4</sup>

#### *6. Possible Meeting with Argentine President*

The Secretary indicated his agreement to Mr. Rubottom's suggestion that the Argentines be informed that the Secretary would not be able to drive in to Buenos Aires from the airport to visit with President Frondizi during his stopover in Buenos Aires on the trip home.

#### *7. Asylum for Batista in Portugal*

The Secretary said that the Brazilian Foreign Minister<sup>5</sup> last night claimed credit for inducing the Portuguese to grant asylum to Batista. In reply to Mr. Rubottom's query, the Secretary said he thought that the sooner we announced that Batista had been granted a Portuguese visa the better. Mr. Rubottom said, however, he would like to consider the matter briefly before making a recommendation to the Secretary on release of this information.

#### *8. Venezuelan Views on the Conference*

Mr. Rubottom said that he and Ambassador Dreier had breakfasted this morning with the Venezuelan Foreign Minister who had suggested that the United States work closely with the Venezuelans. Mr. Rubottom said that he should try to move the Venezuelans away from the Cubans. He thought that whatever resolutions and proposals we could agree on with the Venezuelans would be acceptable to the rest of the conference.

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<sup>4</sup> Julio César Turbay Ayala. The conversation was reported in Secto 9 from Santiago, repeated to Bogotá, August 12. (Department of State, Central Files, 721.11/8-1259)

<sup>5</sup> Horácio Láfer.

9. *Possible Resolutions*

During a discussion of the El Salvador draft resolution,<sup>6</sup> the Secretary said he had no objection to a resolution covering both non-intervention and human rights. Ambassador Dreier thought that the Secretary's speech under Agenda Item I should be revised to put greater stress on human rights. There was general agreement that this should be done. Mr. Berding suggested that the Secretary not make a speech on this item today since he would already have made a speech earlier in the day. There was consensus that the Secretary should speak tomorrow morning.<sup>7</sup>

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<sup>6</sup> Document 6 of the Fifth Meeting of Consultation, dated August 10; a copy is in Department of State, Conference Files: Lot 64 D 560, CF 1422.

<sup>7</sup> See Document 94.

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93. **Message From the Secretary of State to the President**<sup>1</sup>

*Santiago, August 12, 1959—7 p.m.*

DEAR MR. PRESIDENT: The atmosphere here one of real seriousness in attempting to meet constructively difficulties in Caribbean area. As of now considerable difference of opinion as to how this can best be done and where greatest emphasis should be laid. At very outset Cubans insisting that committee meetings be open to public and receiving considerable support. If their recommendation is carried fear we are in for considerable demagogic oratory which will certainly not be helpful.

I am personally delighted to have opportunity meet Foreign Ministers 20 other states all of whom were present and believe this will have real utility in itself. You will be glad to know new jet plane made fine landing on short runway Santiago.

Faithfully yours,

**Chris**<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 711.11-El/8-1259. Secret; Niact. Transmitted in Cahto 4 from Santiago, which is the source text.

<sup>2</sup> Cahto 4 bears this typed signature.

**94. Editorial Note**

Secretary of State Herter addressed the second plenary session of the Fifth Meeting of Consultation of Ministers of Foreign Affairs on August 13. The telegram reporting his remarks reads as follows: "Sec-State expressed reasons concern US over present Caribbean situation. Suggested under agenda item one 1) declaration basic principles inter-American system; 2) formation special temporary committee study Caribbean situation and assist states solution problems; 3) authorization permanent committee such as Peace Committee consider problems of sorting plaguing Caribbean before become threat peace. Discussed carefully question exercise representative democracy and respect human rights suggesting possibility establishment committee authorized gather views and chart course OAS could follow in evoking maximum cooperation governments this regard." (Secto 15 from Santiago, August 13; Department of State, Central Files, 363/8–1359) For text of his address, see Department of State *Bulletin*, August 31, 1959, page 301.

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**95. Record of a Delegation Meeting, Santiago, August 14, 1959, 9:15 a.m.<sup>1</sup>**

*The Secretary, Chairman*

**1. Conference Developments**

Mr. Rubottom reported that members of seven delegations (Chile, Argentina, Ecuador, Peru, the U.S., Mexico and Brazil) met last night to discuss the future course of the conference. Mr. Rubottom commented that he was sanguine about the outcome of the conference because of the attitude of most delegates that they hoped to make a success of the meeting. Mr. Rubottom said that he was reasonably well pleased with the development of the conference to this point. It had 1) a deterring effect on various invasion attempts in the Caribbean and 2) had made delegations from countries not immediately involved in the Caribbean difficulties aware of the serious problem in the hemisphere.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1434. Secret. Drafted by James.

The Brazilians, he continued, have taken a quiet lead to bring the Dominicans and Cubans to agree on some kind of document calling for a commission to which problems in the Caribbean area could be referred. Last night the Brazilian Foreign Minister roughed out a general idea for a resolution. Ambassador Dreier commented that this was a bad draft and would need further refinement. He thought that the Cubans and Venezuelans would accept the idea of a commission provided that 1) it was not limited to problems in the Caribbean basin and 2) there was no indication that an investigation was being set up at the urging of the Dominicans. Ambassador Dreier thought it would be possible to create a committee which would satisfy the Cubans and Venezuelans as well as ourselves. The Secretary observed that this proposal would create a body to handle these problems and wondered whether there would be a resolution along general lines. Ambassador Dreier indicated that there would likely be other resolutions passed.

In response to the Secretary's inquiry, Mr. Luboensky said that 24 draft resolutions and proposals were received by the deadline last night.<sup>2</sup> The Secretary then observed that he felt that the only differences at this point are those of language and that there are no major matters of principle involved. Ambassador Dreier said that now that the Cubans have agreed to the idea of a commission, a major stumbling block may be out of the way. Mr. Rubottom added that the Venezuelans may now prove to be most difficult of the delegations.

## 2. *Creation of Working Groups*

Ambassador Dreier said that some subcommittees will be set up in the General Committee as working groups to handle resolutions on Agenda Items I and II. (Later in the morning it was decided to establish a third subcommittee on economic underdevelopment and political instability.)

## 3. *Secretary's Contacts with Other Delegations*

Mr. Rubottom noted that we have made contacts for the Secretary directly with about half of the delegations, leaving about 10 Foreign Ministers with whom appointments should be scheduled. He noted that the Secretary would be seeing the Brazilian, Argentine and Mexican Foreign Ministers today.<sup>3</sup>

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<sup>2</sup> Copies of the 24 draft resolutions are *ibid.*, CF 1422 and CF 1423.

<sup>3</sup> Secretary Herter met with Brazilian Foreign Minister Láfer, Argentine Foreign Minister Taboada, and Mexican Foreign Minister Tello during lunch at the U.S. Embassy residence, August 14, 1959. No record of this meeting has been found in Department of State files.

4. *Incident at Yesterday's Plenary*

In connection with an observation by Mr. Rubottom that Castro may still come to Santiago, the Secretary said that if he did so the other delegations should ask for more seats to prevent the Cubans from packing the hall with their own claque. He observed that the incident yesterday was outrageous and said that it resembled a political convention rather than a meeting of Foreign Ministers. Ambassador Dreier said that the Secretariat officials are meeting with the Carabinieri to discuss how to prevent disturbances such as occurred yesterday.

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96. **Message From the Secretary of State to the President**<sup>1</sup>

*Santiago, August 15, 1959—1 p.m.*

DEAR MR. PRESIDENT: The conference is now buckling down to work with small committees working on resolutions, following pretty closely general outline suggested in my speech.<sup>2</sup> Latter well received with natural reservations on part of Cuba and Venezuela. With the exception of my general policy speech we are taking the line of letting other nations take lead in drafting resolutions but keeping close eye during progress. The only excitement so far was the expected flare-up between Cuba and the Dominican Republic which I hope will not be repeated, although anything can happen in final plenary session. The general feeling is that we will finish Monday,<sup>3</sup> allowing return to US with expected arrival late Tuesday night.

Faithfully yours,

**Chris**<sup>4</sup>

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<sup>1</sup> Source: Department of State, Central Files, 371.04/8-1559. Confidential; Niact. Transmitted in Cahto 14 from Santiago, which is the source text.

<sup>2</sup> See Document 94.

<sup>3</sup> August 17.

<sup>4</sup> Cahto 14 bears this typed signature.

97. **Record of a Delegation Meeting, Santiago, August 17, 1959, 9:15 a.m.**<sup>1</sup>

*The Secretary, Chairman*

*1. International Development Association*

Mr. Rubottom called attention to a major development over the week end, the announcement that Secretary Anderson had sent a report to the Senate recommending the establishment of the International Development Association.<sup>2</sup> Mr. Rubottom thought that, although we learned about this only through the press after the event, we could still exploit it to our advantage in Santiago. Mr. Berding queried whether it was desirable to plug the IDA before we get the Inter-American Bank into operation. The Secretary too indicated some reservations. Mr. Rubottom thought that the Secretary might usefully make a statement about the IDA and undertook to find out more precise information.

*2. Brazilian Attitude on Batista Case*

The Brazilian Foreign Office has informed Embassy Rio that Foreign Minister Lafer may make public our note to the Portuguese regarding asylum for Batista.<sup>3</sup> Mr. Rubottom said that he would try to induce Lafer to leave the matter alone. The Secretary observed that Lafer wants to show how good a friend of Cuba he is.

*3. Progress of Conference*

Most of the work of the working groups was completed yesterday, Mr. Rubottom reported. He called on the US members of the three working groups to report on the activities of their committees.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1437. Secret. Drafted by James.

<sup>2</sup> Reference is to the report submitted to the Senate Committee on Foreign Relations on August 14 by the National Advisory Council on International Monetary and Financial Problems, entitled *Proposed International Development Association*, S. Doc. 45, 86th Cong., 1st sess., August 19, 1959.

<sup>3</sup> Brazil and the United States requested asylum for Batista in Portugal. A copy of the note from Ambassador C. Burke Elbrick to Portuguese Foreign Minister Marcelo Gonçalves Nunes Duarte Matias, August 11, is enclosure 1 to despatch 73 from Lisbon, August 11. (Department of State, Central Files, 737.00/8-1159)

*Working Group I:*<sup>4</sup>

Mr. Knight reported that Working Group I had no problems. Three resolutions had been accepted.<sup>5</sup> Regarding the “smoke-filled room” resolution,<sup>6</sup> only four members of the Committee voted on it; Venezuela supported it but Roa’s son<sup>7</sup> took no action on it.

*Working Group II:*<sup>8</sup>

Ambassador Dreier said that we can expect more problems in the General Committee with the report of Working Group II.<sup>9</sup> Mr. Krieg continued that the two principal points of the first resolution<sup>10</sup> are 1) an instruction to the COAS to ask the Juridical Committee to draw up a definition of human rights and to prepare a convention thereon, and 2) the establishment of an Inter-American Committee on Human Rights. Ambassador Dreier said we should oppose point two, allowing the COAS to study the whole idea first. The Secretary thought that we needed a formal statement on this resolution indicating why we were abstaining or, if we were voting for, to explain that we could not be a party to the convention. He asked Mr. Krieg to write out the statement

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<sup>4</sup> Working Group I (also called Subcommittee I) consisted of representatives of Brazil, Ecuador, Mexico, and Peru, and was concerned with nonintervention and the Caribbean situation (Agenda Item No. 1).

<sup>5</sup> The General Committee, consisting of representatives of all delegations, unanimously adopted five draft resolutions recommended by Working Group I. The draft resolutions were on Strengthening Peace and Perfecting American Security; Nonintervention; Study by Inter-American Juridical Committee on Nonintervention; and two resolutions on the Inter-American Peace Committee. (Documents 73–76 and 82 of the Fifth Meeting of Consultation of Ministers of Foreign Affairs; Department of State, Conference Files: Lot 64 D 560, CF 1423)

<sup>6</sup> In his report on a meeting of Working Group I on August 16, Luboensky stated: “A resolution, drafted in a ‘behind-the-scenes’ meeting with select Foreign Ministers, and presented to the Working Group, would provide that the Inter-American Peace Committee make a study of the matters before the Meeting of Consultation; of the relationship between violations of human rights and representative democracy on the one hand and political tensions affecting international peace on the other; and the relationship between economic underdevelopment and political instability. The Peace Committee would be able to take action on its own initiative or at the request of governments to make investigations, except that activities could not be carried out in the territories of states without express consent.” (*Ibid.*, CF 1424)

This draft resolution presumably was the work of the 7-power group which met in Chilean Foreign Minister Vergara’s suite on Sunday, August 16. Herter, Rubottom, and Dreier attended this meeting along with the following Foreign Ministers: Láfér of Brazil, Porras of Peru, Taboada of Argentina, Tello of Mexico, Tobar of Ecuador, and Vergara.

<sup>7</sup> Raúl Roa Kouri, Minister, Cuban Embassy in Chile, and Secretary General of the Cuban delegation.

<sup>8</sup> Working Group II (also called Subcommittee II) consisted of representatives of Argentina, Bolivia, Honduras, and Panama, and was concerned with human rights and representative democracy (Agenda Item No. 2).

<sup>9</sup> Working Group II reported four draft resolutions on: Exercise of Democracy; Observers for Election of Supreme Authorities; Human Rights; and the Declaration of Santiago. (Documents 18, 42, 77, and 81 of the Fifth Meeting of Consultation; Department of State, Conference Files: Lot 64 D 560, CF 1422 and CF 1423)

<sup>10</sup> Reference is to the draft resolution on human rights, cited in footnote 9 above.

he made yesterday in the working group on this point.<sup>11</sup> There was a consensus that it would be preferable for the US to vote for this resolution reserving its position, however, on ultimate adherence. Mr. Krieg continued that the Declaration of Santiago is not too bad and thought we could accept it. The Venezuelan resolution on "The Effective Exercise of Representative Democracy" is a bad, not just meaningless, resolution, Mr. Krieg continued. He expressed the view, and there was general agreement, that we should vote for it, however, after certain changes have been made. It was suggested, and the Secretary indicated agreement, that this item be handled the same as the one on human rights, namely, that we would vote for it but state after our vote that we would not adhere to any arrangements resulting from this resolution.<sup>12</sup>

*Working Group III:*<sup>13</sup>

Mr. Rubottom said he was pleased with the resolution on the desirability of reducing military expenditures.<sup>14</sup> It was generally agreed that this resolution would have a good psychological effect. Mr. Rubottom continued that he had been successful in persuading the group to revise the draft resolution on "Economic Underdevelopment and Political Instability"<sup>15</sup> to our satisfaction. The Cubans may, however, try to have a committee of outside experts appointed to make recommendations to the Quito Conference.

#### 4. Haiti

Haiti is most anxious to present its case at the plenary session and may be expected to do so. Mr., Rubottom thought that the Haitian charges should be referred immediately after the conference to the Inter-American Peace Committee. The Secretary agreed, cautioning

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<sup>11</sup> Any delegation could present its views to a working group even though it was not a member of the group. For text of the U.S. statement reserving its position with respect to participation in the instruments or organisms that may evolve, see Fifth Meeting of Consultation of Ministers of Foreign Affairs, Santiago, Chile, August 12-18, 1959, *Final Act* (Washington, 1960), pp. 18-19.

<sup>12</sup> For text of the U.S. statement reserving its position in connection with its favorable vote on this resolution, see *ibid.*, p.19.

<sup>13</sup> Working Group III (also called Subcommittee III) consisted of representatives of El Salvador, United States, Uruguay, and Venezuela, and was concerned with economic development. It proposed two draft resolutions on Economic Development and the Preservation of Democracy and Reduction of Excessive Military Costs. (Documents 79 and 80 of the Fifth Meeting of Consultation; Department of State, Conference Files: Lot 64 D 560, CF 1423)

<sup>14</sup> Adopted unanimously in the General Committee after minor revision proposed by Cuba, August 17.

<sup>15</sup> Adopted by acclamation in the General Committee, August 17.



that it would be desirable to have the Latin Americans take the lead in this matter. Mr. Rubottom observed that the Haitian Government is too weak to stand against even a handful of dissidents.

*5. Expression of Thanks to Delegation*

Mr. Rubottom praised all of the delegation members for their hard work during the conference. These sentiments were warmly endorsed by the Secretary.

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**98. Message From the Secretary of State to the President<sup>1</sup>**

*Santiago, August 17, 1959—8 p.m.*

DEAR MR. PRESIDENT: All over but the shouting. Tomorrow will wind it up and we leave early Wednesday,<sup>2</sup> returning to Washington late that night. On balance, I feel the conference was very successful. The three proposals which we were the first to initiate in general terms<sup>3</sup> were all reduced to concrete, satisfactory resolutions. The Cuban case, while skillfully handled by Foreign Minister Roa, was overdone and created adverse opinion. From now on Castro is going to be watched by all the American states with whom he lost much ground by stating this conference was nothing but a great conspiracy against him and by sending here his brother, Raul, who, incidentally, is still hung up in Peru. Rubottom, who has wide experience in conferences such as this, feels that the after effects will last for a long time and be very salutary. However, it will be good to get home.

Faithfully yours,

**Chris<sup>4</sup>**

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<sup>1</sup> Source: Department of State, Central Files, 371.04/8-1759. Confidential; Priority. Transmitted in Cahto 16 from Santiago, which is the source text.

<sup>2</sup> August 19.

<sup>3</sup> Reference is to Secretary Herter's address before the second plenary session, August 13; see Document 94.

<sup>4</sup> Cahto 16 bears this typed signature.

99. **Telegram From the Delegation at the Fifth Meeting of Consultation of Foreign Ministers to the Department of State**<sup>1</sup>

*Santiago, August 18, 1959.*

Secto 23. In morning General Committee session and afternoon Plenary yesterday MFM discussed and approved Final Act containing 17 resolutions, twelve of which substantive.<sup>2</sup> All resolutions except Declaration Santiago de Chile approved as transmitted by working group with little debate or change. Declaration Santiago de Chile amended to state in "whereas" clause "existence antidemocratic regimes constitutes violation principles on which OAS founded." In declaration portion additional clauses included, one proposed by Peru that "systematic use political proscription contrary American democratic order", and one proposed by Colombia stressing necessity freedom press, radio, TV, information and expression for existence democratic regime.

Creation IA Commission on Human Rights (HR) approved by large vote (US abstained) despite opposition Argentina, Brazil, Dominican Republic, Mexico, Uruguay.

SecState made statement on HR resolution reserving US position with respect to participation in instruments or organisms evolving therefrom. Similar statement made re resolution on convention on effective exercise representative democracy. He voted in favor of both.

In Plenary Session Foreign Minister Haiti<sup>3</sup> told of invasion his country August 15 by 30 Cubans, said in this case Haitians not fighting Haitians, Haiti victim of aggression and Cuba having failed prevent expedition as called for in international obligations. He said Haiti concerned because this invasion preview larger invasion also coming from Cuba. Haiti could not, for procedural reasons, appeal to MFM and he, therefore, requested COAS be informed as Haiti desires use protective machinery inter-American system.

Foreign Minister Cuba<sup>4</sup> said it true small group individuals escaped vigilance his government. Intimated group might be inspired by foreign government great [create?] difficult situation Cuba during MFM. Said Cuba made every effort comply international obligation and desires cooperate with OAS to determine true responsibilities invasion. He then launched upon attack on Dominican Republic and showed what he claimed was documentary evidence revolt recently

<sup>1</sup> Source: Department of State, Central Files, 363/8-1859. Unclassified; Priority.

<sup>2</sup> Text in *American Foreign Policy: Current Documents, 1959*, p. 359.

<sup>3</sup> Louis Mars.

<sup>4</sup> Raúl Roa García.

put down Cuba was sponsored by Dominicans. Cuba would not invoke any treaties since Cuban people and army united behind government and provided adequate protection.

Dominican Republic representative calmly responded saying had proved on three different occasions “red regime Fidel Castro” guilty disturbing peace Caribbean. “Not every bearded man from mountains a prophet” he said. His government prepared present overwhelming proof Cuban support two invasions his country.

In adjourning Chairman said he believed instruments created this meeting would be adequate deal with situation and would, in time, demonstrate their efficacy.

Closing session with signing ceremony Tuesday 10 am. USDel will carry copies Final Act (provisional in English)<sup>5</sup> and other documents to Washington on return Wednesday.

**Herter**

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<sup>5</sup> The Final Act of the Fifth Meeting of Consultation, designated document 89, August 18, was sent to all U.S. diplomatic missions in the American Republics by circular airgram 4365, November 24. (Department of State, Central Files, 363/11–2459)

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**100. Notes of the Secretary’s Staff Meeting, Department of State, Washington, August 21, 1959<sup>1</sup>**

[Here follows discussion of unrelated subjects.]

*3. Santiago Conference*

Mr. Rubottom described the conference as very successful and saw the following as the main achievements: (1) reaffirmation of established principle of non-intervention, (2) strengthening of the authority of the Peace Commission (the most important result) and (3) creation of a forum for complaints regarding human rights etc. Mr. Rubottom emphasized the importance of the Secretary’s participation and said he had concluded that we should support the 5 or 6 Latin American Governments following democratic policies compatible with our own goals for the area. The Secretary emphasized the obsession of the Latin American countries with economic development and the need for clarification and priorities to guide us and the other countries

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<sup>1</sup> Source: Department of State, Secretary’s Staff Meetings: Lot 63 D 75. Secret. Prepared by John A. Calhoun. An attendance list of 21 persons is attached to the source text, but not printed.

in connection with the various organizations created in this connection. Brazil presents special problems in Mr. Rubottom's mind but we must not allow them to bluff us into ill-considered actions. Mr. Mann agreed with Mr. Murphy that the Communists might use Brazil and suggested we play the game carefully during the remaining fourteen months of the present regime.

[Here follows discussion of unrelated subjects.]

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## 101. Memorandum From the Secretary of State to the President<sup>1</sup>

*Washington, August 24, 1959.*

### SUBJECT

Final Act of the Fifth Meeting of Consultation of Ministers of Foreign Affairs of American States, Santiago, Chile, August 12 to 18, 1959

I have just returned from the Fifth Meeting of Consultation of Ministers of Foreign Affairs of the American Republics held at Santiago, Chile, from August 12 to 18, 1959. This meeting was called principally to consider the situation of international tension in the Caribbean area. I am enclosing an unofficial translation in English of the Final Act of the Meeting, which I signed as the U.S. delegate.<sup>2</sup>

The Foreign Ministers agreed at the meeting to provide the Inter-American Peace Committee with temporary emergency powers, until the close of the Eleventh Inter-American Conference to be held at Quito, Ecuador, in February 1960, to study in particular the situation of tensions in the Caribbean. The Committee may now take action on its own initiative to investigate a situation without necessarily awaiting the consent of governments concerned, except that the Committee cannot carry on investigations within the territory of any country without its express consent.

The Foreign Ministers reaffirmed, in the Declaration of Santiago de Chile and other resolutions, the principles of the inter-American system having to do with nonintervention, respect for fundamental human rights, the effective exercise of representative democracy, and economic cooperation with one another.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. Drafted by Luboeansky. The President initialed the source text.

<sup>2</sup> Not printed here. The Final Act was signed by the 21 Foreign Ministers at Santiago, August 18; for text, see Fifth Meeting of Consultation of Ministers of Foreign Affairs, Santiago, Chile, August 12-18, 1959, *Final Act*.

The high degree of tension which has existed among some of the countries in the Caribbean, and the conflict between the principle of nonintervention, on the one hand, and the desire of some governments to compel countries to adhere in practice to the principle of representative democracy and respect for human rights, on the other hand, made the work of the meeting difficult. I believe, however, that as much as possible at this time was accomplished, certainly as much as we had expected, and the meeting may be considered a success.

**Christian A. Herter**

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**102. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, March 15, 1960.*

SUBJECT

U.S. Position on Statute for Inter-American Commission on Human Rights

*Discussion*

The Council of the OAS will take up on Wednesday, March 16, the draft statute for the Inter-American Commission that was created by the Santiago meeting of Foreign Ministers last August to promote respect for human rights. The best available estimates indicate that a small majority of the member governments of the OAS are prepared to approve the draft statute even though it would give to the Commission the right to take cognizance of specific cases of alleged violations of human rights. Nine governments, including Argentina, Brazil and Mexico, are virtually certain to find the draft statute unacceptable in its present form. In as much as it appears that, if a vote is pressed, the statute can be approved by a slim majority, those opposed to it are seeking ways and means of avoiding a vote on March 16 in order to gain time in which to work out a more fundamental solution to the problem. Consideration of the draft statute in the Department,<sup>2</sup> and

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<sup>1</sup> Source: Department of State, Central Files, 371.707/2-2560. Official Use Only. Drafted by Dreier, Whiteman, Horace E. Henderson, and Meeker initialed their concurrences.

<sup>2</sup> An internal Department of State discussion of the draft statute of the Inter-American Commission on Human Rights indicated that ARA supported its adoption; IO gave qualified support; and L and H opposed its adoption. Documentation on this discussion is *ibid.*, File 371.707.

informal consultation with the Department of Justice, have led to the conclusion that the United States cannot favor giving to the Inter-American Commission the right to consider individual cases of alleged violations of human rights. ARA has pointed out that our having to take this position will incur political liabilities in view of frequent charges that this Government does not give positive support to democracy and human rights in Latin America. The fact that our negative position places us in the company of the Dominican Republic, Nicaragua and Paraguay is somewhat ameliorated by our being accompanied also by Argentina, Brazil and Mexico.

*Recommendation*

It is recommended that our Representative in the Council of the OAS be authorized to state that this Government cannot accept the statute in its present form primarily because it would authorize the Commission not only to promote human rights but also to enter the field of protection of those rights by consideration of individual cases. Our Representative should furthermore be instructed to vote against the statute in case the vote is insisted upon, but to support any reasonable move to defer final consideration of the matter in an effort to work out a general agreement.<sup>3</sup>

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<sup>3</sup> Herter initialed his approval of the recommendation.

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**103. Memorandum for the Record of a Meeting, Department of State, Washington, April 1, 1960<sup>1</sup>**

SUBJECT

Draft Statute of the Inter-American Commission on Human Rights

PRESENT

The Secretary  
ARA — Mr. Rubottom  
L — Mr. Hager  
H — Mr. Macomber  
IO — Mr. Henderson  
ARA — Amb. Dreier

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<sup>1</sup> Source: Department of State, Central Files, 371.707/4-160. Drafted by Dreier.

After a lengthy discussion of the whole matter, the Secretary expressed the view that we should not approve the statute of the Inter-American Commission on Human Rights. He did not favor our securing the adoption of an article that would limit the application of Articles 11–f, 20, 22 and 23 to those states which specifically accepted, as proposed by ARA.<sup>2</sup>

He urged that we make clear we favored a commission which would exercise the general functions of promoting respect for human rights, such as set forth in Articles 11–a to e, but that we should draw the line at that point.

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<sup>2</sup> A memorandum from Rubottom to Herter, March 29, reads as follows: “ARA believes that the best solution to this problem is for the United States to take the position that we will approve the statute if an article is included saying, in effect, that those articles of the statute under which specific cases of alleged violations would be considered shall be applicable only to those countries whose governments specifically accept them.” (*Ibid.*, 371.707/2–1060)

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**104. Memorandum From the Assistant Secretary of State for International Organization Affairs (Wilcox) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, April 22, 1960.*

**SUBJECT**

Need to Revise Proposed Statute for Inter-American Commission on Human Rights Along Lines Approved by the Secretary

IO officers are concerned with the lack of support in the Council of the Organization of American States for the United States position with respect to the proposed Statute for the Inter-American Commission on Human Rights. We understand that only one or two countries have thus far informed us of their support for the U.S. position and no country has yet publicly endorsed the United States position opposing consideration of individual cases.

We are, of course, interested in the outcome of the current discussion on this subject not only because of the substantive responsibility in IO for human rights matters but also because of the impact any action in this field will have in the United Nations.

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<sup>1</sup> Source: Department of State, Central Files, 371.707/4–2260. Official Use Only.

Since a vote on the Statute is expected to take place about May 11 in the Council, we would appreciate your assessment of the current tactical situation and your expectation of the extent of support on the part of other members of the Council for the U.S. position when a vote is taken on the Statute.

We wish particularly to stress the following five considerations that are raised by the proposed Statute:

1. There would no doubt be a sharp reaction in many quarters in the United States and particularly in the Congress against a decision by the Council to give jurisdiction to the Inter-American Commission on Human Rights to consider complaints filed by private individuals and organizations.

2. It will not be a sufficient safeguard for the United States to observe that we did not vote for the Statute since under the rules of the OAS Council an absolute majority vote is sufficient to adopt the Statute.

3. The United States would not be in a position to claim that the action of the Council is *ultra vires* because the Council was authorized by the Santiago meeting of Ministers of Foreign Affairs to decide the specific functions to be assigned to the Commission. The decision of the Santiago meeting provided that the Commission would be charged with furthering respect for human rights, and the claim may properly be made by the Council that the provisions of the proposed Statute would further respect for human rights.

4. There would be serious repercussions on our policy in the UN if the position were taken by the United States in the OAS Council that a decision of the Council is not applicable to the United States since the United States did not vote for the decision. As you know, many important political recommendations are adopted in the United Nations General Assembly in spite of the negative votes of members of the Soviet bloc. This has been the situation, for example, with respect to Korea, Hungary and the initial establishment of the outer space committee. It has consistently been the firm position of the United States in the United Nations that Soviet bloc countries cannot properly claim that General Assembly recommendations are not applicable to them simply because of their negative votes.

5. Accordingly, it follows from the above that the Inter-American Commission on Human Rights may properly have jurisdiction to consider complaints from American individuals and organizations with respect to human rights conditions in the United States despite the negative vote of the United States on the Statute, if the Statute is adopted in its present form.

We wish to call your attention to the above considerations because they underline the seriousness of the situation facing us with respect to the proposed Statute for the Inter-American Commission on



Human Rights. These considerations necessitate the strongest responsible steps being taken in negotiations with members of the Council in Washington as well as in approaches to Foreign Offices to obtain absolute majority support in the Council for the revision of the Statute of the Commission along the lines approved by the Secretary.

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#### 105. Editorial Note

On April 14, the Inter-American Peace Committee issued a *Special Report on the Relationship Between Violations of Human Rights or the Nonexercise of Representative Democracy and the Political Tensions That Affect the Peace of the Hemisphere*. The report, signed by Representatives of El Salvador, Mexico, the United States (Chairman), Uruguay, and Venezuela, was prepared by the Committee in connection with its general study of international tensions in the Caribbean area pursuant to Resolution IV of the Fifth Meeting of Consultation. Secretary of State Herter authorized the United States Representative on the Committee, John C. Dreier, to approve the report on April 6. (Memorandum from Rubottom to Herter, April 2; Department of State, Central Files, 371.041/4-260) In the report, the Committee suggested that governments free political prisoners and permit asylees in diplomatic missions to leave the country; and that countries where necessary strengthen respect for human rights and the effective exercise of representative democracy. For text of the report, see *Inter-American Efforts To Relieve International Tensions in the Western Hemisphere, 1959–1960*, page 197. A copy of the report is also in Department of State, Central Files, 371.041/4-2560.

106. **Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Representative at the Organization of American States (Dreier)**<sup>1</sup>

*Washington, April 25, 1960.*

SUBJECT

Secretary's Comments on Human Rights Commission

The Secretary said that he believed that the establishment of the Human Rights Commission, in the form now contemplated by a seeming majority of the OAS Council, should be opposed by the U.S. since such a Commission would be clearly "biting off more than it could chew". He expressed agreement with a tactic to use all possible persuasion with the most respectable countries we could line up to oppose the Commission and state publicly, along with us, their reasons for so doing. I mentioned the possibility of getting Brazil, Uruguay and Argentina to join us in taking such a position.

**R.R.R.**<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 371.707/4-2260. Official Use Only. Also addressed to Monsma and Reed. A handwritten notation on the source text by Monsma reads: "Amb. Dreier told me Secy wants to build up support but not arm twisting. G.N.M. 4/25/60."

<sup>2</sup> Printed from a copy that bears these typed initials.

**107. Circular Telegram From the Department of State to Diplomatic Missions in the American Republics<sup>1</sup>**

Washington, May 5, 1960—6:53 p.m.

1387. Our Circular 1305<sup>2</sup> and related messages re Human Rights Statute. Considerations in US statement of April 6<sup>3</sup> have led Dept decide that objectionable features of Statute should be opposed strongly in order prevent development of situation which US believes would be basically harmful inter-American relations. Accordingly, Dept believes that US position should be presented forthrightly to OAS governments in hope that majority will concur US view that it would be unfortunate for Commission to start out without support of an important segment of OAS countries. FYI Dept informed Argentina, Brazil and Uruguay are opposed giving Human Rights Commission authority consider specific cases. End FYI.

In article by article vote in COAS, US intends vote against articles dealing with consideration of individual cases, specifically second sentence paragraph (c) and all of paragraph (f) of Article 11 and Articles

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<sup>1</sup> Source: Department of State, Central Files, 371.707/5–560. Official Use Only. Drafted by Monsma, Reed, and Dreier and signed for Herter by Rubottom. Sent for action to all U.S. diplomatic missions in the American Republics except Ciudad Trujillo, Havana, and Mexico City, where it was repeated for information.

<sup>2</sup> Circular telegram 1305, April 19, sent to all U.S. diplomatic missions in the American Republics, requested addressees to bring to the attention of the foreign office the statement read by Dreier in the OAS Council on April 6, concerning the proposed statute for the Inter-American Commission on Human Rights. (*Ibid.*, 371.707/4–1960)

<sup>3</sup> Dreier reported his statement of April 6 before the OAS Council on the second draft statute of the Inter-American Commission on Human Rights as follows: "The United States representative read a statement regarding the position of the United States Government in this matter. Pointing to United States sympathy for the movement to enlist the support of the OAS in furthering respect for human rights, he regretted to state, however, that the United States could not approve the draft Statute in its present form. It could accept those articles which give the Commission functions with respect to the promotion of human rights, but it could not approve those articles giving the Commission authority to review individual cases, which would, in the United States view, involve the Commission directly in the internal affairs of member governments, and would create particularly difficult legal and constitutional problems for the United States. Powers of this sort, the United States believed, should not be granted to an international body simply by the approval of a statute by the OAS Council, but should be dealt with in a treaty ratifiable in accordance with constitutional processes. The Commission should have the task only of furthering respect for human rights, through reports and recommendations of a general nature, the United States representative suggested." (Despatch 505 from the U.S. Representative–COAS, April 18; *ibid.*, 371.0521/4–1860) For text of Dreier's statement before the OAS Council on April 6, see Consejo de la Organización de los Estados Americanos, *Acta de la Sesión Ordinaria Celebrada el 6 de Abril 1960* (Washington, 1960), pp. 47–50.

13 through 23. If objectionable articles eliminated US will vote for Statute. If these articles approved US will vote against Statute as whole.

Dept believes Statute without objectionable articles would still permit Inter-American Commission on Human Rights perform useful functions in promoting respect for human rights; for example, following kinds of activity would be possible:

1. Drafting model legislation.
2. Making studies and reports of general nature on such subjects as effective judiciary procedure (fair trial and arbitrary arrest), separation of powers, indefinite perpetuation in power and free elections.
3. Encouraging direct technical assistance.
4. Sponsoring symposia and seminars.
5. Arranging fellowships.
6. Reviewing annual reports from member governments.
7. Issuing publications.
8. Advising other organs OAS on human rights.

Favorable public reaction to recent report of Inter-American Peace Committee on human rights and international tensions (reference Dept's CA-8562 of April 15)<sup>4</sup> illustrates value of general studies and reports such as Human Rights Commission would undertake.

Inasmuch as subject on agenda May 11 COAS meeting you should take up foregoing urgently with FonOff bearing in mind previous approaches this subject and express hope that Government will join US in COAS voting as indicated above, or at least abstain on mentioned articles. Embassies in Costa Rica, Ecuador, El Salvador, Honduras and Venezuela in going to FonOff should be aware representatives in COAS of these countries have been most positive promoters this Statute.

Cable reaction soonest.

*Code Room:* Please add to Rio de Janeiro, Montevideo, Buenos Aires, and Santiago:

In view pressure of time Dept decided US must act whether or not others accompany us. Would still welcome similar approach by Government to which accredited. In any case hope Argentina, Brazil, and Uruguay will join US in voting as indicated above including vote against Statute as whole if objectionable articles approved.

**Dillon**

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<sup>4</sup> CA-8562 circulated to all U.S. diplomatic missions in the American Republics the Spanish text of the *Special Report on the Relationship between Violations of Human Rights or the Nonexercise of Representative Democracy and the Political Tensions That Affect the Peace of the Hemisphere*, approved by the Inter-American Peace Committee on April 14. (Department of State, Central Files, 371.041/4-1560) See Document 105.

**108. Editorial Note**

In despatch 515, May 31, Henry C. Reed, Alternate Representative at the Organization of American States, reported that the OAS Council had approved a Statute for the Inter-American Commission on Human Rights on May 25. (Department of State Central Files, 371.0521/5–3160) In an article-by-article vote on the draft Statute, the Council eliminated all the articles pertaining to the Commission's consideration of individual cases of alleged violations of human rights, to which the United States and certain other countries had objected. For final text of the Statute of the Commission, see Inter-American Commission on Human Rights, *Basic Documents*, rev. ed. (Washington, 1963), pages 9–13. Regarding the establishment and work of the Commission, see Inter-American Commission on Human Rights, *Report on the Work Accomplished During Its First Session, October 3 to 28, 1960* (Washington, 1961).

# UNITED STATES POLICY REGARDING CERTAIN POLITICAL DEVELOPMENTS IN THE CARIBBEAN AND CENTRAL AMERICAN AREA <sup>1</sup>

## 109. Memorandum of a Conversation, Department of State, Washington, January 29, 1959<sup>2</sup>

### PRESENT

Allen W. Dulles, Director, Central Intelligence Agency  
A. Gilmore Flues, Assistant Secretary, Department of the Treasury  
J. Edgar Hoover, Director, Federal Bureau of Investigation, Department of Justice  
General J. M. Swing, Commissioner, Immigration and Naturalization Service

#### *Department of State:*

Governor Christian A. Herter, Under Secretary  
Colonel John M. Raymond, Acting Legal Adviser (L)  
Roy R. Rubottom, Jr., Assistant Secretary, Bureau of Inter-American Affairs  
(ARA)—(present for only 15 minutes)  
John W. Hanes, Jr., Administrator, Bureau of Security and Consular Affairs (SCA)  
Hugh S. Cumming, Jr., Director, Bureau of Intelligence and Research (INR)  
William P. Snow, Deputy Assistant Secretary, Bureau of Inter-American Affairs  
(ARA)

Governor Herter opened by indicating the concern of the Department (and presumably of all other Departments and Agencies represented) in the problems deriving from the presence of so many political exiles and other Latin America nationals in this country, especially in Florida. This situation had been highlighted by recent activities in the United States of sympathizers of the Cuban rebels, culminating at the time of the Cuban revolution. Governor Herter also commented on the interest and concern of the Governor of Florida<sup>3</sup> in these matters.

Mr. Rubottom expressed the Department's belief that activity among Latin American factions in this country—especially those from the Caribbean Islands and Central America—would intensify in the coming months as a result of the successful revolution in Cuba and events which will probably flow from it. Mr. Hoover pointed out that a

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<sup>1</sup> Continued from *Foreign Relations, 1955–1957*, vol. vi, pp. 581 ff.

<sup>2</sup> Source: Department of State, ARA Deputy Assistant Secretary's Files: Lot 61 D 411, Caribbean 1959. Secret. Drafted by Hanes on February 4. This conversation took place during a luncheon meeting.

<sup>3</sup> LeRoy Collins.

considerable amount of information had been developed in the United States about these Latin groups in the past, and presumably would be in the future. Mr. Hanes commented that the law enforcement agencies were handicapped if they had to approach the problem as one strictly of law enforcement, since the activities of these groups, while often illegal, stemmed from political motivations, and in consequence there was much of an intelligence nature which could be derived from contact with them if the enforcement officers could be given an appreciation of the pertinent political background. [1 sentence (3 lines of source text) not declassified]

Mr. Hoover pointed out that the problem was not confined to Florida; similar problems exist, for example, in New York and New Orleans, and often the persons involved move from place to place during any given operation. He therefore felt that any coordination of effort would have to be at the Washington level, although with full participation by the local representatives as appropriate.

General Swing raised the question of persons seeking asylum arriving at our borders without documentation; and complained that he had been unable to get any answer from ARA concerning what to do with certain Cubans who had arrived after the revolution. The question at issue was that of waiver or non-waiver of the documentary requirements. He said that he had finally paroled some of them into the United States on his own responsibility; he could not detain them indefinitely.

Governor Herter said that there seemed to be three distinct problems: (1) the most effective use of information which is developed; (2) the coordination of effort among the various agencies in Florida and elsewhere to develop such information most usefully; and (3) the problem presented by immediate situations, such as the arrival of undocumented persons at our borders, or of an unauthorized plane at one of our airfields (as recently happened during the Cuban revolution).

With regard to the first problem, Governor Herter said that the Department would perfect its own internal mechanisms, and Mr. Allen Dulles said that further effort could and would be made with regard to tying such information into the national estimates and other centralized intelligence reporting channels. (Governor Herter subsequently requested Mr. Cumming to coordinate the approach to this problem for the Department, consulting especially SCA and ARA.)

With regard to the second problem, there was general agreement that closer liaison among the interested agencies should be maintained at the Washington level, although with participation as required by field personnel, especially those in Florida. Mr. Hoover commented that it would probably be most useful to have frequent "face-to-face" exchanges of information and views among the agencies so that they

could develop a commonly agreed procedure with regard to problems of agreed common interest. The desirability of including representatives of the Department of Defense was agreed. It was generally agreed that the group present at this meeting should meet from time to time, although it would probably be useful also to have some continuing liaison group at the working level. (Governor Herter subsequently assigned the coordination of the Department's role in this matter to Mr. Cumming, to work in conjunction with SCA and ARA.)

Concerning the third problem, it was pointed out that representatives of various agencies in Florida already knew their responsibilities with regard to such incidents as the recent unauthorized arrival in Florida of the Cuban plane and had acted promptly and effectively. The major problem in that instance seemed to be that the Governor of Florida did not know the division of responsibilities among Federal agencies, and did not know to whom to turn for information. Mr. Hoover indicated that he had recently transmitted information to the Governor concerning these matters, which should aid in clearing up the Governor's confusion. Mr. Hoover's office in Florida has also offered to answer any future inquiries of a similar nature from the Governor concerning the division of responsibilities among Federal agencies.

It was recognized that the problem was somewhat different with regard to the admission of undocumented persons. General Swing stated that he had been trying to get the Department of State to give him a ruling on whether the documentary requirements are to be waived in the individual cases, this type of ruling being the legal responsibility of the State Department. Mr. Snow pointed out that it was not easy to make prompt findings in these cases, due to insufficient information; and also pointed out that contact between INS and the Department in several of these cases had only been at the desk level up to now. Mr. Hanes pointed out that this contact had also been with the wrong bureau. Governor Herter stated that the Department would look into this question of proper procedures promptly. (Governor Herter subsequently asked L, in coordination with SCA and ARA, to develop an acceptable policy and procedure to handle such situations.)<sup>4</sup>

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<sup>4</sup> On February 27, Acting Secretary Herter approved two recommendations contained in a February 9 memorandum from John M. Raymond proposing that the Administrator of SCA should continue to serve as the channel for communication with the Commissioner of INS regarding the entry of ineligible aliens into the United States, and should have responsibility for developing policy, subject to the concurrence of the Assistant Secretary for Inter-American Affairs, governing the Department of State's position with respect to the entry of such persons from the Caribbean area. (Department of State, ARA Deputy Assistant Secretary's Files: Lot 61 D 411, Caribbean 1959)



**110. Memorandum of Conversations Between the Deputy Director of the Office of Caribbean and Mexican Affairs (Little) and the First Secretary of the British Embassy (Benest), Department of State, Washington, February 25–26, 1959<sup>1</sup>**

SUBJECT

Revolutionary Activities in the Caribbean Area

*February 25, 1959.*

Mr. Benest came in at his request and opened the discussion by referring to my talk with Mr. Muirhead on February 9 regarding the situation in the Caribbean and the question of arms shipments to that area.<sup>2</sup>

Mr. Benest said that the British Embassy had now received a response from the Foreign Office to the inquiry they had made on the basis of my conversation with Mr. Muirhead. The Foreign Office, he said, welcomed our raising the question with them and would be very glad to participate in an exchange of views with us on these matters. He said that the Foreign Office had also asked for the Embassy's views as to whether it would be desirable to include the Canadians in any discussion and he said that the Embassy felt that this would be a useful procedure. The Foreign Office, Mr. Benest continued, had prepared a "preliminary assessment" of the situation in the Caribbean in the form of a memorandum<sup>3</sup> and had promised to send a "detailed appreciation" to the Embassy here at a later date.<sup>4</sup> Mr. Benest handed me two copies of the memorandum and added that he had no idea what the "appreciation" would include.

After discussing several specific points made in the document handed me, Mr. Benest summarized his government's interest in this question in terms of wishing to know (1) what the United States Government's evaluation was of the threat of possible activity in the Caribbean, e.g., attempts on Haiti from Cuba; (2) what might be done

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<sup>1</sup> Source: Department of State, Central Files, 720.00/2–2659. Secret. Drafted by Little.

<sup>2</sup> This conversation was held at the Department of State at Little's request. According to the memorandum of that conversation, February 9, Little asked Muirhead if the Foreign Office had any views concerning the situation in the Caribbean, particularly regarding arms shipments to the area. Muirhead replied that he would be pleased to ask the Foreign Office for a statement of its views. (*Ibid.*, 741B.56/2–959)

<sup>3</sup> In the memorandum, a copy of which is attached to the source text, the British Government stated its preliminary view in favor of a general embargo covering all kinds of weapons and armaments for the entire Caribbean area for a period of about 6 months. The only possible exception it might feel obliged to make was in the case of 5 Sea Furies ordered by Cuban President Batista which the new Cuban Government wanted delivered, and a corresponding exception allowing the Dominican Government to place orders for a small number of patrol boats.

<sup>4</sup> Not found in Department of State files.

to prevent any such attempts through such organizations as the OAS and the UN and (3) our views regarding arms policy covering shipments to the area. I told Mr. Benest that we appreciate very much having received the document provided by the Foreign Office, that I noted particularly its frank tone and that I was sure that my superiors would be interested in both the document and the comments which had been conveyed by him orally. I said that we would, of course, wish to study the paper and that I expected that I would be authorized to talk further with him within a very short time. I said that I expected I would be able to call him the middle of next week to pursue the matter further.

*February 26, 1959.*

Mr. Benest asked to come by to follow up our meeting of February 25. On his arrival he said that his Embassy had had a further message from London on the matters we discussed the previous day and that the Foreign Office was particularly interested in knowing whether the Department was considering making any exceptions in the cases of Cuba and the Dominican Republic, under its general suspension of shipments to the Caribbean area. He said that the Foreign Office had indicated that the question of their making exceptions in the case of these two countries was getting considerably more urgent than they had first thought and Mr. Benest believed this was due to pressures being exerted by British suppliers.

I told Mr. Benest that we were not now thinking of making any exceptions for either Cuba or the Dominican Republic, although there were specific applications on which there could be a good case made for approval and others on which considerable pressure was being felt. I further commented that in view of our having initiated discussions on this question and the frankness with which his government had exposed their position in the memorandum, I felt sure that we would inform the British Government in advance if we were later to make any exceptions to the general position of not authorizing shipments to the Caribbean.

Mr. Benest commented that it could be seen from the memorandum and from the recent message from London that the Foreign Office was considering whether they might be obliged to make exceptions, specifically in the instance of the five Sea Furies and which would, he felt, lead to comparable approval of the four patrol boats requested by the Dominican Republic. He said the matter has obviously become very active in London and he believed that if we were to wish to dissuade the British Government from a decision in favor of making such exceptions as he thought possible, he thought it would be desirable if we were to present any arguments we wished to make as soon as possible since, he added, it is difficult to undo a decision once it is

made.<sup>5</sup> He said that he would send a message to the Foreign Office today requesting, on the part of his government, that ample warning be given to us if the Foreign Office did decide to make any exceptions to their present policy of embargo of shipments to the Caribbean area.

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<sup>5</sup> On March 26, Muirhead informed Little that working-level officers in the Foreign Office had recommended delivery of the Sea Furies paid for by the Batista government. (Memorandum of conversation, March 26, Department of State, Central Files, 741B.56/3–2659) However, in telegram G–665 to London, April 3, the Department informed the Embassy that a British representative in Washington had that day stated that no final decision had been made regarding the delivery of the Sea Furies or the sale of patrol craft to the Dominican Republic. (*Ibid.*, 413.008/4–259)

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## 111. Special National Intelligence Estimate<sup>1</sup>

SNIE 100–3–59

*Washington, March 10, 1959.*

### THREATS TO THE STABILITY OF THE US MILITARY FACILITIES POSITION IN THE CARIBBEAN AREA AND IN BRAZIL<sup>2</sup>

#### The Problem

To estimate the likelihood of continued US access to military facilities in the Caribbean area<sup>3</sup> and in Brazil over the next several years.

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<sup>1</sup> Source: Department of State, INR Files. Secret. Special National Intelligence Estimates (SNIEs) were high level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems on an immediate or crisis basis. According to a note on the cover sheet, the Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. The United States Intelligence Board concurred in the estimate on March 10. "Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; and the Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the USIB, the Assistant to the Secretary of Defense, Special Operations, the Director of the National Security Agency, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction."

<sup>2</sup> Supplements SNIE 100–10–58, "Threats to the Stability of the US Base Position in Selected Overseas Localities," 21 October 1958. Except for the Dominican Republic and Haiti, the areas discussed in the present estimate were also considered in a lengthy report to the President by Frank C. Nash ("United States Overseas Bases," November–December 1957), which remains the basic study in this field. [Footnote in the source text.]

<sup>3</sup> The Bahamas, British Guiana, Cuba, the Dominican Republic, Haiti, Panama, and the West Indies Federation. [Footnote in the source text.]

## Conclusions

1. In general, we consider it unlikely that US retention and effective utilization of its military facilities in the Caribbean area and Brazil will be seriously threatened over the next several years. However, in virtually all cases the US is likely to be confronted with significant pressure for increased economic benefits and other modifications of existing arrangements.

2. Pressures for modification of existing base arrangements are likely to be strongest in areas where there is political instability as well as strong nationalism. In *Cuba*, the newly installed nationalist regime of Fidel Castro is sooner or later likely to ask for major increases in the nominal rent now paid for the Guantanamo base, revision of employment practices which appear to discriminate against Cuban workers, and perhaps other changes. (*Paras. 14–18*) In *Panama*, where the weak de la Guardia regime has already stiffened its attitude toward the US under strong opposition pressure, the US will almost certainly be confronted with pressures for revision of arrangements on the Canal Zone and with resistance to any extension of US facilities. (*Paras. 23–26*)

3. The relatively moderate quality of nationalism in the emerging *West Indies Federation* makes it unlikely that agitation for US withdrawal from the US Naval Station at Chaguaramas or other sites will assume critical proportions. However, there is likely to be considerable pressure, both before and after independence, for modification of the 1941 US–UK Leased Bases Agreement<sup>4</sup> through new arrangements taking account of West Indian interests. Dr. Eric Williams, Chief Minister of Trinidad and Tobago, remains unreconciled to US retention of the Chaguaramas Base, and if he is dominant in the federal government when sovereignty is attained, the US base position will certainly be brought under heavy pressure. (*Paras. 8–12*)

4. Potential difficulties for the US position exist in the *Dominican Republic*, where the present arrangements depend on the 67-year-old dictator's retention of power. (*Paras. 19–21*) In *Haiti*, any successor to the shaky Duvalier regime would be likely to review critically any facilities agreements made by Duvalier. (*Para. 22*)

5. We foresee no major threat to US retention of its military facilities in *Brazil*, although the Brazilians will almost certainly demand additional payments and other benefits in return for extension of the present agreement beyond 1962. (*Paras. 27–28*)

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<sup>4</sup> Reference is to the Agreement signed at London, March 27, 1941, and entered into force on the same date; for text, see 12 Bevens 560.

## Discussion

*I. General*

6. US military facilities in the Caribbean area and Brazil include headquarters, posts, bases, training areas, guided missile tracking stations, research centers, and test sites. The arrangements governing the use of military facilities in these areas vary from virtual sovereignty “in perpetuity” in the Panama Canal Zone to the right to maintain a guided missile tracking station until 1962 on a Brazilian island. Except for British possessions, the countries where these facilities are located are linked with the US in a system of collective defense within the framework of the Organization of American States. However, this system is a loose one and in fact its members look upon the US military facilities chiefly as of bilateral concern.

7. Although over-all advantages accruing from the presence of US installations and the economic benefits of association with the US are generally recognized, the growth of nationalism throughout the area will probably result in increased pressure for modification of existing arrangements. Rapidly rising local needs and expectations engender frustrations and, in the case of the Caribbean republics, resentment of economic dependence on the US and of real or fancied US efforts to take political advantage of this dependence. There is, moreover, a tendency for each country to compare what the US gives it for base rights with what other countries are receiving for the grant of similar privileges and to demand increasing quid pro quo. Finally, even though the Communists are not strong enough to represent a serious threat on their own, in several places they are able to exploit strong nationalist and anti-US feelings.

*II. The West Indies Federation*<sup>5</sup>

8. The principal US military facility in the territory of the West Indies Federation is the naval station at Chaguaramas in Trinidad, which is in a partial maintenance status. Other facilities in the area are, for the most part, connected with the Long Range Proving Ground, the Navy Sound Search System, and the LORAN program. The presence of US defense installations in the area was provided for initially by the “destroyers for bases” deal of 1941, under which the UK granted the US 99-year leases on a series of base sites in the Western Hemisphere. The 1941 agreement is still the basis of the US position in Trinidad and Antigua. US rights in St. Lucia are now controlled by the 1941 agreement and a 1956 extension of the Long Range Proving Ground

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<sup>5</sup> A federation of 10 British West Indian colonial units, viz: Jamaica, St. Christopher-Nevis-Anguilla, Antigua, Montserrat, Dominica, St. Lucia, Barbados, St. Vincent, Grenada and Trinidad-Tobago. [Footnote in the source text.]

Agreement; in Barbados by the 1956 Oceanographic Research Station Agreement. Of the 65,000 acres (approximately 100 square miles) leased to the US in the West Indies Federation, only about one-quarter is actively used by the US. Most of the remainder has been turned over to the control of local authorities for certain restricted uses, but is subject to a unilateral US right of recall.

9. The formation of the West Indies Federation and the prospect that it will be granted independence within the Commonwealth by 1963 have given rise to local pressures for a renegotiation of US military rights in the area, if only in recognition of West Indian sovereignty. The West Indians had no effective voice in the 1941 base sites agreement and its implementation. They desire some recognition of their interest, ranging from a symbolic display of their flag to such material concessions as the unqualified release of unused land and some quid pro quo for that retained. These issues are negotiable, especially considering the West Indies' need for and desire to obtain US assistance in the economic development of the area. There is no desire to exclude US military facilities from West Indian territory, but only to get more for them in terms of recognition and material benefits.

10. The one intractable element in this situation is the demand that the US relocate the US Naval Station which is now at Chaguaramas in order to permit use of the site as the capital of the Federation. The US has considered alternative sites for the naval station, but none is as satisfactory as Chaguaramas and the cost of relocation would be prohibitive. The US has therefore stood on its rights and has refused to give up Chaguaramas, but in 1958 indicated its willingness to reconsider its base requirements some time within the next 10 years.

11. The West Indian people and politicians would have been pleased to have Chaguaramas as the site of their capital, but, in general, are not now disposed to press the issue to the point of antagonizing the US and jeopardizing US economic aid. The federal government accepted deferment of the question when it realized that otherwise it would be defeated in parliament and overthrown on the Chaguaramas issue. This deferment is based on anticipation of US aid to the federal government. If satisfactory aid is not forthcoming, the issue is certain to be revived.

12. The threat to the US position at Chaguaramas is a long term and contingent one, depending largely on who is politically ascendant when the Federation achieves sovereignty as an independent Dominion. That could well be Dr. Eric Williams, Chief Minister of Trinidad and Tobago, who is the most effective of the younger West Indian politicians and who remains unreconciled to US retention of the Chaguaramas base. Williams' animus against the US is personal as

well as political and this renders him extremely difficult to deal with. If Williams is dominant in the federal government at the time sovereignty is attained, the US base position will certainly be brought under heavy pressure. Even as a leader of the opposition, he could be expected to keep the issue alive.

### *III. Other British Dependencies*

13. The US has in the Bahamas a variety of military facilities, including guided missile tracking stations, sound search stations, and LORAN stations. We believe that no significant pressures will develop with respect to these facilities during the next several years. In British Guiana the long range political situation is uncertain, but US base rights there are not being exercised.

### *IV. Cuba*

14. The US Naval Base at Guantanamo Bay is an extensive installation which includes a naval air station, a supply depot, a hospital, and communications and storage facilities. In peacetime, the base provides training facilities for the Atlantic Fleet; in wartime, a fleet operating base and forward supply point for the Caribbean area. The US acquired the base in 1903 under an agreement calling for an annual rent of \$2,000 in gold (now recalculated at \$3,403); under a 1934 treaty reaffirming the agreement the US retains its rights so long as it actually maintains the base. There are about 5,000 US personnel including dependents and some 3,000 other employees, mostly Cubans, at the base. The base is virtually self-sufficient except for its water supply, which comes from sources five miles away.

15. The oldest US base on foreign soil, Guantanamo has been accepted virtually without question by Cubans for more than 50 years. This acceptance has reflected the special economic and political relationship which has existed between the US and Cuba. The comparatively remote location of the base has served to keep it out of the public eye and to reduce the possibility of tension. The base is also the largest employer in the area, and the surrounding rural population has come to view it as an established part of the local scene.

16. The future status of the base has recently been clouded by the emergence of Fidel Castro's provisional government, by resulting frictions with the US, and by political uncertainties within Cuba. Castro is a nationalist with a demonstrated ability for rousing public opinion. He has already attacked the US on a range of issues, partly in reaction to public criticism from the US. Although he has made little reference to the naval base, he has succeeded in obtaining agreement to US withdrawal of its military training missions. Moreover, some of his top advisors are antagonistic toward the US and these can count on sup-

port from extreme nationalists as well as from the Communist Party whose over-all prospects have measurably improved in the post-revolutionary confusion.

17. Despite these tendencies, we believe that certain considerations weigh heavily in favor of Cuba's avoiding serious disruption of its relations with the US over such issues as the base, e.g., Cuba's economic dependence on the US, especially as a market for its sugar, and, in general, the realities of administering a country closely linked commercially, politically, and historically, with the US. There are already some indications that these considerations are affecting Castro's attitude toward the US.

18. Nevertheless, Castro will probably display considerable independence and flamboyance in his foreign policy, and find the US a convenient whipping boy in Cuban domestic politics. While he will probably stop short of seeking cessation or major limitation of US use of Guantanamo, it is likely that he will sooner or later ask for major increases in the nominal rent now paid for the base, revision of employment practices which appear to discriminate against Cuban workers, and perhaps other changes in lease arrangements designed to appeal to Cuban amour-propre.

#### *V. Dominican Republic*

19. The US has a guided missile tracking station in the Dominican Republic under an agreement signed in 1951 which is binding for a period of 10 years and thereafter can be terminated on one year's notice by either party. An agreement for the establishment of LORAN transmitting stations was signed in 1957, but has not been implemented for technical reasons.

20. The government of the Dominican Republic, dominated by 67-year-old Generalissimo Rafael Leonidas Trujillo, the Caribbean's most durable dictator, does not appear to be in any immediate danger. However, there is probably considerable internal opposition to him, though covert and uncoordinated, within the growing professional class, among some military elements, and on the part of various individuals who have fallen from official favor. In recent months the Generalissimo has become increasingly concerned with threats from abroad to his government's existence, a fear increased by Castro's encouragement of exile efforts to overthrow Trujillo and other dictators in Latin America.

21. While Trujillo remains in power, no major opposition to the present US military arrangements is likely, although Trujillo, as in the past, will probably use the military facilities issues as a bargaining tool for gaining US cooperation in other fields. However, any government after Trujillo would probably be less inclined to co-operate with the US. A Dominican Government composed of elements currently in



opposition would almost certainly be less co-operative with the US on the military facilities issue because of the widespread belief that US support had helped keep Trujillo in power.

#### *VI. Haiti*

22. The US has no military facilities in Haiti. While a US Marine mission has been sent to Haiti at the request of Duvalier to train the country's armed forces, the US has no present plan to establish military facilities in Haiti. The possibility of establishing such facilities was raised at various times during 1958 by Dr. F. Duvalier, Haiti's arbitrary president. We believe that these offers represent Duvalier's desire to bolster his unpopular regime, which faces grave economic and political problems and whose survival is uncertain. Any attempt to establish US base rights would be generally unpopular in Haiti and would subject the US to criticism elsewhere in Latin America.

#### *VII. Panama*

23. The principal US asset in Panama is the Canal Zone, which the US holds under the original 1903 treaty. This grants to the US virtual sovereignty in perpetuity. In addition to the Canal itself and associated defense installations, the US maintains under the 1903 treaty an air navigation and communications site on Taboga Island, off the Pacific entrance to the Canal. Under [a] separate 1955 treaty the US also has acquired for its exclusive use over a 15-year period, subject to extension, a training area of some 19,000 acres (roughly 30 square miles) known as Rio Hato, located on the coast approximately 65 miles southwest of Panama City.

24. Despite a long history of generally close co-operation between Panama and the US, strains have arisen in recent years. Panama has lost no opportunity to press for a greater share of Canal revenues, increased economic benefits from the Zone, and some form of participation in the management of the Canal Zone. Of late, sentiment for revision of the arrangements covering US occupation of the Canal Zone has become fairly widespread among students, politicians, and the press, as well as with some officials within the government. Alleged US failure to honor fully previous commitments, especially those under the memorandum of understandings attached to the agreement of 1955, has further strengthened the sentiment for revision. Although President de la Guardia is himself generally pro-US and a moderate, his regime is weak and has been subject to increasingly heavy attacks by opposition elements, which have focused popular discontent—largely economic in origin—on the issue of relations with the US. As a result, the administration has felt compelled to take a stiffer stand in its dealings with the US. In response to strong popu-

lar pressure, Panama has refused to grant the US additional defense sites, and has recently claimed, despite US objections, Panamanian jurisdiction over territorial waters to 12 miles.

25. Efforts to stir up and exploit anti-US feeling will figure prominently in Panamanian political maneuvering at least through the presidential elections scheduled for 1960. As a result, the US will almost certainly be confronted with recurrent pressures for revision of present arrangements, notably the 1955 treaty in which provision was made for the Rio Hato training area, and with strong resistance to any extension of US facilities. There is also a continuing danger that anti-US feeling may flare up in the crowded population centers adjacent to the Canal Zone, where there is much poverty, unemployment, and resentment against the Zone.

26. Nevertheless, we believe it unlikely that these pressures will develop during the next several years to a point where they would seriously affect US control of the Canal Zone or operations therein. Although the small Communist Party and some extreme nationalists talk in terms of joint control and eventual nationalization of the Canal, nationalist demands have generally centered on increased economic benefits, some participation in management of the Zone, and greater formal recognition of Panama's sovereignty. Most Panamanian officials and politicians recognize that the Canal Zone, which contributes about \$54 million annually, offsetting Panama's customary heavy trade deficit, is not only the country's most important asset but also one that Panama can neither defend nor operate itself. There thus continues to be a basic realization that Panama's economic well-being and defense are intimately linked with the US presence.

### *VIII. Brazil*

27. The one major US military facility in Brazil is the guided missile tracking station on the small island of Fernando de Noronha off the northeast coast. It was established under a five-year agreement which expires in January 1962. In addition, air transit facilities are maintained at Belem and Natal.

28. The signing of the tracking station agreement was vigorously opposed by a vocal Brazilian minority composed of ultranationalists, neutralists, and Communists. Although significant opposition subsided within a few months, there is a continued undertone of restiveness with US failure to implement certain provisions of the agreement, such as that calling for the participation of Brazilian technicians in the operation of the facility. The Brazilian Army is dissatisfied with its share of the additional military equipment offered Brazil in July 1958, which it considers as part of the quid pro quo of the agreement. While

Brazil will probably be willing to extend the agreement, it is likely to demand more local participation in the facility, and a further quid pro quo in the form of additional military equipment.

### SELECTED US MILITARY FACILITIES

#### *Bahama Islands*

##### Grand Bahama

Guided missile tracking station

##### Eleuthera

Naval experimental facility

Naval facility

Guided missile tracking station

##### San Salvador

Naval facility

LORAN station

Guided missile tracking station

##### Mayaguana

Guided missile tracking station

#### *Brazil*

##### Island of Fernando de Noronha

Guided missile tracking station

#### *Cuba*

##### Guantanamo Bay

Naval air station

Naval base

#### *Dominican Republic*

##### Sabana de la Mar

Guided missile tracking station

#### *Panama*

##### Canal Zone

Caribbean Command (Army, Navy, Air)—Quarry Heights

Headquarters, US Army, Caribbean—Fort Amador

Headquarters, 15th Naval District—Fort Amador

Naval degaussing station—Fort Amador

Naval stations—Coco Solo and Rodman  
Naval radio stations—Farfan, Galeta Island, and Summit  
Naval communications station—Balboa  
Albrook, France, and Howard Air Force Bases  
Headquarters, Caribbean Air Command—Albrook Air Force

Base

Taboga Island

Air navigation and communications site

Rio Hato

Army training area

*Puerto Rico*

Roosevelt Roads (Rodas Roosevelt)

Naval station

San Juan

Headquarters, US Army Forces, Antilles  
Headquarters, Commander, Caribbean Sea Frontier  
Headquarters, 10th Naval District  
Naval communications station  
Naval station  
Naval radio station

Sabana Seca

Naval radio station

Ramey Air Force Base (near Aguadilla)

Mayagüez

Guided missile tracking station

*West Indies*

South Caicos

LORAN station

Grand Turk

Naval facility  
LORAN station  
Guided missile tracking station

St. Christopher (St. Kitts)

LORAN station

Antigua

Naval facility  
Guided missile tracking station

St. Lucia

Guided missile tracking station

Barbados

Naval facility

Tobago

LORAN station

Trinidad (Chaguaramas)

Naval station

Naval air station

Experimental early warning radar facility

[Here follows a map showing selected U.S. military facilities in the Caribbean area.]

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**112. Memorandum From the Director of Central Intelligence (Dulles) to the Acting Secretary of State<sup>1</sup>**

*Washington.*

SUBJECT

The Political Situation in the Caribbean Area

1. The present movement, centered in the Caribbean area, against the remaining Latin American dictators is threatened with domination by international communism or, depending on several contingencies, may develop into an anti-American third force. In either case, the United States Government would find itself associated firmly in the public mind of Latin America with the extreme right, especially as the friend and supporter of Dominican dictator Trujillo.

2. Fidel Castro, the instigator of the present unsettled situation, is advocating a neutralistic bloc in Latin America, while actually supporting Communist-dominated revolutionary groups conspiring against

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<sup>1</sup> Source: Department of State, ARA Deputy Assistant Secretary's Files: Lot 61 D 411, Caribbean 1959. Secret. The source text is undated, but the memorandum was probably drafted in mid- or late March. A covering transmittal note, addressed to Rubottom and Snow, is dated April 15.

the Dominican Republic and Nicaragua. In addition, Castro's support of Haitian exiles may lead to the establishment of a base in Haiti for attacks on the Dominican Republic.

3. Moderate leftist forces led by President Betancourt of Venezuela and former President Figueres of Costa Rica are opposed to Fidel Castro's domination of this movement and are, themselves, organizing groups of non-Communist Nicaraguan and Dominican revolutionaries.

4. Revolutionary activity of this kind would undoubtedly bring, from the country attacked, a request for intervention by the OAS to avert a regional war. Since such a war would be heavily clouded by ideological feelings and slogans, the United States, as the strongest member of the OAS, could very easily acquire an ideological stigma difficult to avoid. Reiteration of the view that the United States is the supporter of dictators in Latin America has brought about an estrangement of even the moderate leftists, a situation which abets the cause of those who want to bring the Caribbean political scene under Communist domination.

5. I have thought it worth while to draw your attention to the conditions mentioned, which I feel may be of significance in the formation of future United States policy in the area. [*remainder of paragraph (5 lines of source text) not declassified*]

6. I am attaching for your consideration a memorandum covering the situation in more detail<sup>2</sup> [*1 line of source text not declassified*].

**Allen W. Dulles**<sup>3</sup>

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<sup>2</sup> Not printed.

<sup>3</sup> Printed from a copy that bears this typed signature.

**113. Memorandum of a Telephone Conversation Between the Deputy Assistant Secretary of State for Inter-American Affairs (Snow) and the Assistant Secretary of Defense (Irwin), Department of State, Washington, March 18, 1959<sup>1</sup>**

SUBJECT

Military Assistance to the Caribbean

Mr. Irwin called to inform Mr. Snow that Secretary McElroy, during his appearance on the Hill today, had been questioned on why the U.S. continues to supply military assistance to the Caribbean countries. He said that the question was expected to come up again the next day, with special reference to Cuba, Haiti, and the Dominican Republic. He asked whether Mr. Snow could offer any suggestions as to possible replies.

Mr. Snow replied that this was a recurrent question and that each of the three countries was a different case. Although there is a proposed program for FY 59 and 60, nothing to speak of is being sent forward at present. The U.S. had to deal with governments when negotiating but its basic relations are with the countries rather than with their governments. The whole Military Assistance Program in Latin America has a long-range objective, namely, hemispheric defense. U.S. policy is to keep moving toward this essential objective, even though there are at times interruptions.

The new Cuban Government has not been long in office and no deliveries are going forward currently to Cuba. Military Mission personnel have been withdrawn by mutual agreement, leaving no one in Cuba to handle military assistance in the normal way. The U.S. is reconsidering the program and the Cubans are probably doing the same.

The program in Haiti is a very modest one. The U.S. has found it in its interest to help the Haitians financially and to meet the Haitian request for a Marine training mission. Actual grant military assistance is on a minor scale and involves such things as support of two small Coast Guard vessels. The program is modest and yet the Haitians can make a certain contribution. Haiti is in a strategic spot geographically and it has been felt that there is a definite hemispheric defense value in assisting the Haitians in developing certain capabilities. As far as the Haitian program is concerned, there have not been political reasons to justify canceling it.

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<sup>1</sup> Source: Department of State, ARA Deputy Assistant Secretary's Files: Lot 61 D 411, Caribbean 1959. Official Use Only. Drafted by Snow.

With respect to the Dominican Republic, deactivation of the Air Force MAAG has been agreed to. The Dominican Navy, however, although small, is fairly good and has shown a willingness to cooperate in hemispheric defense. In time of serious trouble, we cannot always choose our allies on the basis of their form of government. The Dominican program amounts to only four hundred thousand a year, which is barely enough to cover spares and training with no new equipment involved.

Mr. Irwin asked about using the statement that the practical reason for military assistance is that if the U.S. doesn't help, someone undesirable may. Mr. Snow said that it was not considered wise to make such a statement publicly. Even in Executive Session one has to be careful since some of the committees do not like to have deletions made in transcripts of testimony. Rather than count on being able to make deletions, it may be advisable to go off the record on this point.

Mr. Snow reminded Mr. Irwin of the circular instruction on arms exports to the Caribbean which is under discussion. It had not been cleared as yet.<sup>2</sup> If it were possible to use the information in the circular, it could be shown that in view of the political unrest in the Caribbean we had virtually suspended the exportation of arms to the area whether under grant or reimbursable aid or deriving from commercial sales. However, without approval of the circular, Mr. Irwin could say that it has been the practice all along to proceed with special care in approving shipments of arms to areas where political tensions exist. This was publicly announced a year ago in connection with Cuba, even though Batista did not like it. We are aware of the tensions in the Caribbean, concerned about them, and watching arms shipments very carefully.

Gen. Hartel spoke with Mr. Snow on March 19 and was also given the above information.<sup>3</sup>

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<sup>2</sup> See the memorandum *infra*.

<sup>3</sup> No memorandum of this conversation has been found in Department of State files.



114. **Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Under Secretary of State for Political Affairs (Murphy)**<sup>1</sup>

Washington, March 26, 1959.

SUBJECT

Policy on Shipment of Arms to the Caribbean Area

You will recall from Mr. Snow's memorandum to you of March 16 (Tab A),<sup>2</sup> which forwarded a proposed circular telegram to the field on the above subject, that ARA believes a limitation on arms shipments to the Caribbean area to be of primary importance in our efforts to ease tensions in that disturbed region. We understand that the Department of Defense will not concur in this policy or in this message.<sup>3</sup>

In Mr. Snow's memorandum the possibility was mentioned of applying this policy for the immediate future only to sales of military equipment, whether those sales are arranged commercially or through United States military services under arrangements known as "reimbursable aid". All sales, of whichever type, are subject to the control of the President in accordance with Section 414 of the Mutual Security Act.<sup>4</sup> That provision of law states that:

"The President is authorized to control, in furtherance of world peace and the security and foreign policy of the United States, the export and import of arms, ammunition, and implements of war, including technical data relating thereto, other than by a United States Government agency."

The President, by Executive Order 10575,<sup>5</sup> delegated this control authority to the Secretary of State, and specified that in carrying out this authority the Department should *consult* with "appropriate

<sup>1</sup> Source: Department of State, Central Files, 741B.56/3–2659. Confidential. Drafted by Little.

<sup>2</sup> Not attached to the source text; a copy is *ibid.*, 741B.56/3–1659.

<sup>3</sup> Snow's March 16 memorandum stated in part: "On March 9 copies [of the proposed circular telegram] were made available to the Department of Defense for its consideration and clearance. The primary interest of Defense in this subject, of course, relates to deliveries of MAP grant material to the Caribbean area. ARA was informed on March 11 that the JCS Staff has indicated its desire to make a formal determination on this issue and estimates that this determination will require from ten days to two weeks. We are disturbed at the length of time which may be taken for this review, particularly since the Department's Munitions Control Division has been under increasingly heavy pressure and embarrassment in not being able to give other than evasive replies to inquiring commercial arms dealers in this country. Further, the British, with whom this matter has been discussed informally, wish to exchange views with us on this question and wish to coordinate their policies with our own." (*Ibid.*)

<sup>4</sup> Reference is to the Mutual Security Act of 1954 (P.L. 665), approved August 26, 1954; for text, see 68 Stat. 832.

<sup>5</sup> For text, see 19 *Federal Register* 7249.

agencies of the Government". The Department of Defense is the applicable agency and this consultation has now been completed. We have the dissent of the Department of Defense, but it is evident that the Department of State has the latitude to deny the issuance of export licenses for military equipment sold to countries in the Caribbean should it consider it important to "furtherance of world peace and the security and foreign policy of the United States".

ARA believes that careful consideration and limitation of sales of military equipment to the countries in the Caribbean area, while retaining the prerogative of authorizing such shipments when in the U.S. national interest, is important to the attainment of the above-mentioned objectives and recommends that you authorize the dispatch of the revised telegram forwarded as Tab B.<sup>6</sup> If you concur in this recommendation,<sup>7</sup> you may wish to advise the appropriate officials of the Department of Defense, before the message is released, that the Department is sending this message.<sup>8</sup>

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<sup>6</sup> Not attached to the source text; evidently a draft of circular telegram 1141, Document 116.

<sup>7</sup> The source text contains no indication of Murphy's action on the recommendation, but see *infra*.

<sup>8</sup> The following handwritten notation, initialed by Loftus E. Becker, appears on the source text: "no legal objection."

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**115. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Under Secretary of State for Political Affairs (Murphy)<sup>1</sup>**

*Washington, April 2, 1959.*

**SUBJECT**

Policy on Shipment of Arms to the Caribbean Area

During our discussion last Saturday<sup>2</sup> on the above subject, it was agreed that, in view of the lack of clearance on the part of the Department of Defense of our proposed circular telegram, the Department should continue for the immediate future to carry out the practices on authorization of arms to this area which have been in effect over the past weeks. Specifically, this involves careful scrutiny of all requests

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<sup>1</sup> Source: Department of State, Central Files, 413.118/4-259. Confidential. Drafted by Little.

<sup>2</sup> March 29.

for sales of arms to the area, whether arranged through commercial channels or through those of the U.S. military services. Approval has been given to a very limited number of requests and only when there was a clear indication that such approval would not be contrary to our aim of reducing tensions in the area.

In order to implement this understanding on our part, two courses of action appear desirable:

1. Transmission to ARA posts and to posts in countries which are traditional suppliers of arms of an infotel (Tab A)<sup>3</sup> explaining the current U.S. practice respecting authorization of arms shipments to the area and the reasons therefor; and

2. Presentation to representatives in Washington of these supplier governments of a classified memorandum (Tab B)<sup>4</sup> explaining the U.S. practice and seeking these governments' cooperation in adopting parallel practices.

*Recommendation:*

It is recommended that (1) you authorize the transmission of the infotel;

(2) you authorize ARA to discuss this general question with representatives in Washington of supplier governments and to hand them copies of the memorandum; and<sup>5</sup>

(3) advice be given the Department of Defense by ARA that the Department contemplates this action prior to carrying out either of recommendations (1) or (2), if you approve them. No written expression of the views of the Department of Defense on our previous proposals has been yet received but ARA would expect to continue its close liaison with the Western Hemisphere Branch of ISA on this question.

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<sup>3</sup> Not attached to the source text; it is printed *infra*.

<sup>4</sup> Not attached to the source text; see Document 117.

<sup>5</sup> Murphy initialed his approval of these recommendations.

**116. Circular Telegram From the Department of State to Certain Diplomatic Missions<sup>1</sup>**

*Washington, April 3, 1959—11:51 a.m.*

1141. Missions no doubt aware from recent communications and other sources of recent increase in unsettled conditions in Caribbean area, particularly following Castro victory in January, and activity of various groups intent on unseating "dictatorship" governments. Trujillo most frequently mentioned target of these groups while others include Somoza of Nicaragua, Stroessner of Paraguay, and some mention Duvalier of Haiti.

Department is deeply concerned implications of these unstable conditions because of danger of armed flareups in region, including possible outbreak hostilities, and opportunities these activities give for infiltration and possible heavy gains by communist elements. All American States committed to seek peaceful settlement controversies which is contained in Rio Treaty as well as OAS and UN Charters. Department is exploring every possible means of ameliorating tensions in area and, in reviewing problem, question of U.S. policy regarding arms shipments to entire Caribbean area has been under intensive study. This study has included evaluation of effects of shipment or non-shipment arms on (1) increase or decrease of threat of violence in Caribbean, (2) U.S. position in hemisphere, particularly respecting "dictatorship" issue, and (3) rising current of feeling against military buildups in Latin America in favor of emphasis on economic development.

Applications are pending with Department for sale and shipment to most Caribbean countries of military equipment including military aircraft, patrol vessels, arms, ammunition and spare parts for military equipment on hand in the applicant countries. Except where existing commitments cannot be escaped or where there are other well-based and clear considerations of United States interest, action is being withheld for time being on such applications in view tense conditions in area. Items clearly identifiable as non-combat equipment, including spare parts for civil aircraft, are generally being approved after case-

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<sup>1</sup> Source: Department of State, Central Files, 413.118/4-359. Confidential. Drafted by Little and signed for Herter by Rubottom. Sent to all 20 diplomatic missions in Latin America, and also to Bonn, Brussels, London, Madrid, Oslo, Ottawa, Rome, Stockholm, and The Hague. Repeated on April 16 to Ankara, Frankfurt, Manila, Naha, Rabat, Saigon, Seoul, Taipei, and Tokyo.

by-case examination. This course being followed with respect all sales, whether commercial purchases or those arranged through U.S. military auspices authorized by Section 106 Mutual Security Act.

**Herter**

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**117. Editorial Note**

Between April 3 and 29, Edward S. Little handed copies of an Aide-Mémoire concerning arms traffic in the Caribbean area to the respective representatives in Washington of the Embassies of the United Kingdom, Canada, Italy, Spain, Belgium, Norway, Sweden, and Switzerland. The Aide-Mémoire stated that because of unsettled conditions in the Caribbean the United States had "adopted a practice of examining most carefully all applications received for purchase in this country of military equipment for export to the Caribbean area," and was in fact disapproving applications for such equipment except in cases where approval was clearly consistent with U.S. efforts to promote peaceful settlement of controversies. It also expressed the hope that "friendly supplier countries" would adopt parallel practices with respect to arms exports to the area, and promised to inform all governments consulted on this matter prior to any change in U.S. policy. (Department of State, Central File 741B.00)

**118. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, April 24, 1959.*

SUBJECT

Caribbean Chiefs of Mission Meeting, 1959<sup>2</sup>

I have the honor to submit a Summary Report<sup>3</sup> on the Meeting of the United States Chiefs of Mission in the Caribbean area held in San Salvador April 9–11, 1959. For the permanent records of the Department, there is also annexed to the summary record a synopsis of the proceedings of the meeting and of the papers presented there by various participants.<sup>4</sup>

From the point of view of our political problems and relationships in the troubled Caribbean area, it is my belief that the Chiefs of Mission Conference was beneficial. The very fact that it was held at this time and received widespread attention in the Latin American press served to impress on the governments and peoples of the area our serious concern with the preservation of peace in the Caribbean area. The well-publicized press statement issued at the conclusion of the Conference<sup>5</sup> in effect served notice that the United States—while welcoming evolution towards representative government—would

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<sup>1</sup> Source: Department of State, Central Files, 120.1416/7-2259. Secret. Drafted by John C. Hill, Jr.

<sup>2</sup> On March 28, Herter had approved the proposal submitted in a memorandum from Rubottom, March 27, to hold a Chiefs of Mission meeting in San Salvador in April. Rubottom explained the need for such a meeting as follows:

“As you are aware, the political tide now running in the Caribbean basin area has been associated with the transition from authoritarian governments to more popular ones. This has occurred in Colombia and Venezuela and most recently has been dramatized by the Castro victory in Cuba. As liberal elements have come to power they have afforded fresh encouragement and in some cases outright support to political exiles vitally interested in overthrowing additional governments such as those in the Dominican Republic, Nicaragua, and even Haiti. In these circumstances, United States actions and pronouncements—both past and present—are analyzed, interpreted, and exploited to the fullest by widely diverging groups. Consistency among our missions in the field and their fullest possible awareness and understanding of the Department’s policy as it affects the area is of the utmost importance.” (*Ibid.*, 120.1425/3-2759)

<sup>3</sup> Printed below.

<sup>4</sup> The proceedings of the meeting, with annexed papers, is entitled “Caribbean and Central American Chiefs of Mission Meeting, San Salvador, April 9–11, 1959.” (Department of State, Central Files, 120.1416/7-2259)

<sup>5</sup> For text of press release 263, April 13, see Department of State *Bulletin*, May 4, 1959, pp. 634–636.

stand firmly behind its commitments under the Charter of the OAS<sup>6</sup> and the Rio Treaty<sup>7</sup> in assisting any victims of revolutionary activities organized and supported from foreign countries. As a minimum, thus, the Conference served to clarify the United States position, to provide some additional deterrent to revolutionary expeditions and to restore some measure of a sense of security to countries which felt themselves the intended victims of attacks. I would also like to think that the Conference, along with other measures we have taken to preserve the principle of non-intervention in the area, made some contribution in leading Prime Minister Castro of Cuba to give public assurances that his Government would not intervene in the affairs of other Latin American republics and to cause his Government to take some action against revolutionary filibusterers assembling in Cuba. Although only time will tell whether Cuba lives up to these assurances, the general effect at the moment is to provide a needed relaxation of the tensions which have been acute in the Caribbean area since the beginning of the year.

The Conference also resulted in an exchange of views of great value to the Departmental officers attending and, I believe, to the Chiefs of Mission who participated.<sup>8</sup> The developments in Cuba and their implications for the United States in the Caribbean area held the spotlight, as was expected, and there was naturally a fairly wide range of interpretation and recommendations as to the course we should take. Of equal importance, our Ambassadors brought into sharper focus a number of other problems—such as the need to make the DLF more responsive to foreign policy needs, the need to have a stronger free trade movement in the area, and the need to pursue vigorously a program to counter communism and other forms of anti-Americanism in the area—which will require our attention over the coming months in order to find better solutions.

I should also like to take the occasion to record my appreciation for your concurrence in the attendance of the Deputy Under Secretary for Administration, Mr. Henderson, at the Conference. For the public, his presence there served to underscore the importance which the Government attached to the Conference. For our Ambassadors and for the participants from the Department, Mr. Henderson's attendance

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<sup>6</sup> For text of the Charter, signed at Bogotá, April 30, 1948, and entered into force for the United States, December 13, 1951, see 2 UST 2394.

<sup>7</sup> For text of the Inter-American Treaty of Reciprocal Assistance, opened for signature at Rio de Janeiro, September 2, 1947, and entered into force for the United States, December 3, 1948, see 62 Stat. 1681.

<sup>8</sup> The Chiefs of Mission who participated in the meeting were Whiting Willauer, Costa Rica; Philip W. Bonsal, Cuba; Joseph S. Farland, Dominican Republic; Thorsten V. Kalijarvi, El Salvador; Lester D. Mallory, Guatemala; Gerald A. Drew, Haiti; Robert Newbegin, Honduras; Robert C. Hill, Jr., Mexico; Thomas E. Whelan, Nicaragua; Julian F. Harrington, Panama; John M. Cabot, Colombia; and Edward J. Sparks, Venezuela.

provided an opportunity to be briefed by a ranking officer of the Service and he made many valuable contributions to the success of the Conference.

### [Attachment]

## MEETING OF UNITED STATES CHIEFS OF MISSION IN THE CARIBBEAN AREA

San Salvador, April 9-12, 1959

### Summary Report<sup>9</sup>

(1) The meeting was opened at 2:30 p.m. by the Honorable Thorsten V. Kalijarvi who introduced His Excellency, Sr. Alfredo Ortiz Mancía, the Foreign Minister of El Salvador. Sr. Ortiz Mancía warmly welcomed the Conference to his country. Those in attendance were the Honorable Loy Henderson, Deputy Undersecretary of State, the Honorable Roy R. Rubottom, Assistant Secretary of State for Inter-American Affairs,<sup>10</sup> the United States Ambassadors to Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Venezuela and the Organization of American States. A list of the participants is included in the enclosure.<sup>11</sup>

(2) The Conference then heard and discussed a briefing by Mr. Henderson on the current international situation and a review by Mr. Rubottom of the current problems confronting United States policy in Latin America. Mr. Rubottom stressed that Latin America was in a period of accelerating economic, social and political changes and instabilities, that these tended to generate difficulties in the relationship of Latin American countries to the United States and to create opportunities for Communism and other hostile forces to stimulate actions and attitude inimical to the traditional sense of Western Hemisphere solidarity, and that the United States Government and its representatives in Latin America would have to work with a sense of great urgency to cope successfully with the problems ahead.

(3) There was an extensive discussion of developments in Cuba since Castro assumed power and of their implications for US policy. Ambassador Bonsal presented a report giving the background of the Cuban Revolution and of Castro's movement; describing the changes which Castro sought to make in Cuba's domestic and foreign policies

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<sup>9</sup> Drafted by John C. Hill, Jr.

<sup>10</sup> The contingent from the Department of State also included Dreier, Wieland, Turkel, Stewart, John C. Hill, Jr., Richard I. Phillips, and Clinton L. Olson.

<sup>11</sup> Not printed.



along reformist, nationalistic and somewhat socialistic and neutralist lines; and highlighted such problems of special concern to the US as the expansion of Communist influence in Cuba, the anti-American campaign fanned by Castro, and activities in Cuba directed at the overthrow of the Dominican, Nicaraguan and Haitian Governments.<sup>12</sup> In the ensuing discussion, general concern was expressed about Castro and the situation in Cuba as it affected US interests, especially with respect to growing Communist influence, to Castro's indication that Cuba should be neutral in the East-West struggle and to apparent Cuban backing of revolutionary activities. There was agreement that United States policies and actions should be directed at containing these trends. Various suggestions were made throughout the Conference as to the methods and timing of such actions.

(4) In the light of the situation in Cuba, the Conference then discussed revolutionary activities and intentions in the Caribbean area. Ambassadors Whelan, Farland and Drew described problems which had arisen with respect to Nicaragua, the Dominican Republic and Haiti as a result of threatened revolutionary activities and emphasized their need for reassurances that the United States would support them against foreign intervention. Ambassadors Bonsal and Sparks described the revolutionary propaganda and preparations by exile groups in Cuba and Venezuela, pointing out that there had yet been no firm evidence that revolutionary expeditions were ready to depart. Ambassador Willauer described his conversations with ex-President Figueres on the Cuban situation and revolutionary activities. He suggested, in essence, that the energies and attention of those seeking to end "dictatorships" in the Caribbean be deflected from mounting revolutionary expeditions and channeled into dealing with the dictatorship problem through the OAS which would be asked to set up standards of human rights—it was his feeling that in practice the Latin Americans could not agree among themselves as to how far to permit external intervention in internal affairs and that the complex "dictatorship" problem would thus be restored to better perspective. Ambassadors Newbegin and Mallory described the Governments of Honduras and Guatemala as being opposed to revolutionary activities in their countries directed at other countries of the area.

(5) The next discussion was on Communism and anti-American radicalism in the Caribbean area. A paper on this subject was presented by Ambassador Sparks,<sup>13</sup> who summarized the offensive which international Communism had mounted in the region to capitalize on the favorable climate which resulted from economic, political and

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<sup>12</sup> Entitled "Developments in Cuba since Castro Assumed Power;" Annex 3 to the proceedings of the conference. (Department of State, Central Files, 120.1416/7-2259)

<sup>13</sup> Entitled "Communism and Anti-American Radicalism in the Caribbean Basin;" Annex 8 to the proceedings of the conference. (*Ibid.*)

social dislocations in the area and from the growing anti-Americanism of the region which was basically a reaction by the "have-nots" against the biggest "have" nation in the world.

The ensuing discussion was principally devoted to a discussion of the various irritants in US-Latin American relations and the manner in which they were used and blown up by the Communists.

Concluding the discussions on political topics, Ambassador Dreier reviewed the role of the OAS in the present Caribbean situation, focusing on a detailed explanation of the abilities and limitations of the organization with respect to prevention of revolutionary expeditions and on the possibilities of developing a United States position on what degree of attention the OAS should give to the subject of human rights and democracy. There ensued a discussion on the Charter of the Organization of American States and related inter-American agreements and the circumstances under which they may be applied, with particular attention to the current revolutionary movements in the area. Ambassador Harrington raised the problem of obtaining effective support for Panama in the event the threatened invasion from Cuba materialized.

(6) Turning to the question of the possible economic integration of Central America, Ambassador Kalijarvi, followed by Mr. Turkel of the Department, reviewed the progress which had been made towards the establishment of a regional market in Latin America. Ambassador Mallory also presented a paper urging that the United States offer inducements to appropriate Latin American countries to create common markets and to remove impediments to the investment of private capital in those countries. Mr. Turkel briefly reviewed the situation with respect to commodities in the Caribbean area, indicating that coffee prices will decline further during 1959 and that markets for the other commodities of importance to the area will not be satisfactory.

In the ensuing discussion the subject broadened into a review of the more general economic problems of the area. Ambassador Hill raised the problem of the dangers of the Soviet economic offensive and there was general agreement that the great flexibility which the Soviet bloc maintains in selecting and directing its efforts at particular targets where the United States position is weak gives it a great opportunity to disrupt the economy of the area for its political ends. Ambassador Hill also brought up the problem of lack of understanding in Latin America of United States economic policies and the adverse psychological effect which was created by the feeling in Latin America that the United States had rejected policies which were not adapted to their needs.

(7) *Special problems* were raised at various points in the discussions for further consideration by the Department. Among the more important were:

(A) *Strengthening of the OAS* to deal more adequately with threats to the peace of the character now in evidence in the Caribbean area.

(B) *Development Loan Fund*. The views expressed at the Conference reflected a feeling that the DLF was not responsive to US foreign policy objectives in Latin America.

(C) *Soviet Political, Cultural and Economic Offensive*. There was a general feeling that there were great difficulties in effectively countering Soviet efforts to penetrate the area by establishing diplomatic missions, expanding cultural contacts and seeking to promote trade when the United States itself gave the aspect of actively seeking increased contacts between the United States and the Soviet Union in these fields.

(D) *Organización Regional Inter-Americana de Trabajadores (ORIT)*. General dissatisfaction was expressed about the work and standing of this free trade union organization in the area. The view was expressed that it had become over-identified as an instrumentality of the US, that its people in the field were often ineffective and even counter-productive, and that as matters stood at present it would be preferable from the point of view of US policy objectives if it were dissolved.

(E) *Communists and Other Exiles*. Due to the Latin American practice of exiling to neighboring countries rather than imprisoning Communists and other political troublemakers, there has developed an increasing problem of interest to the United States as to what should be done with them. They cannot be sent home and if they remain in the neighboring country they pose additional security risks to that country as well as danger to their countries. Further study of the possibility of having them transferred to more remote countries was urged.

(F) *Implementation of Decisions*. It was observed that after a policy decision was taken, especially with respect to economic matters, it was often months and sometimes years before it was actually carried out on the ground. The Department was urged to find ways to cut down on the bureaucratic procedures which delayed prompt action on decisions.

(8) After spirited discussion, the Conference adopted and issued the communiqué given at Annex 1.<sup>14</sup>

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<sup>14</sup> Reference is to the press release cited in footnote 5 above.

## 119. Instruction From the Department of State to Certain Diplomatic Missions<sup>1</sup>

CA-10538

Washington, June 3, 1959.

SUBJECT

Authorization of Arms Shipments to Caribbean Area

In order to provide more detailed guidance than that contained in Circular Telegram 1141 of April 3, 1959<sup>2</sup> respecting consideration by the Department of applications for licenses to export military equipment to the Caribbean area, a memorandum was recently prepared in the Department setting forth the more important elements of the current practice respecting this matter. This memorandum, a copy of which is enclosed, has been distributed to officers of the Bureau of Inter-American Affairs and the Office of Munitions Control for their guidance in considering export license applications.

Comments of Embassies to which this Instruction is sent for action are requested respecting the guidelines set out in this memorandum.

Dillon

### [Attachment]

#### GUIDANCE FOR MUNITIONS CONTROL DIVISION<sup>3</sup>

While it is difficult, if not impossible, to establish firm general rules for consideration of licenses for the export of arms and ammunition to the Caribbean area, the following guidelines are set out for use in the immediate future. The purpose of this memorandum is to provide advice to MC and to ARA country desk officers to make it possible to decide speedily as to approval or disapproval of the majority of applications received from countries of the area.

##### 1. *Cuba and the Dominican Republic.*

No applications for combat military equipment should be approved in the immediate future. "Combat equipment" encompasses military aircraft (including training planes), ships commonly accepted

<sup>1</sup> Source: Department of State, Central Files, 413.118/6-359. Confidential. Drafted by Little, and approved by Snow. Sent to Bogotá, Caracas, Ciudad Trujillo, Guatemala, Habana, Managua, Mexico, Panamá, Port-au-Prince, San José, San Salvador, and Tegucigalpa; repeated to Asunción, Bonn, Brussels, Buenos Aires, La Paz, Lima, London, Madrid, Montevideo, Oslo, Ottawa, Paris, Quito, Rome, Rio de Janeiro, Santiago, Stockholm, and The Hague.

<sup>2</sup> Document 116.

<sup>3</sup> Drafted on May 26.

as war vessels, arms, ammunition, and spare parts for combat military equipment already on hand in the applicant country. Since spare parts for military equipment will not be approved, authorization should not be given for temporary entry for purposes of repair or overhaul of either (a) components of aircraft or (b) the aircraft themselves. Combat equipment does not include civilian aircraft or spare parts for civilian aircraft; applications for these items will be considered on a case-by-case basis where it can be demonstrated that the items are for use exclusively by civilian aircraft or by private individuals. End-use checks should be routine for these case-by-case examinations. Applications for spare parts for civilian-type aircraft used by the military forces (e.g. C-46's, C-54's) will be reviewed to determine whether the normal use of these aircraft is such that no objection would be raised to approving such requests. The Munitions Control Division should continue to refer to ARA doubtful cases involving non-combat military equipment for review on a case-by-case basis, but need not refer cases of non-combat, non-military items included on the U.S. Munitions list. Generally, non-combat military equipment will be approved.

#### 2. *Colombia and Mexico.*

There is no need at present for disapproving applications, but the normal scrutiny should be given to applications to assure that Colombia and Mexico are not being used as centers for trans-shipment to other points in the area. The Mexican Desk will be alert, in clearing applications, that no equipment will be authorized which might be used to arm Communist groups.

#### 3. *Central America, Panama and Haiti.*

In general, the practices followed in the cases of Cuba and the Dominican Republic should be followed in the immediate future, although in individual countries there may be reasons for more latitude in approving small items. For instance, the following items should be approved in amounts determined<sup>4</sup> to be not in excess of normal requirements:

- (a) small arms and ammunition for police use
- (b) trucks and jeeps
- (c) non-combat equipment such as helmets, helmet liners, and riot equipment, including tear gas.

#### 4. *Venezuela.*

Requests for authorization to ship military equipment to Venezuela will be considered on a case-by-case basis. Items on which questions are raised will be referred to the Embassy at Caracas for its recommendation.

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<sup>4</sup> These determinations would be made in consultation with the Desk and, where appropriate, with our Embassy in the applicant country. [Footnote in the source text.]

In rejecting applications, it is suggested that MC return disapproved requests with the comment that the application cannot be approved "at this time".

In instances where a question regarding any request for an export license is raised by MC or the appropriate Desk, our Embassy in the applicant country will be asked to conduct the customary end-use check.

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**120. Memorandum From the Director of the Office of Caribbean and Mexican Affairs (Wieland) to the Deputy Assistant Secretary of State for Inter-American Affairs (Snow)<sup>1</sup>**

*Washington, June 18, 1959.*

SUBJECT

Current Practice Regarding Export of Military Equipment to the Caribbean Area

Two problems of some importance have recently arisen in carrying out our practice respecting authorization of military equipment to the Caribbean area; these are:

1. Working out mechanics with the Department of Commerce which took over licensing of civilian aircraft and spare parts from the Office of Munitions Control on June 1.
2. The question of whether we should begin to loosen some of our controls.

The problem with the Department of Commerce is principally one of providing their licensing people with somewhat more specific guidance than we gave to MC in our recent paper. Commerce is, of course, willing to accept the guidance of the Department of State on political grounds but desires to have fairly complete guidance so that their people need not refer each specific case for decision to the Department. Secondly, Commerce is especially sensitive to their relationships with American exporters and accordingly they have a strong preference for clear "yes" or "no" decisions on disposition of license applications and hence are reluctant to delay action even though we might consider it desirable to withhold a decision.

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<sup>1</sup> Source: Department of State, ARA Deputy Assistant Secretary's Files: Lot 61 D 411, Caribbean 1959. Confidential. Drafted by Little.

With respect to the first point we have prepared, with the clearance of the appropriate desks in ARA, a guidance which would be transmitted to Commerce, a copy of which is attached for your consideration.

With respect to the second point the licensing people in Commerce offer us only four means of dealing with individual applications: (1) denial; (2) return of application to applicant without action, suggesting that the applicant may, if he wishes, resubmit the application in 30 days; (3) a similar return without action suggesting a 60 day interval; and (4) a similar return without action disposition with a 90 day interval. MC is handling those licenses which it can not approve by returning them to the applicant with a note stating that the request cannot be approved "at this time." This matter of handling applications which are not approved is related to the impact that the knowledge of our current practice will have in the Caribbean and on the Iron Curtain countries as a source of supply, and raises the question whether we should give more publicity on the nature of our current practices. I am inclined to believe that we should continue as we are presently doing and not give publicity, on the ground of possible Iron Curtain interest if we lay out to public view our current mode of dealing with this type of request.<sup>2</sup> I suggest that applications for civilian aircraft and spare parts ordered by the military forces of Cuba and the Dominican Republic be handled for at least the next 30 days by the fourth alternative, i.e., returning them without action suggesting resubmittal, if the applicant wishes, at the end of a 90 day period.<sup>3</sup> Applications from other countries of the area could be dealt with, as deemed appropriate, by any one of the above-mentioned alternatives.

The second general question—possible relaxation of our practice—has been the subject of recent careful study by CMA.<sup>4</sup> As a general proposition, CMA believes that we should consider relaxing our controls fairly soon, beginning at the lower end of the scale and authorizing spare parts for civilian aircraft in the hands of the military forces in, say, Cuba, Haiti, and the Dominican Republic. There are several reasons why relaxation, particularly of this type of equipment, would be desirable: (1) If additional shipments of military matériel are made by Western European suppliers, selective relaxation would be required to avoid a collapse of our present position of exercising close controls over shipments to the area. (2) There is some doubt whether controls over spare parts for civilian aircraft of the military services is effective; they seem to continue to fly and unless we stop exports of similar equipment ordered by civil airlines of the country the latter are

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<sup>2</sup> At this point appears the following marginal notation by Snow: "I agree."

<sup>3</sup> At this point Snow wrote "Yes" in the margin.

<sup>4</sup> Not identified.

a likely source of supply for civilian type aircraft of the military services. (3) The U.K. does not require licenses for civilian aircraft or spare parts for this equipment which could place us in a difficult position vis-à-vis U.S. suppliers of these items. (4) Another consideration is that administration of our current practice is time-consuming and easing of controls would facilitate this task. Tensions have increased considerably in the past month in the Cuban, Haitian, and Dominican Republic area, and in spite of the considerations mentioned above, relaxation would not appear to be a wise step at this moment. As you know, we have received reports of training of forces in the Dominican Republic to invade Cuba and there has been some interest shown in 2 C-46's from Campo Libertad to unknown destinations. A middle ground to relax controls would be to authorize Commerce to license spare parts for civilian type aircraft of the military in these countries, on the basis of past usage experience in order to keep flying those aircraft they each have. Even this type of relaxation, however, I believe should not be taken at this time. I recommend, however, that we re-examine this as a possibility, say at the end of 30 days.<sup>5</sup>

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<sup>5</sup> At this point Snow wrote "OK" on the source text.

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## 121. Memorandum of Discussion at the 411th Meeting of the National Security Council, Washington, June 25, 1959<sup>1</sup>

[Here follows a paragraph listing the participants at the meeting.]

### 1. Significant World Developments Affecting U.S. Security

With respect to the situation in the Caribbean, the Director of Central Intelligence<sup>2</sup> noted that there were several new rebel groups being set up in Honduras in preparation for moving into Nicaragua. There had also been reports of four rebel landings in the Dominican Republic, some of which were still in being while others had been destroyed. Fidel Castro seemed to be determined to get rid of both Trujillo and Somoza in which design he apparently had the secret support of Betancourt of Venezuela and Figueres of Costa Rica. There had been a general mobilization in the Dominican Republic. Our information indicated that these rebel landings in the Dominican Republic

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Gleason.

<sup>2</sup> Allen W. Dulles.



had received at least some slight support from the native population but the groups did not seem large enough to pose a serious security problem to Trujillo at the present time. It seems that Castro thinks it is possible to repeat in the Dominican Republic and Nicaragua the success of his own movement in Cuba which began with very small forces.

Mr. Dulles pointed out that the machinery of the Organization of American States (OAS) had been somewhat hampered in its efforts to maintain the peace because of the general unpopularity throughout Latin America of the dictatorships in the Dominican Republic and Nicaragua. One could say that the situation would be funny if it were not so serious.

Secretary Herter emphasized how seriously the Caribbean problem appeared to the Department of State. He pointed out that if the U.S. Government sided with the dictatorships, it would find itself in serious trouble with many other Latin American Republics. On the other hand, if we did not do something, the fire would spread very fast. Cuba was the center of the unrest and presented, in itself, the most serious situation. U.S. business interests in Cuba were very frightened and were now clamoring for U.S. economic action against the Castro regime. The OAS was moving in most gingerly fashion instead, as we had hoped, of moving effectively in this grave situation. Nevertheless, Secretary Herter thought we would have to use the OAS machinery rather than to intervene unilaterally.

Mr. Allen Dulles pointed out that "Che" Guevara, one of Castro's chief Left-Wing Lieutenants, had recently gone to see Nasser in Cairo. In meeting with Nasser, he had spoken in bitter terms of the U.S. Nasser had reportedly replied that if one dealt with the imperialists, one would suffer a five per cent loss in one's resources. However, if one dealt with the Communists, one would lose one hundred per cent of his assets.

[Here follow discussion of the internal situation in Communist China; the Kerala State in India; Argentina; and agenda items 2, "U.S. Policy Toward Korea", and 3, "Basic National Security Policy".]

**S. Everett Gleason**

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**122. Special National Intelligence Estimate<sup>1</sup>**

SNIE 80-59

*Washington, June 30, 1959.***THE SITUATION IN THE CARIBBEAN THROUGH 1959****The Problem**

To estimate the prospects through 1959 for political stability in the Caribbean republics, with particular reference to Communist strength and influence in Cuba and among the revolutionary groups of exiles from Nicaragua and the Dominican Republic.

**Conclusions**

1. In *Cuba*, Fidel Castro achieved immense popularity through his leadership in the overthrow of the Batista dictatorship, a popularity which since has been decreasing. His temperament and inexperience ill fit him to administer the government. He is inspired by a messianic sense of mission to aid his people and draws upon the common stock of Latin American reformist ideas, but he has little sense of the practical consequences of his impulsive attitudes and actions. (Paras. 10, 12-13)

2. The Communist Party in Cuba has at various times been and is again one of the strongest in Latin America. With great skill, it has succeeded in identifying itself with the Castro revolution, and is exploiting the confusion and ineptitude of the Castro administration to penetrate the bureaucracy, the army, organized labor, and the organization set up to carry out the agrarian reform. The Communists probably do not now control Castro, but they are in a position to exert influence in his regime and to carry on further organizational work. We believe that at least for the period of this estimate the Communists will continue to support Castro's program and will attempt to avoid giving Castro any cause for believing that they are seeking to usurp his position as leader. We, therefore, believe that Castro is unlikely to take the drastic steps necessary to check their increasing power. (Paras. 14-15, 17-18, 21, 24-25)

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<sup>1</sup> Source: Department of State, INR Files. Secret. According to a note on the cover sheet, the CIA and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff participated in the preparation of this estimate. The members of the United States Intelligence Board concurred in the estimate on June 30, with the exception of the representative of the Atomic Energy Commission, the Assistant to the Secretary of Defense, Special Operations, the Director of the National Security Agency, and the Assistant Director of the FBI, who abstained on the grounds that the subject was outside their jurisdiction.

3. The trend of developments in Cuba has alienated elements in the upper and middle classes and the Catholic Church, including many who originally supported Castro. His agrarian reform law has aroused substantial opposition even among smaller Cuban landowners. There is also some dissatisfaction in the military and to some extent in the rebel movement itself. Exile groups abroad are plotting. Although opposition is on the rise, Castro continues to enjoy wide popularity. While moves to overthrow the regime are possible, it is unlikely that dissatisfied elements either separately or together will challenge him successfully during 1959. (Para. 23)

4. Castro is concerned that his radical actions, especially agrarian reform, could cause the US to modify Cuba's preferential treatment in the US sugar market. However, should he believe that the US Government or private interests were exerting pressures to bring about a modification of his policies, he would probably react strongly. It is possible that Castro would threaten to demand the US withdrawal from its naval base at Guantanamo or threaten the expropriation of other large US holdings. (Paras. 20–22)

5. Castro's revolution in Cuba has greatly stimulated revolutionary activity throughout the Caribbean area, particularly among exiles from Nicaragua, the Dominican Republic, and Haiti. Initially Castro made the overthrow of dictatorship throughout Latin America a part of his program. Lately, he has realized the advisability of publicly adhering to the doctrine of nonintervention as a protection for the revolution in Cuba. Nevertheless, we believe he will continue to assist revolutionary exile groups in Cuba to invade their respective homelands. (Paras. 11, 28–29)

6. The Somoza regime in *Nicaragua* is currently threatened with attack from exiles who have intermittently invaded Nicaragua in small groups. The danger to the regime is primarily psychological; it is less a function of the capabilities of any particular opposition group than of a spreading conviction that the Somozas' time is running out. Should non-Communist opposition elements prove incapable of bringing about an early change in government, anti-US and pro-Communist elements will probably gain increasing influence in the revolutionary movement and in any successor regime which it might set up.<sup>2</sup> (Paras. 40–47)

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<sup>2</sup> The Assistant Chief of Staff for Intelligence, Department of the Army, the Director for Intelligence, The Joint Staff, and the Assistant to the Secretary of Defense, Special Operations, do not agree with the over-all assessment of the weakened position of the Somoza regime as portrayed in the Nicaraguan section of the estimate. Rather, they believe that evidence points toward a greater flexibility and position of strength of the Somoza regime.

Consequently, their net evaluation would read as follows:

7. We believe that even though the Somozas have survived the recent invasions, their chances for retaining power are diminishing. They probably would be able to prolong their tenure if they were willing to make significant concessions to the opposition—a course which they have thus far been disinclined to follow. However, we believe the Somozas will remain in power at least for the period of this estimate.<sup>3</sup> (Paras. 48–49)

8. The 30-year Trujillo dictatorship in the *Dominican Republic* is being challenged for the first time. It is nevertheless probable that the regime will be able to survive through 1959. The possibility remains that failure to eliminate invasion groups will stimulate internal opposition within the country and that the combination of these two forces might cause the military to defect and the regime to topple before the end of 1959. The possibility exists that Trujillo will make good his threat to retaliate with air attacks on Cuba if an invasion supported by the Cuban Government invades his country, and thus create a war situation in the Caribbean area. (Paras. 37–39)

9. The internal political situation in *Haiti* is precarious. Governments in *Honduras* and *Panama* are unstable. The Governments of *Guatemala*, *El Salvador* and *Costa Rica* are not immediately threatened. We believe that all the above governments will survive through 1959, with the possible exception of Haiti. (Paras. 32–34, 36, 50–51)

## Discussion

### I. Introduction

10. Fidel Castro's victory freed Cuba from Batista's corrupt dictatorship. It also opened the way for social, economic, and political reform. Castro's objectives are to bring about a social revolution including the reduction of power of the wealthy, both Cuban and foreign, and the improvement of the lot of the poorer classes. However, he is ruling as a dictator stating that democratic government is to be re-established, but that it must be delayed until the major economic and social reforms have been successfully launched. The most dangerous aspect of this situation of radical change is the opportunity which it gives to the Communists, for they can consolidate their position by vigorously supporting Castro's programs.

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"The Somoza regime is currently threatened with attack from exiles, supported and encouraged both by non-Communists and Communist elements in other countries. Despite this threat to its stability, however, as a result of its manner of settling the business strike and dealing with the recent invasions, the Somozas' chances for retaining power at least for the period of this estimate remain good." [Footnote in the source text.]

<sup>3</sup> Footnote is the same as footnote 2 above.

11. Castro's victory has also given a new impetus to the groups seeking to overthrow the dictatorial regimes in the Dominican Republic, Nicaragua, and Haiti. His success has been of particular importance because it demonstrated a method whereby a small group of determined men could win, and because it showed that widespread popular support could be generated for a sweeping social and economic revolution. Castro's call for a radical change in the old order within the Caribbean area, coupled with his affinity for extremist revolutionaries, has increased the Communist potential throughout the area.

## *II. The Situation and Outlook in Cuba*

### *A. The Present Situation*

12. *The Character of Castro and His Regime.* Fidel Castro achieved immense popularity through his leadership in the overthrow of the Batista dictatorship, a popularity which since has been decreasing. He is inspired by a messianic sense of mission to aid his people and draws upon the common stock of Latin American reformist ideas, but he has little sense of the practical consequences of his impulsive attitudes and actions. Furthermore he appears unwilling to tolerate disagreement with his policies and labels any dissenter a counter-revolutionary.

13. Castro's regime has functioned in a highly unpredictable manner. In part this is the result of the collapse of the former governmental structure and the inexperience of his followers. But to a greater extent this probably stems from the fact that he has retained decision-making in his own inexperienced hands. The regime has devoted much effort to punishing all persons in and out of government whom the revolutionaries class as Batista supporters. It has also put into effect drastic measures which were designed to weaken the position of the wealthy and the middle class and to improve conditions of the lower classes. Some of these may have a beneficial effect in the long run. However, they have been introduced in an erratic manner and have put new strains on an economy which was already suffering from the effects of the prolonged civil war.

14. *The Communist Party.* The most dangerous aspect of this situation has been the opportunity created for the Cuban Communist Party (Popular Socialist Party—PSP) to improve its position. This well organized party has at various times been and is again one of the strongest in Latin America. By the end of Batista's regime in late 1958, the PSP had been reduced to an estimated 8,000-12,000 members. Nevertheless, even during the Batista dictatorship, it was active in the fields of labor, education, and entertainment. Although the PSP as a party did not support the Castro movement until its success was imminent, it has since January given solid support to Castro's program of purging Batista men and of social and economic reform. It has also actively

sought to increase its membership and influence. Since Batista's overthrow PSP strength has increased, and today it may be as high as 17,000.

15. *The Government.* The civilian government, severely purged after Castro's victory, is still in a state of disorganization. Manuel Urrutia remains a rubber-stamp President. The cabinet includes an ultranationalist, a few moderates, and a number of political unknowns; recent changes in the Cabinet's makeup may have reduced its competence. In general its influence on Castro seems secondary to that of his extremist advisers from among his comrades in the 26th of July Movement. A large part of the former bureaucracy has been replaced by inexperienced adherents of Castro's movement and in certain cases by known Communists or persons amenable to Communist influence, including some at high levels.

16. *The Military.* The regime has attempted to insure the loyalty of the army by the mass integration of 26th of July Movement forces into its ranks, by the dismissal of many former army troops, and by the execution or imprisonment of many professional army officers. Therefore the new army, though lacking in effective organization as a military establishment, is probably loyal to Castro. The air force is undergoing a purge and the navy has lost many of its experienced high level officers. The loyalty of both services to the regime is doubtful, and their capabilities have been considerably reduced.

17. There are a number of Communists or Communist sympathizers in the military forces, some of whom hold key spots. Castro's brother Raul, who is strongly sympathetic to communism, commands the armed forces. Major Ernesto "Che" Guevara Serna, a key figure in the revolution who now commands Havana's most important military installation, has consistently furthered Communist interests. Other high ranking officers probably are Communists or Communist sympathizers. Communists have penetrated the lower echelons of the new army. All members of the armed forces are being subjected to a political indoctrination program in which the Communists have important influence.

18. *Organized Labor.* Castro has moved to establish control of organized labor. This force was politically powerful even under Batista and gave little support to Castro until the dictator fled. At that time a group of rebels and a minority of five Communists seized the directorate of the national labor confederation. Subsequently Castro, to insure his control of labor, reorganized the directorate and excluded the Communists. Furthermore, in recent local union elections, his movement won almost all leadership positions. Although most Communist contenders were defeated, it is probable that some Communists won as candidates of the 26th of July Movement. Moreover, it is likely that some of the non-Communist but relatively inexperienced Castro fol-

lowers are amenable to Communist influence. There are also Communists in the rank-and-file and lower leadership echelons of labor, and they enjoy certain advantages from their long years of experience in the labor movement. Thus, despite Castro's efforts to develop a labor movement responsive to his leadership, the Communists have been able to retain a strong position.

19. *The Economic Situation.* While the Cuban economic situation is not yet critical, it has deteriorated and holds potential for Communist exploitation. With labor's cooperation, the sugar industry, despite the late start in the grinding season, has reached the 1959 quota.<sup>4</sup> However, a lower world sugar price has contributed to a reduction in the island's income. Other sectors of the economy have registered slight gains since the initial dislocations accompanying the revolt. They continue to suffer as a result of apprehension in business and commercial circles about Castro's policies, e.g., the arbitrary lowering of rents and the sequestration of International Telephone and Telegraph properties. Tourism and exports are down. Merchandising is off. Construction has virtually ceased. High unemployment, a chronic problem in Cuba, will become more serious as the sugar harvest is completed. While there has been some progress toward stabilizing the labor-management relationship, labor is restive.

20. *Agrarian Reform.* Castro has placed the greatest emphasis on agrarian reform. Such reform is in the liberal Latin American tradition and if ably carried out, probably would benefit Cuba in the long run.<sup>5</sup> To put this into effect, he promulgated in early June a law aimed at dividing land holdings and at eventually ending foreign ownership of Cuban land. The law is the recognized product of Castro's radical and extremist supporters; it was adopted in place of a more moderate law drafted by the former Minister of Agriculture.

21. Cuban moderates are concerned that Communists will exploit the program to their own advantage and that implementation by inexperienced officials will adversely affect the economy. Their concern is justified. Castro has appointed pro-Communist Antonio Nunez Jimenez as director of the Agrarian Reform Institute which is charged with supervising the implementation of the program. The moderates probably are also worried that the effect of this law together with the regime's other actions penalizing private investment, will be to discourage new investment by Cubans as well as foreigners.<sup>6</sup>

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<sup>4</sup> Sugar normally accounts for about a quarter of the annual GNP and brings in \$600–700 million foreign exchange. [Footnote in the source text.]

<sup>5</sup> Less than eight percent of landowners own 75 percent of Cuba's total agricultural area. [Footnote in the source text.]

<sup>6</sup> US direct investment in Cuba amounts to about \$900 million, representing almost the entire amount of all foreign investment in the country. It is roughly divided between investment in agriculture, chiefly sugar, and that in public utilities—telephone, power, and railroad companies. American sugar companies operating 31 of the total 161 sugar

22. While Castro was displeased with the US reaction to his program, nevertheless he evinced concern that his radical reform actions could result in loss of Cuba's preferential treatment in the US sugar market. He is also mindful of the importance of the US to Cuba as its major trading partner and source of investment capital. At the same time, he probably calculates that the US freedom to adopt sanctions against Cuba is restricted by US concern to avoid actions which might seriously impair its influence elsewhere in Latin America. Should he believe that the US Government or private interests were exerting pressures to bring about a modification of his policies, he would probably react strongly. It is possible that Castro would counter US pressures by threatening to demand the US withdrawal from its naval base at Guantanamo or by threatening the expropriation of other large US holdings.

### *B. The Outlook*

23. Despite Castro's continuing appeal as a national hero, opposition to him is growing. The confiscatory nature of his agrarian reform law has aroused substantial opposition from the middle and upper classes. These segments of the population, impatient with Castro's inexperience and impulsiveness, are generally dissatisfied with his mismanagement of the economy and the radical tone of his program. Together with the hierarchy of the Catholic Church and even some members of Castro's movement, they are increasingly dissatisfied with his failure to curb Communist influence. There are discontented elements in the active and retired military because of loss of personal position. There is some dissatisfaction in other groups which took part in the revolution, because Castro has failed to give them a larger role in the government. Exiles in the US, Mexico, and the Dominican Republic are actively plotting; there are a few armed resistance groups forming in Cuba itself. However, while armed attacks against the regime are possible, we do not believe that any of these groups is sufficiently well organized at this time to pose a serious threat to Castro. Nor do we see a leader on the horizon capable of unifying the opposition. Therefore we believe that Castro will remain in power at least during the period of this estimate .

24. The Communists probably do not now control Castro, but they are in a position to exert influence in his regime and to carry on further organizational work. As we have noted above they have succeeded in gaining positions in some of the country's most important institutions and organizations. Additionally, the Cuban Communist

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mills, hold about two million acres of land, less than half the total cane acreage, and lease or contract for the purchase of cane from another 800,000 acres. The dozen US sugar companies produced about a third of the 1958 sugar crop. [Footnote in the source text.]



Party, probably Cuba's best organized political party, is expanding its influence in the country's radio and TV systems and, to a lesser extent in the newspapers and in the educational system. Its position is enhanced by Castro's sense of need for Communist cooperation at the moment. We believe that at least for the period of this estimate the Communists will continue to support Castro's program and will attempt to avoid giving Castro any cause for believing that they are seeking to move in on his position as leader.

25. Castro and certain of his followers have recently made anti-Communist statements which suggest that they have some concern about the local Communists as a potential threat to the 26th of July Movement's dominance. Thus far, however, Castro has taken virtually no action to curb the Communists, and we believe that he is unlikely to take drastic steps against them during the period of this estimate.

### *III. Caribbean Revolutionary Movements*

26. Over the past decade, the most prominent leaders of the antidictatorship crusade in the Caribbean area have been Jose Figueres, former president of Costa Rica,<sup>7</sup> and his close friend, Romulo Betancourt, recently elected president of Venezuela.<sup>8</sup> Figueres has been motivated primarily by a fervent desire to secure the ouster of the Somoza family in Nicaragua; Betancourt's main target has been Trujillo in the Dominican Republic. Betancourt and Figueres have been able to give some support and encouragement to non-Communist exile groups, especially from these two countries.

27. There have also been some exile groups which are influenced by Communists or Communist sympathizers. Members of the Nicaraguan Patriotic Union and the Dominican Patriotic Union, both of which are Communist-connected, came into the open in Venezuela after the ouster of Dictator Perez Jimenez in 1958. These groups have thus far failed in their efforts to join forces with the democratic exile groups. We feel that developments are more and more pointing to the possibility that Communist elements throughout the area are working to achieve an outbreak of hostilities among Caribbean nations.

28. After taking power in Cuba, Castro assumed leadership of the crusade against dictatorship. However, Betancourt and Figueres soon became alarmed at Castro's demagoguery, his support of Communist-connected exile revolutionists, and his offensive treatment of Figueres, and are presently at odds with him. Despite Castro's open break with these established liberal leaders in March, Cuba continues to be a main gathering place of exiles and mercenaries who are planning revolution

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<sup>7</sup> Figueres was President, 1953–1958.

<sup>8</sup> Betancourt was elected President of Venezuela, December 7, 1958, and inaugurated February 13, 1959.

against the Dominican Republic, Haiti, and Nicaragua. Castro left the task of dealing with these groups to his brother Raul and "Che" Guevara, who have displayed a clear preference for Communist-connected Nicaraguan and Dominican groups. Other more moderate revolutionists continued to look to Figueres and Betancourt for aid and guidance.

29. The prompt reaction of the Organization of American States (OAS) to the April invasion of Panama by Cubans caused Castro to reiterate a policy of nonintervention in the affairs of other states.<sup>9</sup> Nevertheless, Castro is continuing to support various exile groups and we believe that in spite of the risks involved he will continue to assist these groups to invade their respective homelands.

30. No government in the area, with the exception of Cuba and possibly Venezuela, is likely to give substantial material aid to revolutionary invasion forces. However, most of them play hosts to numbers of exiles. Moreover, while most governments were willing to approve OAS action which supported the Panamanian Government against invasion, they were reluctant to act when exiles recently invaded Nicaragua, and they will be even more reluctant to agree to OAS action on behalf of the Trujillo regime.

31. *Venezuela* under Betancourt has been officially committed to pursue its antidictatorship campaign through the OAS. Betancourt has at the same time probably given some support to revolutionaries. On the other hand, President Echandi in *Costa Rica* has sought to prevent military forays by exile groups against his neighbors, even though the effectiveness of his efforts has been reduced by the strong influence of the Figueres-led opposition, the country's small military capability, and by general Costa Rican antipathy toward the Somozas. *Mexico*, whose government has steered clear of involvement in Caribbean intrigue even though the country has been a traditional haven for exiles, has begun to limit the activities of Nicaraguan rebels within its borders. *El Salvador* and *Guatemala*, which were willing to give military support to Panama when it faced invasion, probably would be less willing to support the Somozas or Trujillo. A recent border agreement between Honduras and Nicaragua to prevent use of either's territory against the other will probably be observed by *Honduras* despite longstanding tensions between the two countries. Nevertheless, invasion from Honduras remains a possibility.

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<sup>9</sup> Documentation on this subject is in Department of State, Central File 363. For information, see *Inter-American Efforts To Relieve International Tensions in the Western Hemisphere, 1959-1960* (Department of State Publication 7409, Washington, 1962), pp. 6-10.

*Haiti*

32. The political situation in Haiti, long unstable, is rendered especially precarious by the serious illness and uncertain life expectancy of President Duvalier. The Duvalier regime is strongly opposed by the country's mulatto elite, by labor in the capital city, and by the army. While Duvalier retains support among the black lower classes, he is sustained primarily by the terror inspired by his secret police and armed civilian militia.

33. Duvalier's position has been bolstered by US aid, which averted economic collapse, and by the provision of a marine training detachment. Moreover, he apparently can count on the Dominican armed forces for some protection as a result of Trujillo's declared intentions to patrol the sea lanes and to attack exile groups landing anywhere in the islands.

34. There is, however, no clear alternative to the Duvalier regime. The two principal opposition leaders, Louis Dejoie and Daniel Fignole, are in exile. Although they might combine to overthrow Duvalier, they represent irreconcilable elements—Dejoie, the elite; Fignole, organized labor and the city mob. They probably would come into conflict with each other once Duvalier were removed. The Haitian Government continues to be concerned that there will be a Dejoie–Fignole invasion from Cuba. It is also concerned that invasions of the Dominican Republic will adversely affect its own situation.

35. There are very few Communists in Haiti and no organized Communist party, but the nucleus of a Communist movement exists among the intelligentsia. A significant number of known and suspected Communists are employed by the government which provides the principal source of employment for intellectuals.

36. Barring Duvalier's death or incapacitation, we believe that he has a better than even chance of staying in power for the period of this estimate. Even in the event that he regains his health and vigor, it is highly unlikely that he will be able to maintain himself in office to the end of his term (1963). When he goes, it is probable that there will be a period of political chaos comparable to that following the exit of dictator Magloire in late 1956.

*Dominican Republic*

37. The 30-year-old Trujillo dictatorship is being severely challenged for the first time. Small-scale forces associated with the most important Dominican exile organization, the Dominican Patriotic Union (UPD), have invaded the Dominican Republic from Cuba. The UPD, based mainly in Venezuela and Cuba, has some Communists in leadership positions. It is operating with no interference from the Venezuelan and Cuban Governments, and is receiving support from

the Cuban Government, the Venezuelan Communist Party, and probably the Venezuelan Government. While Trujillo has threatened to retaliate with air attacks on Cuba if an invasion supported by the Cuban Government invaded his country, he has so far failed to move. However, the possibility exists that Trujillo will make good his threat and thus create a war situation in the Caribbean area.

38. There has been little sign of local civilian or military support for the invaders, although there is probably considerable latent opposition to Trujillo. Moreover, we continue to believe that Trujillo military will probably be able to crush small-scale invading efforts. Trujillo's military capabilities have recently been increased by large-scale arms purchases abroad.

39. Hence, given the capability and apparent loyalty of the Dominican military, we believe that the Trujillo regime is likely to survive through 1959. However, the possibility remains that failure to eliminate invasion groups will stimulate internal opposition and that the combination of these two forces might cause the military to defect and the regime to topple before the end of 1959.

#### *Nicaragua*<sup>10</sup>

40. The Somoza regime has controlled Nicaragua for 25 years through its firm hold on the country's only armed force (the National Guard) and the administration's National Liberal Party. Now the regime is threatened by a variety of revolutionary movements among Nicaraguan exiles and by internal opposition elements, largely among the business class. We believe that the danger to the regime is primarily psychological; it is less a function of the actual capabilities of any particular opposition group than of a spreading conviction that the Somozas' time is running out.

41. President Luis Somoza succeeded his late father in the presidency in a constitutional manner.<sup>11</sup> His position was confirmed in an election in 1957 for a six-year term; his younger brother, Anastasio

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<sup>10</sup> The Assistant Chief of Staff for Intelligence, Department of the Army, the Director for Intelligence, The Joint Staff, and the Assistant to the Secretary of Defense, Special Operations, do not agree with the over-all assessment of the weakened position of the Somoza regime as portrayed in the Nicaraguan section of the estimate. Rather, they believe that evidence points toward a greater flexibility and position of strength of the Somoza regime.

Consequently, their net evaluation would read as follows:

"The Somoza regime is currently threatened with attack from exiles, supported and encouraged both by non-Communists and Communist elements in other countries. Despite this threat to its stability, however, as a result of its manner of settling the business strike and dealing with the recent invasions, the Somozas' chances for retaining power at least for the period of this estimate remain good." [Footnote in the source text.]

<sup>11</sup> Luis Somoza Debayle was elected President of Nicaragua on February 3, 1957, for a 6-year term beginning May 1, 1957.

(Tachito) Somoza, remains in command of the National Guard. Luis has recognized the rising sentiment against dictatorship in Latin America and has endeavored to free himself of that stigma by exercising less stringent police controls than did his father.

42. However, the domestic situation has not favored Somoza's efforts to change the political atmosphere in Nicaragua. Economic conditions are unfavorable, and low world prices for cotton and coffee, on which the country depends for most of its foreign exchange, threaten continuing hardship. In addition, the business community, long resentful of the Somozas' control of much of Nicaragua's economy and disturbed by Luis Somoza's inclination toward liberal economic policies, is becoming increasingly hostile to the President.

43. In any event, Somoza's room for maneuver is limited by personal pride and a desire to maintain his family's position as best he can in changing circumstances. Furthermore, it is impossible for Luis Somoza to divest himself of the family reputation.

44. An attempt has been made to unify the many Nicaraguan opposition groups in a National Opposition Union (UNO). This loose coalition includes the major faction of the traditional Conservative Party, the Independent Liberal Party (which is the anti-Somoza element of the traditional Liberal Party), and smaller anti-Somoza groups both in and out of Nicaragua. Enrique Lacayo Farfan of the Independent Liberal Party is the recognized leader of this opposition grouping which has the active support of Figueres and the implicit support of Betancourt. While the Conservatives have been reluctant to collaborate with Communist-associated revolutionary groups, Lacayo, believing that effective action is possible only with a united opposition force, has sought their cooperation, at least in El Salvador and Cuba.

45. The Communist-associated revolutionists include a leftist minority of the UNO, the Nicaraguan Patriotic Union based in Caracas and in part financed by the Communist Party there, and numerous exiles in Cuba, the principal leaders of which are at least pro-Communist. These groups are considerably smaller than those led by Lacayo, although prospects for the group in Cuba have been enhanced by the support of the Cuban Government. Castro apparently commissioned "Che" Guevara to facilitate the preparation of exiles in Cuba for revolutionary action against the Somozas; Guevara's partiality for Communists has strengthened Communist leadership of the principal Nicaraguan exile group in Cuba. Castro's government is continuing to provide support for this group.

46. The Communists by themselves present little threat; their movement in Nicaragua, unlike that in Cuba and Venezuela, is small and has never been well established. However, if the non-Communist exiles are not able to mount an effective invasion on their own, they may turn to Cuba for material assistance and seek to coordinate their

efforts with the Communist-led groups. The end result would be an increase of anti-US and pro-Communist influence in the revolutionary movement and in any successor regime which it might set up.

47. The Somoza regime is currently threatened with attack from exiles who have intermittently invaded Nicaragua in small groups. It is also under pressure from internal political opposition groups to give up and to hold free elections in the near future. In late May, in conjunction with an attempted general strike fomented by the Nicaraguan business community, an invasion was made from Costa Rica by a small group of followers of Lacayo. This effort failed in part because the invaders lacked training and the will to fight. It also failed because of the effectiveness with which the National Guard operated, the failure of the exile group to receive supplies and reinforcements, and the lack of favorable popular response.

48. There will almost certainly be further attempts against the regime in the coming months. In these circumstances, the Somozas probably will be increasingly dependent on the 5,000-man National Guard as an instrument to maintain power. The Guard has thus far been an effective force for maintaining internal security, but in the past there have been some signs of dissent within it. While it probably is in the main loyal to the Somozas and could put down an armed uprising in the capital city, it would have great difficulty in dealing with a general strike involving both management and labor. Moreover, should this situation be accompanied by a sustained and growing guerrilla action, the Guard probably could not assure the Somozas' survival. Nor would the OAS likely to intervene on behalf of the Somozas in a situation where internal opposition played a major role.

49. We believe that even though the Somozas have survived recent invasions, their chances for retaining power are diminishing. They probably would be able to prolong their tenure if they were willing to make significant concessions to the opposition—a course which they have been disinclined to follow. However, we believe the Somozas will remain in power at least during the period of this estimate.

### *Panama*

50. The position of the oligarchy which rules Panama is weakened by factionalism and the poor economic situation. In the past year, the stability of government has been threatened by serious student strikes and riots and by internal and external revolutionary conspiracies. The recent prompt OAS action against the Cuban mercenaries has reduced the threat of further invasions in the near future. However, the internal situation will become more unstable as political maneuvering increases prior to the 1960 presidential elections. A bitter and violent struggle between factions of the oligarchy, which has often occurred in

the past, could encourage extremists to step up efforts to overthrow the dominant families. However, the present regime will probably remain in office for the period of this estimate.

### *Other Countries*

51. We believe that the government of President Ydigoras in *Guatemala* will probably remain in power during the period of this estimate. In *Honduras* the government is unstable primarily because of a struggle between President Villeda's Liberal Party and the military, as well as increasing opposition by the influential business community. Nevertheless, the military, which has suppressed several revolts, supports Villeda, and it is likely that he will survive through 1959. The Government of *El Salvador*, despite some intrigue directed against it, seems politically and economically stable. In *Costa Rica* President Echandi's government seems secure despite the problems created by the President's efforts to halt Nicaraguan exile expeditions. We believe that the Salvadoran and Costa Rican Governments will remain in power through 1959.

[Here follows an Annex with three tables entitled "Estimated Armed Forces Personnel Strengths," "Estimated Military Aircraft," and "Combatant Naval Vessels."]

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### 123. Editorial Note

At a July 6 meeting to brief representatives of the Departments of Justice and the Treasury, and the CIA, held in the Department of State, Assistant Secretary Rubottom stressed the need for the United States to have "a good record" on the enforcement of neutrality and other relevant legislation while the United States was applying pressure on Castro and other governments to curb revolutionary activities. The following exchange on this subject took place at the meeting:

"Mr. Rubottom also referred to the need for appropriate action to be taken with respect to American citizens, including Puerto Ricans, involved in Caribbean Revolutionary activities. Mr. Yeagley explained the limitations of the Neutrality Act—which applies to activities on U.S. soil but not to activities of U.S. citizens on foreign soil—but to determine if other statutes could be applied. Mr. Hanes referred to the possibility of canceling passports, an action which had been initiated in the case of Rafael Somorriba, a naturalized citizen captured in Honduras leading an anti-Nicaraguan expedition. He pointed out, however, that such action would generally have only a symbolic

value." (Memorandum of conversation, by John C. Hill, Jr., July 21; Department of State, ARA Special Assistant's Files: Lot 62 D 24, Caribbean Revolutionary Activities 1959)

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**124. Memorandum of Discussion at the 412th Meeting of the National Security Council, Washington, July 9, 1959<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting and the portion of discussion under agenda item 1, "Significant World Developments Affecting U.S. Security," concerning the annual estimate of the Soviet nuclear program and an attack on the MAAG station in Saigon.]

Turning to the situation in the Caribbean, Mr. Dulles indicated that there were further reports in concerning efforts based in Cuba against the Dominican Republic. These reports seemed to indicate that the attack might go through Haiti rather than be launched as a frontal attack on the Dominican territory. He also noted recruitment of Dominicans in Venezuela for an attack on the Dominican Republic. Most such groups appeared to be either Communist-led or Communist-infiltrated. The Organization of American States (OAS) was still in a serious quandary as to what its proper role should be. It seemed likely, however, that the majority of governments in the OAS would be willing to see the convening of a meeting of the Foreign Ministers of the American Republics to deal with the general problem of the situation in the Caribbean, as opposed to a response to the Dominican Republic's plea that it was being attacked by external enemies. Secretary Herter agreed with this latter estimate and added that steps were already being taken to convene the Foreign Ministers.

Meanwhile, continued Mr. Dulles, Fidel Castro was facing increased domestic unrest in Cuba. He seemed altogether determined to push the application of his agrarian reform law. There were even reports that he might give up the office of Prime Minister for which he regards himself as not very well suited, and concentrate on carrying out the agrarian reform. Mr. Dulles commented that he was strongly inclined to doubt that Castro would take this latter step.

[Here follows agenda item 2, "Basic National Security."]

**S. Everett Gleason**

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Gleason.



**125. Circular Telegram From the Department of State to Certain Diplomatic Missions<sup>1</sup>**

*Washington, October 14, 1959*

482. Ref. Circular 1141, April 3, 1959.<sup>2</sup> Circular telegram under reference described unsettled conditions in Caribbean area and informed posts of Department's decision withhold for time-being shipments combat military equipment to area in order not to exacerbate tensions.

After careful consideration number of factors, including lessening of tensions in Caribbean in recent months, Department has decided to modify policy on arms shipment to area and intends follow policy outlined below effective October 16 until circumstances indicate need for modification.<sup>3</sup>

1. *Cuba and the Dominican Republic.* Export licenses for combat equipment, military weapons and ammunition, spare parts for combat equipment, combat aircraft, military trainer aircraft and armed patrol vessels will continue to be withheld except for reasonable amounts of necessary spare parts for all types military aircraft now in possession of Dominican and Cuban air forces. Such spare parts include engine and air frame replacements parts, but do *not* include spare parts or replacements for armaments carried by aircraft.

In general, non-combat military equipment and civil aircraft, whether for military or civilian end use, and spare parts for such equipment and aircraft will be authorized. This does *not* include military trainer aircraft.

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<sup>1</sup> Source: Department of State, Central Files, 413.118/10-1459. Confidential. The time of transmission is illegible on the source text. Drafted by Owen and approved by Vallon. Sent to all 20 missions in Latin America, and also to Bonn, Brussels, Copenhagen, Lisbon, London, Madrid, Oslo, Paris, Rome, Stockholm, and The Hague.

<sup>2</sup> Document 116.

<sup>3</sup> In a memorandum to Snow, September 24, Wieland proposed a change of policy regarding arms sales in the Caribbean basin. He stated in part the following:

"Confirming conversations with you, CMA and OAP agree that tensions in the Caribbean area have abated to a considerable extent over the past several months, and that our policy concerning the shipment of military equipment to the area merits re-examination. In addition, there are indications that American suppliers of certain types of equipment are becoming apprehensive that their normal markets may be lost to competitors from those European countries which have not been as scrupulous as the United States in observing our present policy on arms shipments to the area. Another factor in the situation is the complaint by the Department of Commerce that they are finding the present policy difficult to administer on a case-by-case basis.

"In view of these considerations, it is proposed that the policy outlined below be adopted." (Department of State, ARA Deputy Assistant Secretary's Files: Lot 61 D 411, Caribbean 1959)

2. *Other Caribbean Countries—Colombia, Mexico, Central America, Panama, Haiti and Venezuela.* In general, proposed exports of conventional military equipment in reasonable quantities will be given favorable consideration but on case-by-case basis.

Department is informing Washington Embassies of friendly supplier countries substance revised arms policy and requesting their governments' cooperation in adopting parallel practices.<sup>4</sup>

**Herter**

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<sup>4</sup> Between October 7 and 19, copies of an Aide-Mémoire describing the modified policy regarding arms exports to the Caribbean area were delivered to the Embassies of Great Britain, West Germany, France, Sweden, Canada, Belgium, Italy, the Netherlands, Norway, Spain, and Austria. In the Aide-Mémoire, the Department thanked those "friendly supplier countries" for their cooperation in support of the previous arms export policy, and expressed the hope that they would continue to adopt practices parallel to those of the United States. (*Ibid.*, Central File 413.008)

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## 126. Special National Intelligence Estimate<sup>1</sup>

SNIE 80/1-59

Washington, December 29, 1959.

### THE SITUATION IN THE CARIBBEAN THROUGH 1960<sup>2</sup>

#### The Problem

To estimate the prospects for political stability in the Caribbean in 1960 with particular reference to Cuba, Panamá, and Guatemala.

#### Conclusions

#### *Cuba*

1. Barring his assassination, we believe that Fidel Castro has at least an even chance of remaining in power through 1960. Neither the deteriorating economic situation nor the growing but disorganized

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<sup>1</sup> Source: Department of State, INR Files. Secret. According to a note on the cover sheet, the CIA and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff participated in the preparation of this estimate. The members of the United States Intelligence Board concurred in the estimate on December 29, except for the AEC representative and the Assistant Director of the FBI, who abstained on the grounds that the subject was outside their jurisdiction.

<sup>2</sup> This estimate supplements SNIE 80-59, "The Situation in the Caribbean through 1959," 30 June 1959, and parallel sections of SNIE 100-3-59, "Threats to the Stability of the US Military Facilities Position in the Caribbean Area and Brazil," 10 March 1959. [Footnote in the source text.]

opposition appears likely to present a serious threat to Castro's position. If he were eliminated, Raúl Castro and Che Guevara—both staunch pro-Communists if not actual Communists—would probably assume control. However, it is unlikely they would be able to maintain control for long and Cuba would almost certainly be in for a period of violent political upheaval and terrorism. (Paras. 14–16, 24, 29–31)

2. Communist influence will almost certainly continue to increase in 1960, largely as a result of the influence the Communists exert through Raúl Castro and Che Guevara and Communist success in placing adherents in key positions in the government. Nevertheless, we do not believe that during this period the Communists will be able to force Fidel Castro to adopt policies to which he is opposed. (Paras. 11–13, 25)

3. We believe that, at least for the period of this estimate, Castro's attitude and policies will further the objectives of the Communists who will try to avoid giving Castro any cause for believing that they are seeking to move in on his position as leader. In these circumstances it is unlikely that Castro will take the drastic action necessary to curb their growing influence. In fact he probably will become increasingly dependent on them and he may turn more to the Bloc for assistance. (Paras. 25–27)

4. Castro, while proclaiming a neutralist policy, will almost certainly continue to maintain a strong anti-US position. If the US were to take economic action against Cuba, such as reducing the Cuban sugar quota or eliminating the price differential, or if US-based attacks were carried out against Cuba, Castro's anti-US actions would be intensified. He might impose restrictions on the use of the Guantanamo Base and might even demand its evacuation. In any event, he will almost certainly press for an upward revision of benefits from the base. He might also enter into wide-ranging agreements with the Communist Bloc. In 1960 Castro will probably resume diplomatic relations with the USSR and recognize Communist China. (Paras. 23, 32–33, 35)

### *Panamá*

5. Despite the political weakness of the De la Guardia regime, the agitation over US control of the Canal, and the poor economic situation, we believe that De la Guardia will probably be able to serve out his term of office which ends 30 September 1960. Mob demonstrations against US control of the Canal are likely to continue, particularly before the May elections. The Canal issue is certain to be revived from time to time and to be accompanied by ever bolder efforts to force the US to grant additional concessions. (Paras. 39–43)

*Guatemala*

6. While there is some possibility that Ydígoras will be overthrown in the next year, his divide-and-rule tactics will probably enable him to survive through the period of this estimate. Whether or not he does, we believe that the political trend in Guatemala will continue to the left although it may be interrupted by vigorous rightist reactions. (Paras. 44-48)

*Dominican Republic*

7. The problems of Rafael Trujillo have multiplied in the past six months. The entrenched position he has built up for 30 years is showing the first signs of deteriorating. Nevertheless, because Trujillo can still count on the rural lower class and apparently retains the loyalty of the military, we believe that he will remain in power through 1960. (Paras. 53-60)

*Other Caribbean Countries*

8. Although most of the other regimes in the Caribbean face serious internal difficulties, we believe that all of them will remain in power through 1960. (Paras. 49-52, 61-68)

## Discussion

*I. The Situation and Outlook in Cuba**A. The Present Situation*

9. *Introduction.* After a year of power the Castro regime remains a revolutionary movement in political turmoil. Its leader Fidel Castro has moved ahead vigorously with a radical nationalist program which seeks to free the mass of the people from what he considers to be their economic and political servitude to the wealthy classes and to US interests in Cuba. He has, however, failed to establish a coherent set of political and economic structures. In this fluid situation extreme radical elements, almost all of whom are anti-US and many of whom are pro-Communist, are more and more taking over the direction of the government and the economy.

10. Castro appears to have been motivated not only by his social ideals but also by an overriding ambition to strengthen his image as the Cuban national liberator. Inexperienced in government and highly sensitive to criticism, he has proceeded in an often inept, highly unpredictable, and sometimes irrational manner. To counter growing opposition, Castro is now directing his appeal almost exclusively to students, workers, and peasants, whom he has begun to arm. These elements, together with the bulk of the original 26th of July Movement and of the Cuban armed forces, now composed largely of former

rebels, constitute the base of Castro's political support. In short, Castro seems to be more and more preoccupied with defense of the revolution and with assuring the continuation of his own monopoly of power.

11. To the extent that the Castro revolution is a first step in a fundamental social revolution, disorders, violence and anti-US demonstrations can be viewed as inevitable. The situation is complicated by the presence of a well organized Communist Party, again one of the strongest in Latin America. The party is exploiting the chaotic conditions of contemporary Cuba and Castro is making little effort to curb it.

12. In this atmosphere of radical change, erratic leadership, and anti-US sentiment, the most dangerous aspect is the opportunity given to international communism to strengthen its position in Cuba and the Caribbean area. While the USSR for some time gave little propaganda attention to Castro, it more recently came out strongly in favor of his regime as a national liberation movement. Communist China, which has become increasingly interested in Latin America, is also involving itself in Cuban affairs.

13. *The Communist Party.* While the numerical strength of the Cuban Communist Party (Popular Socialist Party—PSP) has not risen significantly above the June 1959 estimate of 17,000 members, the influence of the Communists has expanded considerably. The PSP maintains extremely active press and front organizations and continues to expand its organization, while the old-line political parties remain dormant, demoralized, and inactive. Avowed Communists continue to build on their pre-1959 base in trade unions, the educational field, and the entertainment industry.

The top Communist party leaders have, for the most part, remained in the background, and the party has deliberately refrained from an all-out membership drive or other actions which might cause Castro to regard it as a competitor for political power. The Communists have had great success in penetrating the 26th of July Movement and in exerting influence primarily through Raúl Castro and Che Guevara, both staunch pro-Communists if not actual Communists. Through them they have been able to place their supporters in key positions throughout the principal areas of government, particularly in the powerful Agrarian Reform Institute.

14. *The Government.* The Cuban Government continues to be dominated by Fidel Castro who rules as a dictator. There is no prospect of elections and the regime has increasingly restricted individual liberties. Castro has ousted the first revolutionary President, Urrutia, who dared to protest growing Communist influence, and has reorganized the cabinet to give key positions to his extreme leftist advisers. The power of Raúl Castro was increased when he was given control of

Cuba's newly created Ministry of Revolutionary Armed Forces. His comrade Che Guevara, who for a while held a top post in the Agrarian Reform Institute, recently replaced a moderate as President of the National Bank. The new labor minister is a follower of Raúl Castro, and his counterpart in the important public works ministry is probably a Communist. Moreover, many other important governmental functions are rapidly being absorbed by the Agrarian Reform Institute, which is headed by a pro-Communist and in which Communists and leftists are gaining strength. In addition, the general level of competence in executive agencies is deteriorating rapidly as experienced, moderate officials leave the government and their jobs are filled by youthful and inexperienced radicals.

15. *The Military.*<sup>3</sup> The regime has attempted to strengthen its control by unifying and reorganizing the armed forces, the police, and investigative agencies under the single ministry headed by Raúl Castro. Nevertheless, the armed forces, whose officers were purged and largely replaced by the guerrilla leaders after the revolution, remain in a state of confusion. In an effort to contain dissidence, the regime has carried out at least two more large-scale purges which have seriously undermined military morale. These purges followed the resignations of the Air Force Chief Díaz Lanz, now in exile, and Huber Matos, a respected provincial army commander who has been sentenced to 20 years on a charge of treason. Both of these men resigned in protest against growing leftist and Communist influence on the regime. While most of the army is probably loyal to Castro, it is undisciplined and disorganized and has little military capability except for guerrilla operations. The air force, largely purged of its dissidents and stripped of nearly all trained pilots and maintenance personnel, is also now probably for the most part loyal, but has ceased to exist as an effective combat arm. The loyalty of the navy, the service least affected by the revolution, is doubtful.

16. *Organized Labor.* Organized labor in Cuba did not climb on the Castro bandwagon until the moment of Batista's departure. In the subsequent maneuvering by the Premier to bring labor under the influence of the 26th of July Movement, the important Communist minority in organized labor increased its influence at both the local union level and in the national directorate of the Confederation of Cuban Workers (CTC). The 26th of July Movement has received more than one rebuff from organized labor, and, although a protégé of Raúl Castro now heads the Ministry of Labor, Raúl appears to have been more helpful in furthering the goals of Communist elements than in extending the influence of the regime. He was instrumental in per-

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<sup>3</sup> For Military Strengths of the Caribbean countries, see the attached Annex. [Footnote in the source text. The annex is not printed.]

suading the delegates to the recent CTC Congress to elect three pro-Communists to key spots on its directorate and to disaffiliate from ORIT, the Western-oriented, hemisphere labor organization. He is also encouraging the creation of a purely Latin American labor confederation. Since the CTC Congress, several prominent anti-Communist labor leaders have been ousted. Because of these recent developments and the increasing strength of the Communist minority, organized labor is losing its independence.

17. *The Economic Situation.* After it took power, the government committed itself to an economic policy designed to break the dominant position of the relatively few wealthy Cubans and of foreign, principally US, capital. Although no clearly delineated program has been announced, it is clear that a high degree of government direction, if not government ownership, is envisaged. Broad decrees have been issued giving government agencies, particularly the Agrarian Reform Institute, wide powers to intervene in the economy.

18. In the past six months the regime's drive to tighten its control over private business has accelerated. Outright expropriation of property is only now beginning, but there is widening apprehension in the business community caused by the regime's erratic, arbitrary, and often ruthless intervention in the economy. The appointment of Che Guevara as President of the National Bank brought forth a spontaneous expression of public lack of confidence in the government's financial policy. Depositors withdrew at least \$50,000,000 of savings from banks. However, the economic situation, while deteriorating, is not yet critical, and in some respects, notably that of food production, has improved somewhat.

19. Castro's lieutenants have imposed a network of sweeping state controls over the private sector of the economy and have taken over supervision of a variety of foreign and locally-owned properties including cattle ranches, telephone companies, petroleum concessions, domestic airlines, and hotels. Some of these are scheduled for expropriation as are a number of other enterprises, including sugar plantations and mills, oil refineries, and insurance and banking enterprises, which as yet are not under government control. Sharp reductions in rents and utility rates and increases in wages have been ordered by the government; the tax structure has been revised, and tax collection made more effective.

20. Business has responded to these measures, and to the appointment of Che Guevara to the Presidency of the Cuban National Bank, by restricting credit and reducing investments. Private construction, discouraged by fixed low rentals, has virtually halted. As a consequence of the general business slowdown, unemployment, always high during the May–November slack season in the sugar industry, was higher in 1959 than in previous years. Public works initiated by

the regime to relieve unemployment pressure are causing a heavy strain on the national budget. The cost of living is rising, partly because of a reduction of imported goods, and partly because of increases in the purchasing power of lower income groups.

21. On the other hand, despite the reverses noted above, the Castro regime has avoided crises expected in its international payments and in the budget. While 1959 exports were below normal and tourist expenditures and capital inflow were cut sharply, imports were sharply curtailed and outpayments on tourist and investment account likewise declined. The estimated resulting 1959 balance of payments deficit is less than in recent years. However, total Cuban foreign exchange reserves are dangerously low, standing at \$50 million according to Castro, as compared to \$111 million at the end of 1958 and a 1959 peak of \$149 million reached in May. The national budget deficit, according to preliminary estimates, will be considerably smaller than in 1958 reflecting increased receipts including collection of back taxes.

22. Because Cuba has a predominantly agricultural economy, the outcome of the agrarian reform program will have an important bearing on economic stability. It is not yet clear whether the program will be a success or a failure. To date no major agricultural holdings have been broken up, and indeed in most cases the old management remains, although under the supervision of government agents. Following the establishment of cooperatives and the assignment of unused lands to landless farm workers, there has been some increase in the production of foodstuffs. The land reform program will not affect the 1960 sugar crop, since the government does not expect to take over large cane lands until after the spring harvest. Thus the major test of Castro's agrarian reform program will come after this date.

23. *Foreign Policy.* The Castro regime has abandoned Cuba's previous pro-Western, anti-Communist position. It has indicated that it will follow a neutralist policy, and will align itself with the underdeveloped nations of Asia and Africa. It has assumed an increasingly strong anti-US position. At the same time, there has been virtually no criticism of the Communist Bloc and a favorable attitude toward increased relations with the Bloc. Manifestations of this new policy have been: Cuba's withdrawal from the hemisphere anti-Communist labor organization and its plan to set up purely Latin American labor and student organizations; abstention on the vote to seat Communist China in the UN; threats to withdraw from the organization of American States; and the increased number of cultural and trade group exchanges between Cuba and the Bloc.



*B. The Outlook*

24. *The Regime.* Barring his assassination—which could occur at any time—we believe that Fidel Castro has at least an even chance of remaining in power through the next year. Castro's elimination would have an immediate and drastic effect on political stability. Raúl Castro, his appointed heir, and Che Guevara, Raúl's close associate, would probably assume control of the government. It is unlikely, however, that they would be able to maintain control for long, and Cuba would be in for a period of violent political upheaval and terrorism.

25. *The Communists.* Communist influence in the regime will almost certainly continue to increase in 1960. Nevertheless, we do not believe that during this period the Communists will be able to force Fidel Castro to adopt policies to which he is opposed. It is possible that the unpredictable Castro might turn against the Communists if he came to feel that his authority was threatened by them. If he decided to do so, his popular appeal probably would be sufficient to insure his position. However, we believe that, at least for the period of this estimate, Castro's attitude and policies will further the objectives of the Communists who will try to avoid giving him any cause for believing that they are seeking to move in on his position as leader. In these circumstances, it is unlikely that Castro will take the drastic action necessary to curb their growing influence. In fact he probably will become increasingly dependent on them and he may turn more to the Bloc for assistance.

26. Thus, the outlook within Cuba for the Communists is increasingly favorable. In addition, their ability to complicate Caribbean affairs and to exacerbate Cuban-US relations will increase over the next year. However, their leaders will probably try to avoid provoking intervention by the US or the OAS.

27. The USSR probably will encourage the local Communists to gain as much position and influence as they can, and is prepared to offer considerable comfort and assistance to an anti-American, neutralist regime.

28. *The Opposition.* Despite Castro's still widespread lower class support, we believe that opposition to him will continue to grow in many important sectors of Cuban society. As a result of his extreme policies, the opposition now includes virtually all of the upper class, much of the middle class, important members of the Catholic hierarchy, many intellectuals and professionals, some military personnel, and—within the government and the 26th of July Movement—a growing number of disillusioned moderates.

29. As the base of Castro's political support narrows, and as Castro comes more and more to believe that he is in a beleaguered fortress assailed both from within and without Cuba, it is likely that

his actions will become increasingly intemperate. At the same time, it is also likely that his opponents in these circumstances will tend to coalesce and find some moderate leader. However, at the present time we know of no such leader who is capable of unifying the opposition. While armed attacks from exile groups or even armed resistance groups inside Cuba are probable, we do not believe that such attacks currently pose a serious threat to Castro, in spite of the disorganized state of the Cuban armed forces.

30. *The Economy.* Cuba's economic position will probably not become so precarious as to result in serious political consequences during the period of this estimate. Despite the internal economic frictions resulting from government efforts to increase state direction of the economy, it is probable that the Castro government will be able to maintain a viable economy for at least the period under consideration. It is almost certain that there will be a further reduction of national income as the impact of government policies comes to be felt. Unless the agrarian reform program results in a serious cut in agricultural production, we believe that this reduction in national income will not be of any great magnitude. In view of the government's policy of redistributing income, the standard of living of the great majority of the population probably will show no decline and may even improve.

31. A substantial reduction in Cuba's sugar quota in the US market or the elimination of the favorable price differential would have an adverse effect on the country's economy. However, even if such a reduction were made by US congressional action this year, its effects would not be reflected in Cuba's export earnings until 1961. The political impact, however, would be immediate and adverse for the US in Cuba and in much of Latin America.

32. *US-Cuban Relations.* In the year ahead, the outlook for US relations with Cuba is dark. There is no likelihood that the regime will desist from using the US as a whipping boy or from attempting to sell its anti-American line in Latin America. On the contrary, its anti-US actions probably will be intensified, particularly if the US Congress reduces Cuba's sugar quota or if US-based anti-Castro groups attack the regime. Even though the regime has made little reference to the US Naval Base at Guantanamo in the past, Cuba will almost certainly press for an upward revision of benefits from the base. They may also impose certain restrictions on the use of this facility and might even demand US evacuation.

33. It is possible that US-Cuban relations could degenerate to the point where the safety of US nationals was in serious question. Should the inadequacy of routine evacuation efforts necessitate the use of US military forces to cover the evacuation process, Latin American reac-

tion would probably be varied. In general, however, Latin American reaction would largely be determined by the Cuban response.<sup>4</sup>

34. Should the US decide that direct military intervention were necessary to preserve its security interests in the area, most Cubans, including the military, would react violently. However, some Cubans would welcome such intervention, and might at least passively assist the operation. Most Latin Americans would probably regard US unilateral action as an unjustified invasion of Cuban territory, but most governments would probably not object seriously to such action if the situation in Cuba had degenerated into anarchy and terrorism. OAS sponsorship of intervention is highly unlikely short of outright Cuban aggression against another state.

35. *Other International Relations.* The Castro regime probably will continue to move away from Cuba's traditional alignment with the West in the UN and will probably resume diplomatic relations with the USSR and recognize Communist China. Castro's attempt to head a neutralist bloc in Latin America will have little success in view of the apprehension and dislike aroused by Castro among area leaders. Preoccupation with its increasingly difficult domestic problems may work to reduce the regime's involvement in Caribbean revolutionary movements, but these movements will continue to derive considerable inspiration and at least some assistance from Castro's regime in Cuba.

## *II. The Situation Elsewhere in the Caribbean*

### *A. Introduction*

36. Fidel Castro emerged from revolutionary victory as a symbol for those forces seeking to destroy the old order throughout the Caribbean. His disruption of things traditional in Cuba, his flouting of the US, and his aggressive antidictatorship campaign put new life in exiled and domestic revolutionary groups of several Caribbean countries, many of which he materially supported. In so doing, the Castro regime became the prime mover behind a rash of unsuccessful invasion attempts against Panamá, Haiti, and the Dominican Republic, and provided support for rebel incursions into Nicaragua.

37. Castro's early policy of supporting and even sponsoring movements aimed at overthrowing other authoritarian or oligarchic regimes in the Caribbean suffered setbacks, and it now operates only on a spasmodic basis. The prompt OAS intervention against the Cuban-based invasion of Panamá last spring and Castro's growing preoc-

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<sup>4</sup> The Director of Intelligence and Research, Department of State, would delete the last sentence of the paragraph and amend the second sentence to read as follows: "Should the inadequacy of routine evacuation efforts necessitate the use of US military forces to cover the evacuation process, most Latin Americans would oppose such action unless acquiesced in by the Cuban Government itself." [Footnote in the source text.]

cupation with domestic affairs have also contributed to a decline in revolutionary activity in the area. The possibility remains that Castro may at any time revive and even step up his earlier policy of actively encouraging revolutionary invasions against Caribbean dictatorships.

38. In fact, the Castro revolution has tended in certain ways to strengthen the position of other authoritarian regimes, e.g., those of Nicaragua and the Dominican Republic. Moderates and conservatives with no love for authoritarian rule in their countries, but fearful of the implications of drastic social and economic upheaval on the Cuban model, have rallied to support the status quo.

### *B. Panamá*

39. The position of the moderate and basically pro-US regime of President Ernesto de la Guardia is weakening. The official National Patriotic Coalition (CPN), on which the government is based, has had serious defections and factionalism has become intense. The regime has been beset by waves of irresponsible nationalism, frequently stirred up by opposing factions of the oligarchy. Moreover, the regime is entering a period of unusual turmoil brought on by preparations for the national elections scheduled for May 1960.

40. The economic situation has been deteriorating for some time as a result of the government's tendency to neglect economic development, notably in agriculture, and its long time dependence on earnings from the Panamá Canal Zone. Unemployment is on the increase and the government now faces serious budgetary problems. De la Guardia has done little to counteract the increasing dissatisfaction of most lower and middle class elements, and, as a result, organized opposition groups using strongly nationalist and anti-US appeals have developed. The small, illegal Communist Party has made little headway in exploiting economic issues, but in combination with ultranationalists and malcontents, it has a considerable potential for fomenting and capitalizing on popular nationalist issues.

41. The US presence in the Canal Zone provides the most inviting target for rabble-rousers, and all political groups to a greater or lesser degree are using Zone issues to enhance their electoral prospects. Attacks on the US continue to focus on matters such as the demand to fly Panamá's flag in the Zone, Panamanian sovereignty in the enclave, the desire for greater economic benefits, and dissatisfaction with US implementation of the 1955 Remón-Eisenhower Treaty. The harassed De la Guardia government has found it difficult to control these attacks. On some occasions such as the 3 November anti-US riots, when the government feared for its own survival, it has adopted a strongly anti-US posture. On the other hand, on 28 November, vigorous Panamanian National Guard action and determined mobilization of US Zone forces to deal with mob attack successfully prevented anti-US

demonstrations from becoming widespread. These strong actions against the demonstrations angered nationalists, but at the same time they gave the administration the upper hand, at least momentarily.

42. Bolstered by its handling of relations with the US and by expectation of US concessions in exchange for its containment of the 28 November demonstrations, the De la Guardia regime will probably be able to serve out its term in office, which expires on 30 September. Its ability to do so will also depend to some extent, however, on whether the President makes good on promises to hold free elections and abide by the results. Moreover, opposition candidates have not yet ceased jockeying among themselves in the hope of producing a winning ticket. The scales may well be tipped by Panamá's 3,000-man National Guard, the country's only armed force, whose leaders are tied to the oligarchy by family and business interests. While the Guard has acted in defense of class interests in the past, it has also displayed a growing sensitivity to popular causes. A close or obviously rigged election could materially hasten the day when Panamá's ruling oligarchy will face a serious challenge from numerically superior lower and middle-class elements including Negroes of West Indian descent.

43. Although we do not believe that US control in the Canal Zone is immediately threatened, further mob demonstrations against US control of the Canal are likely, particularly in the pre-electoral period. Although anti-US demonstrations will probably subside after the elections, the Canal issue is certain to be revived from time to time and to be accompanied by ever bolder efforts to force the US to grant additional concessions.

### *C. Guatemala*

44. The administration's victory in the December Guatemalan congressional elections has momentarily secured President Ydígoras' position. However, the politically agile Ydígoras, who has survived many crises in his 21-month tenure, did not score his recent triumph without considerable rigging of the election. The official count conceals an upswing in popular leftist influence and growing public dissatisfaction over a number of pressing national problems. In short, it will be increasingly difficult to keep this dissatisfaction submerged; it appears that the President's most trying days lie ahead.

45. Ydígoras' failure to alleviate depressed economic conditions has contributed to public dissatisfaction. Government revenues have fallen off as a result of the drop in world coffee prices and the sharp reduction in US aid, including budgetary support. Economic development and public works projects have been drastically cut, thereby intensifying the persistent unemployment problem. These conditions are not yet of critical proportions, but nevertheless, they have caused some loss of public confidence in Ydígoras.

46. It is the President's considerable political skill that has enabled him to divide the opposition and to offset the weakness of the official National Democratic Reconciliation Party. He has been aided by the fact that the opposition parties are factionalized, in some part due to his efforts; even the moderate left Revolutionary Party (PR)—probably the country's largest party—suffers from internal divisions. The moderate National Democratic Movement is split, one of its groups collaborating with Ydígoras and the other plotting against him. Extreme leftists and Communist-infiltrated parties—one or two subsidized by Ydígoras to neutralize the growing PR—are small and faction ridden. Although officially outlawed, the Guatemalan Labor (Communist) Party operates with relative freedom and in recent years has increased its activity in student, labor, and educational organizations. However, it is still weak with about 1,100 members and perhaps some 2,500 sympathizers.

47. The immediate threat to Ydígoras' tenure is from the right—among a few key military figures and civilians who fear that the President's political skullduggery is facilitating the leftist revival. However, the congressional election results probably have reduced this threat for the moment, and rightist plotters are almost certainly restrained by fears of adverse popular reactions to military intervention. Ydígoras is also threatened from the left as the result of the possible return of former President Arévalo and the agitation being carried out in his name by Communists and extreme leftists who are receiving financial, propaganda, and other support from Cuba.

48. Thus while there is some possibility that Ydígoras will be overthrown in the next year, his divide-and-rule tactics will probably enable him to survive through the period of this estimate. Whether or not he does, we believe that the political trend in Guatemala will continue to the left although it may be interrupted by vigorous rightist reactions.

#### *D. Nicaragua*

49. The authoritarian government in Nicaragua, although under intermittent pressure, has over the last year somewhat strengthened its position. President Luis Somoza has reasserted his promise to hold free elections at the end of his term in 1963, barring members of his family from the succession. He has apparently convinced some oppositionists of his good faith. Furthermore, the success of the regime in firmly countering threats to its survival has increased its self-confidence, and strengthened the loyalty of its effective military arm, the National Guard.

50. For some time exiles in Honduras and Costa Rica have made sporadic incursions into Nicaragua. Following the National Guard's defeat of a sizable penetration from Costa Rica this summer, several

small-scale incursions have taken place. Although these exile forces received little support from the local population, this does not mean that domestic discontent has diminished in Nicaragua. In fact, student groups have incited considerable agitation against the regime and a limited state of siege and censorship controls have been in force since mid-1959. The financial position of the government has been weakened by the large expenditures required to maintain armed forces in a relatively high degree of readiness.

51. The combined opposition organized in the United Democratic Action (ADU) is now working for peaceful change-over in 1963. The participation in the ADU of Communists with direct links to Cuban and other outside revolutionary groups may influence the ADU to adopt a more activist opposition.

52. We believe that the Somoza regime will survive at least through 1960 and has a fair chance of completing its term. Opposition groups will continue skeptical of Somoza's promises of free elections and exiles will persist in various forms of harassing activities on the Nicaraguan borders. Some of these groups will have Cuban and unofficial Costa Rican support. The National Guard can probably contain these activities unless they are coordinated with an internal uprising against the government, which appears unlikely in 1960.

#### *E. Dominican Republic*

53. The problems of Rafael Trujillo have multiplied in the past six months. He is under continuing propaganda attack in Latin America, particularly in Cuba and Venezuela. At home the entrenched position he has built up for 30 years is showing the first signs of deteriorating.

54. Trujillo's most pressing problem is the country's critical economic situation. This stems from his heavy military expenditures to build up his defensive forces, some depression in world prices for Dominican products, and resulting foreign exchange losses. Commercial activity has contracted, the cost of living is rising, and unemployment is on the increase. The regime has secured large dollar loans, but only by mortgaging assets, including future crops.

55. Because of economic hardship, influential business, professional and intellectual middle-class circles, which for some time have been disillusioned with authoritarianism, are now more openly critical of the regime than ever before. Opposition from these quarters is slowly beginning to organize. For the first time, there are manifestations of antiregime activities, including terrorism and sabotage, both in the capital and the interior.

56. Groups of Dominican exiles, the most important of which is the Havana-based and Communist-influenced Dominican Liberation Movement (DLM), continue to receive moral and at least some material aid from the Cuban and Venezuelan Governments. Nevertheless,

the quashing of the June invasions caused considerable demoralization among the DLM. This, coupled with the reduction in Cuban logistical support, has brought exile military activity to a standstill for the time being.

57. The mainstay of the regime continues to be the well-equipped military. This establishment, fearful of a Castro-type situation in the aftermath of an overthrow by popular forces, seems loyal and probably is capable of repelling any invasions the exiles might launch. Moreover, Trujillo can still count on the rural lower class, which took the lead in halting the small-scale invasions last summer. We therefore believe that Trujillo will remain in power through 1960.

58. However, should Trujillo leave the scene, those remaining in the regime probably could not long control the situation and a struggle for power would result, in which pro-Communist exiles and other radicals would play a prominent part.

59. Although Trujillo's internal problems make it unlikely that he would undertake an attack on Cuba without serious provocation, he may aid exile groups opposing the Castro regime.

60. As long as Trujillo remains in power, there will be no threat to the US guided-missile tracking station in the Dominican Republic.

### *E. Haiti*

61. Authoritarian President Francois Duvalier has strengthened his grip over Haiti since recovering from a serious illness last summer. He rules by police-state methods, using his secret police and armed civilian militia. Nearly all vestiges of opposition among the small but economically powerful mulatto elite and the impoverished workers of Port-au-Prince are intimidated or repressed. The mutually antagonistic leaders of the opposition remain in exile and their stature is waning.

62. The President has the support of the rural lower class and he now seems to have the allegiance of the army. The limited capability of the army for dealing with internal disorder has recently been increased by the US Marine Corps training mission, the very presence of which bolsters the regime. Continuation of heavy US financial support has permitted Haiti to avert economic collapse, and increased revenues from good coffee and sugar crops are in prospect. Furthermore, the failure of the Cuba-based invasion last August has given the regime new confidence.

63. Hence, despite the regime's widespread unpopularity among the politically articulate, Duvalier has a better than even chance of hanging on through 1960 if his health remains good. Duvalier's death would probably lead to political chaos comparable to that which followed the exit of dictator Magloire in late 1956.



*G. El Salvador*

64. In El Salvador the government of President Lemus is grappling more or less successfully with the problem of economic development. Although the President appears firmly established at the moment, Communist and radical influence is on the rise as a consequence of long neglected social inequities, a gradual down-turn in the economic situation, and the appeal of Castro's revolutionary image among the poorest classes.

65. Under effective, and in some cases Moscow-trained leadership, the Communist Party has established pockets of strength among the impoverished peasantry, in organized labor and in university student circles. The Communist position in El Salvador will probably improve over the next year. President Lemus has maintained a lenient attitude towards the activities of the party which, in theory at least, is proscribed. However, Communist agitation among students and labor has recently led him to adopt some restrictive measures against the party.

66. In general, we feel that Lemus' political popularity will not decline sharply as long as he shows evidence of making some progress on the economic front and that he will survive the period of this estimate.

*H. Honduras*

67. Government stability in Honduras has improved since the suppression of the revolt in mid-1959. President Villeda Morales has retained great popularity, as has the official Liberal Party, which is far stronger than the fragmented rightist parties combined. In the past year Villeda has gone far toward neutralizing the independent power of the armed forces by removing the civilian police from military control. In so doing he weakened the most potent threat to his regime. We believe that although crises and agitation from dissident elements will continue to plague the Villeda government, it will survive through 1960.

*I. Costa Rica*

68. President Mario Echandi's government in Costa Rica is unique in the Caribbean for its political stability. While the President will continue to encounter difficulties trying to control anti-Somoza exiles in his country bent on the invasion of Nicaragua and will have to deal with the usual agitation preceding national elections, we believe that his government will be secure through 1960.

[Here follows an Annex consisting of three tables and a map of the Caribbean area.]

**127. Memorandum From the Assistant Secretary of State for European Affairs (Kohler) to the Secretary of State<sup>1</sup>**

Washington, February 16, 1960.

**SUBJECT**

U.S. Policy Toward The West Indies—NSC 6002<sup>2</sup>

The draft paper at Tab B is scheduled for discussion by the NSC on February 18.<sup>3</sup> The subject has not been before the NSC previously. If the language proposed by the majority (including State) is accepted, the paper will reflect no changes in the policy which the U.S. has in fact been pursuing toward The West Indies over the past two years.

The West Indies federation will probably obtain independence (dominion status within the Commonwealth) in the next one or two years. It will be the first new nation in the Western Hemisphere in over 50 years. Because it is on the U.S. doorstep, and because of U.S. interests in the federation, it is probably of more direct interest and importance to us than any other newly emerging state.

Retention of our military installations in The West Indies is our major immediate goal. The largest of these is the naval base at Chaguaramas on Trinidad. In addition to naval facilities, there is a prototype BMEWS station on the base. There are two Long Range Proving Ground installations on other islands which are essential to the effective operation of the Cape Canaveral missile range. In addition there are three Oceanographic Research Stations in the federation which serve an important specialized military function. Aside from their strategic value, the U.S. investment in the various military installations totals around \$150 million.

Our economic interests are also large. U.S. private investment in the federation is estimated at between \$300 million and \$500 million, and it is growing. In 1958 the U.S. was second only to the UK as a trading partner of the federation. U.S. exports to the federation totaled about \$70 million in 1958, and imports from the federation about \$100 million. It can be anticipated that U.S. trade with the area will expand appreciably. The federation is an important source of bauxite (Jamaica) and oil (Trinidad).

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<sup>1</sup> Source: Department of State, S/P-NSC Files: Lot 62 D 1, NSC 6002 Series. Secret. Drafted by North Burn, Office of British Commonwealth and Northern European Affairs.

<sup>2</sup> NSC 6002, "U.S. Policy Toward The West Indies," January 25, 1960, is not printed. (*Ibid.*) The text of NSC 6002 is identical to that of NSC 6002/1, March 21, with the exception of those paragraphs amended at the 437th NSC meeting on March 17. The memorandum of discussion at the 437th meeting is *infra*; NSC 6002/1 is printed as Document 129.

<sup>3</sup> Not attached to the source text.

Until recently the U.S. has paid little attention to the islands which comprise the federation. The UK was not only responsible for economic and political stability in the area, but also was bound by agreements with the U.S. to preserve U.S. base rights there. In the discussions of this paper in the NSC Planning Board, Treasury and Budget argued, in effect, that we could count on this situation continuing and that we need not prepare to spend money in the area. State (and the majority) argued that there already existed ample evidence that the U.S. cannot count upon UK protection of U.S. interests and that, therefore, the U.S. would have to be generally more active in the area and be prepared, if necessary, to expend modest sums of money. We have pointed out that U.S. and UK interests in the federation diverge in several respects (e.g., there are indications that the UK does not feel as intensely as we do the vital necessity for certain of our bases; the U.S. and the UK increasingly will compete for trade) and although we recognize that relations with the UK are of paramount importance, we must be permitted sufficient flexibility in the NSC policy statement to pursue an independent course toward The West Indies when it appears to be in our interest to do so.

The splits in the paper reflect the difference between the Treasury–Budget and majority views described above. A memorandum at Tab A comments upon the actual paragraphs of the paper. Before the NSC gets into specifics, however, we would suggest that you make some opening remarks before the NSC along the lines of the second through fifth paragraphs above.

*Recommendations:*<sup>4</sup>

1) That you make introductory remarks to the NSC along the lines of the second through fifth paragraphs above before the Council begins discussion of specific paragraphs in the draft paper.

2) That, in the discussion of specific paragraphs, you take the positions outlined in the memorandum at Tab A.<sup>5</sup>

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<sup>4</sup> There is no indication on the source text of the Secretary's response to these recommendations.

<sup>5</sup> Not attached to the source text.

### 128. Memorandum of Discussion at the 437th Meeting of the National Security Council, Washington, March 17, 1960<sup>1</sup>

[Here follow a paragraph listing the participants at the meeting and agenda items 2, "Significant World Developments Affecting U.S. Security," and 3, "U.S. Policy Toward Cuba."]

3. *U.S. Policy Toward the West Indies* (NSC 5902/1;<sup>2</sup> NSC 6002;<sup>3</sup> Memos For All Holders of NSC 6002, dated January 26, February 9, 10 and 16, and March 15, 1960;<sup>4</sup> Memo for NSC from Executive Secretary, same subject, dated February 18, 1969<sup>5</sup>)

Mr. Gray presented the draft statement of U.S. policy toward the West Indies (NSC 6002) to the Council. (A copy of Mr. Gray's Briefing Note is filed in the Minutes of the Meeting<sup>6</sup> and another is attached to this memorandum<sup>7</sup>).

Mr. Gray explained the divergence of views on economic assistance contained in Paragraph 12 of NSC 6002, wherein the majority proposed to provide technical assistance and modest economic assistance on a grant or loan basis while Treasury and Budget proposed to provide technical assistance and, on a small scale, related assistance as a means of demonstrating the U.S. interest in the West Indies, thereby supporting overall U.S. efforts to maintain continued U.S. access to required military facilities. Also, the majority wished to spell out the extent of U.S. assistance envisaged for the West Indies in addition to that necessary for maintaining U.S. military facilities.

After Mr. Gray's explanation, the President wondered whether some of the differences of view being presented to the Council were not picayunish. He read the two versions of Paragraph 12 again and remarked that these seemed to be differences without a distinction. Mr. Scribner said Treasury had raised the question whether our policy on payment for base rights should not be changed to a policy of outright lease and rental payments. During the discussion of the Libyan policy last week, the Council had deferred the rental payment problem pending the study of the feasibility of rental payments on a

<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Boggs.

<sup>2</sup> Document 11.

<sup>3</sup> See footnote 2, *supra*.

<sup>4</sup> These memoranda all transmitted revised pages of NSC 6002 to holders of the draft statement. (Department of State, S/S-NSC Files: Lot 63 D 351, NSC 6002 Series)

<sup>5</sup> This memorandum transmitted the views of the Joint Chiefs of Staff on NSC 6002 to the members of the NSC. (*Ibid.*)

<sup>6</sup> The minutes of all National Security Council meetings are in the National Archives and Records Administration, RG 273, Records of the National Security Council, Official Meeting Minutes File.

<sup>7</sup> Attached to the source text, but not printed.

world-wide basis. Treasury objected to the majority position in Paragraph 12 because it laid emphasis on four economic purposes of assistance, whereas Treasury believed that assistance was justified only for maintenance of U.S. bases in the West Indies. The President noted that all parties to the split wished to rely on the U.K. to help meet the requirements of the West Indies for external capital. He said, however, the U.S. would probably find it wise not to be indifferent to the West Indies. Cuba should be a warning to us. We need not be paternalistic, but we should be benevolent. Eric Williams was trying to get us out of Trinidad. Perhaps our relinquishment of our facilities in Trinidad would not be a bad thing except for the sums of money we have put into our base there. Mr. Dulles said Williams might be the Prime Minister of the West Indies when it attained its independence. Secretary Herter said the limited language of the Treasury–Budget version of Paragraph 12 would relate any help to the West Indies to base considerations, but the Department of State felt that assistance to the Federation should be based on broader considerations, including the desirability of retaining the friendship of the West Indies. [1 sentence (3 lines of source text) not declassified] The West Indies was at our backdoor and we should be careful that we did not define our interests too narrowly in terms of our military base in the area. Mr. Scribner felt we should provide enough assistance to demonstrate our interest in the West Indies, but we should not take the position of supplying assistance for major economic reasons. The President pointed out that the majority language provides for a great deal of reliance on other countries in furnishing assistance to the West Indies and states that the U.S. will give modest assistance. He felt it was not sufficient to say that we will give just enough assistance to keep the base. Mr. Stans felt the majority language in Paragraph 12 might be amended by saying “provide technical assistance and, if necessary to U.S. security interests, economic assistance, as a means of supporting overall U.S. efforts to maintain continued U.S. access to required military facilities and also as a means of demonstrating U.S. interest in the West Indies.” Mr. Hoegh noted that the U.S. was dependent on Jamaica for 50 per cent or more of its bauxite. He wished to support the majority language which he felt would result in assistance to the economic development of the West Indies. The President asked how much bauxite was obtained from Surinam. During his visit the ALCOA development there had been pointed out to him.<sup>8</sup> Mr. Hoegh said 2.9 million tons were obtained from Surinam, whereas over four million tons came from the West Indies. The President pointed out again that the West Indies was

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<sup>8</sup> During the return portion of his trip to South America, February 23–March 7, President Eisenhower’s party made a refueling stop at Paramaribo, Suriname, on March 3. Regarding the trip, see Documents 68 ff.

important because of its proximity to the U.S. He said he attached great importance to the Cuban situation, which has great potential danger to U.S. security, including the possible disintegration of the Organization of American States. He believed it was necessary for us to hang on to West Indian friendship and to help the Federation. Such assistance should not be our major responsibility, but would be in our interest. Mr. Irwin said the Department of Defense supported the majority language in Paragraph 12 because it believed assistance to the West Indies must be based on our broader interests and not solely on our desire to keep our military facilities. Throughout the whole area the political aspects were very important. The President believed the sub-paragraphs in the majority column of Paragraph 12 stated some desirable objectives. He noted that businessmen were constantly coming to him and saying that something must be done to counteract the Cuban situation or the flow of business investments to Latin America would dry up. The nations he had visited on his trip had promised to maintain a favorable climate for business and investment, but he did not know whether they would be able to do so in all cases. For example, it is not known how long Frondizi<sup>9</sup> would last. If the Peronists came back into power, there would not be much desire to invest in Argentina. The President felt that we must have access to the South American continent. The U.S. was getting more and more to be a have-not nation as far as raw materials are concerned. For example, without the iron ore of Canada and Venezuela her steel production would be seriously curtailed. We could not think in terms of military bases only in this hemisphere. In fact, he would be willing to trade several military bases for a strong OAS determined to hang together. Mr. Dulles said it was not certain that the West Indies Federation would actually be formed because Jamaica wants a rather loose federation whereas Williams wants a very tight organization. If Williams becomes Prime Minister the U.S. may be in difficulties in the West Indies. Williams seems to want to have considerable control over wealthy Jamaica. The President, noting that he was usually desirous of saving money, issued a plea that matters connected with Latin America not be looked at solely from the point of view of saving money. This area was a very sensitive area and could have a great effect on the possibility of carrying out our policies. We could not afford not to make every effort to get the countries of this hemisphere on our side in the way we had persuaded Mexico to be on our side. He did not want to adopt a paternalistic policy, but he would put our policy toward the West Indies on a broader base than the desire to maintain military bases there.

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<sup>9</sup> Arturo Frondizi was inaugurated as President of Argentina on May 1, 1958, for a 6-year term.

Mr. Gray then pointed out that the Joint Chiefs of Staff proposed to add the following as a new sub-paragraph to Paragraph 12: "Assist in the acquisition of a federal capital on land other than leased base areas which the U.S. has declared that it requires." Mr. Gray explained that there was some feeling in the West Indies that the federal capital should be established on the site of our Chaguaramas Base; the Joint Chiefs hoped to induce the West Indies to establish its capital elsewhere in order to keep the base. The President wondered whether this sub-paragraph was needed, inasmuch as Paragraph 12 without the new sub-paragraph spoke of maintaining access to required U.S. military facilities. Admiral Burke felt the Joint Chiefs proposal was directed toward a slightly different point; that is, toward helping the West Indies look for a capital. The President suspected that the West Indies wanted a ready-made capital free of cost. So far as the language of Paragraph 12 was concerned he had no objection to the majority language in general except that in his view the specific statements in the sub-paragraphs were somewhat limiting. He wanted to emphasize the general interest of the U.S. in the area and accordingly would prefer that general language be used in the paragraph. Mr. Gray said an attempt would be made to formulate agreed general language for the paragraph in the spirit of the discussion. He believed that resolution of the split in Paragraph 14 would also resolve the split in Paragraph 18.<sup>10</sup> He reported that since issuance of NSC 6002 the split in Paragraph 19<sup>11</sup> had been resolved by new agreed language which he read as follows:

"Make clear to the U.K. and to the West Indies that we expect the U.K. to provide such external military assistance as may be required for the Federation's internal security forces. However, if this approach

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<sup>10</sup> Paragraph 18 of NSC 6002 reads as follows:

"18. Should it become necessary for the United States to make financial or other arrangements for the maintenance of required U.S. base rights and facilities in the area, [in amounts greater than would otherwise be programmed under the above guidance,]\* be prepared to offer [additional assistance or other]\* appropriate quid pro quo, commensurate with the value of these rights and facilities to the United States.\*\*" The single asterisk denoted that the Department of the Treasury and the Bureau of the Budget proposed deletion of the bracketed material. The double asterisks denoted that "The Department of Defense has been directed to undertake in consultation with the Department of State an over-all study of the feasibility and desirability of utilizing direct rental payments as quid pro quo for the maintenance of military rights and facilities in various foreign countries."

<sup>11</sup> Paragraph 19 of NSC 6002 reads as follows:

"19. Encourage the U.K. to provide such external military assistance as may be required for the federation's internal security forces. [If this approach fails and if required to achieve U.S. objectives in The West Indies, consider providing U.S. assistance to meet the federation's minimum legitimate internal security requirements.]\*" The single asterisk denoted that the Department of the Treasury proposed deletion of the bracketed material.

fails and if required to achieve U.S. objectives in the West Indies, consider providing U.S. assistance to meet the Federation's minimum legitimate internal security requirements."

The President said he agreed with the new language. He asked whether the new Paragraph 19 referred to overt action by the U.S. Mr. Gray replied in the affirmative. The President said he was somewhat fearful that we might be getting into U.K. or Commonwealth business. If we act too independently with respect to British or British Commonwealth countries, and especially if we act covertly, we will raise the possibility of a disagreement with our best allies. Mr. Gray suggested that the phrase "after consultation with the U.K." might be inserted in Paragraph 19. The President said we were dealing with a proud nation in dealing with the U.K.; accordingly, he would like to see the term "after consultation" or "with the knowledge of the U.K." inserted in Paragraph 19.

Secretary Herter asked permission to say a word about the last sentence of Paragraph 15. This sentence provided that we should make an early effort to associate the West Indies with the present agreements between the U.K. and the U.S. concerning base rights. The U.K. had recommended early negotiations in order that a better deal could be made with the West Indies on our base rights before West Indian independence. However, the language of Paragraph 15 was somewhat over-optimistic in its reference to "present agreements." If we limit ourselves to trying to get the West Indies to accept our present agreements with the U.K. on bases without any change, we were defeated before we started. He accordingly suggested that the words "the present" be deleted from Paragraph 15. Mr. Stans noted that Paragraph 18 had been passed over somewhat hurriedly and inquired how the split in that paragraph was to be settled. Mr. Scribner said he understood that paragraph 18 would be worked out after the meeting in the light of the discussion of Paragraph 12. The President said he did not regard Paragraph 18 as a very important paragraph. Mr. Dulles felt the entire statement of policy was rather optimistic. The President agreed, remarking that he believed the situation in the West Indies was more serious than the Planning Board thought it was. Mr. Irwin said he believed the West Indies would want to change the term and various other provisions in our 1941 base agreement with the U.K. as it related to the West Indies. In September the U.K. had indicated that, while it could not guarantee results, it would endeavor to put forward a base agreement protecting U.S. base rights in the West Indies as part of the settlement in independence between the U.K. and the West Indies. Mr. Irwin noted that British Commonwealth countries becoming independent have generally accepted the obligations of the U.K.



Government with respect to those countries. The President said he was very much in favor of getting the U.K. to preserve our base rights in the West Indies if this was a feasible procedure.

*The National Security Council:*<sup>12</sup>

a. Discussed the draft statement of policy on the subject contained in NSC 6002, as amended by the enclosures to the reference Memos For All Holders of NSC 6002; in the light of the views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of February 18, 1960.

b. Adopted the statement of policy in NSC 6002, subject to the following amendments:

(1) *Pages 3–4, paragraph 12:* Revise to read as follows:

“12. While relying on the United Kingdom, Canada and other Commonwealth countries, Free World international financial institutions and private sources to meet the requirements of The West Indies for external capital, provide technical assistance and modest economic assistance on a grant or loan basis as may be required to demonstrate U.S. interest in the West Indies which, together with the entire Latin American area, is of vital significance to the United States and also to support over-all U.S. efforts to maintain continued U.S. access to required military facilities.”

(2) *Page 5, paragraph 15:* In the last sentence, delete the words “the present” between “with” and “agreements”.

(3) *Page 6, paragraph 18:* Revise to read as follows:

“18. Should it become necessary for the United States to make financial or other arrangements for the maintenance of required U.S. base rights and facilities in the area, be prepared to offer additional assistance or other appropriate quid pro quo, commensurate with the value of these rights and facilities to the United States.\*”

(4) *Page 7, paragraph 19:* Revise to read as follows:

“19. Make clear to the United Kingdom and to The West Indies that we expect the United Kingdom to provide such external military assistance as may be required for the federation’s internal security forces. However, if this approach fails and if required to achieve U.S. objectives in The West Indies, consider, after consultation with the United Kingdom, providing U.S. assistance to meet the federation’s minimum legitimate internal security requirements.”

(5) *Pages 16–17, subparagraph 13–d:* Delete the bracketed sentence and the footnote thereto.

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<sup>12</sup> Paragraphs a and b and the Note that follow constitute NSC Action No. 2196.

*Note:* NSC 6002, as amended by the action in b above, subsequently approved by the President; circulated as NSC 6002/1<sup>13</sup> for implementation by all appropriate Executive departments and agencies of the U.S. Government; and referred to the Operations Coordinating Board as the coordinating agency.

**Marion W. Boggs**

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<sup>13</sup> *Infra.*

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## **129. National Security Council Report<sup>1</sup>**

NSC 6002/1

*Washington, March 21, 1960.*

### STATEMENT OF U.S. POLICY TOWARD THE WEST INDIES

#### Objectives

1. Free World orientation of The West Indies including (a) cooperation with the United States in world affairs, (b) economic development conducive to the maintenance of political stability, pro-Western orientation and free democratic institutions, (c) cooperation with the Free World defense efforts, and (d) preservation of freedom from Communist influence.

2. Orderly progress toward independence and subsequent maintenance of a stable and democratic government.

3. U.S. access to such military rights and facilities as may be required by U.S. national security interests.

#### Policy Guidance

##### *General*

4. Both before and after independence, to the extent feasible rely on the United Kingdom to influence and support The West Indies in recognition of acknowledged U.K. responsibilities, and at the same

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<sup>1</sup> Source: Department of State, S/P-NSC Files: Lot 62 D 1, NSC 6002 Series. Secret. A cover sheet and transmittal memorandum are not printed. In the memorandum, March 21, Lay informed recipients that the President had that day approved NSC 6002/1 and designated the Operations Coordinating Board as the coordinating agency for its implementation.

time recognize that geographic propinquity and U.S. interests in the federation will result in close relations with the United States and in an increasing identity of federation interests with the United States.

*Political*

5. Without weakening its ties with the Commonwealth, encourage The West Indies to establish a constructive relationship with other nations of the Western Hemisphere and with OAS and other hemispheric organizations.

6. Continue to support the Caribbean Commission and its successor, the Caribbean Organization, and to encourage participation of The West Indies in it.

7. To the extent feasible encourage efforts of The West Indies to establish a strong central government.

8. Be prepared as appropriate to encourage British Guiana to join the federation.

9. Promote, through information and educational exchange programs and other appropriate means, (a) understanding of and friendship with the United States and (b) appreciation by The West Indies of the role it can play in over-all Western Hemispheric defense by permitting U.S. retention of its military facilities in the area.

*Economic*

10. As The West Indies achieves independence, encourage it (a) to make the maximum contribution to its own economic development, (b) to eliminate barriers to trade and investment, particularly those which discriminate against the United States, (c) to take measures capable of attracting maximum amounts of external private capital, (d) to look essentially to the British Commonwealth, to the Free World international financial institutions, and to private investment to meet its needs for external capital, and (e) to avoid unrealistic expectations of U.S. assistance both before and after independence.

11. Urge the United Kingdom to continue, both before and after independence, to assume the basic responsibility of assuring that the needs of The West Indies for external capital are met.

12. While relying on the United Kingdom, Canada and other Commonwealth countries, Free World international financial institutions and private sources to meet the requirements of The West Indies for external capital, provide technical assistance and modest economic assistance on a grant or loan basis as may be required to demonstrate U.S. interest in The West Indies which, together with the entire Latin American area, is of vital significance to the United States and also to support over-all U.S. efforts to maintain continued U.S. access to required military facilities.

13. Encourage U.S. private foundations to undertake activities in The West Indies particularly in the field of education.

14. Encourage the strengthening of democratic trade unionism, and an appreciation on the part of the West Indian trade union movement of U.S. foreign policy and defense objectives. Encourage American firms having interests in the federation to support free trade unionism as a bulwark against extremist movements (e.g., Communist and ultra-nationalist).

### *Military*

15. Encourage acceptance by The West Indies of the concept that, when independent, its contribution to the defense of the hemisphere and of the Commonwealth will consist of (a) ensuring its own internal security and (b) continuing to make available those base rights and facilities in The West Indies which are essential to the fulfillment of the U.S. primary responsibility for hemispheric military operations. Toward this end, make an early effort to associate The West Indies with agreements between the United States and the United Kingdom concerning base rights and facilities in The West Indies, if possible, before The West Indies obtains independence.

16. Utilize appropriate U.S. programs to assist in maintaining a climate within The West Indies which will be conducive to the retention of U.S. base rights and facilities. Urge the United Kingdom and Canada to use their influence in the maintenance of such a climate.

17. With a view to placing maximum U.S. effort on the retention, after The West Indies become independent, of required areas and on obtaining the right to acquire new areas which may be required, be prepared to negotiate for the extension of present rights to these important areas and facilities, offering to release outright certain other leased areas which are clearly no longer required.

18. Should it become necessary for the United States to make financial or other arrangements for the maintenance of required U.S. base rights and facilities in the area, be prepared to offer additional assistance or other appropriate quid pro quo, commensurate with the value of these rights and facilities to the United States.<sup>2</sup>

19. Make clear to the United Kingdom and to The West Indies that we expect the United Kingdom to provide such external military assistance as may be required for the federation's internal security forces. However, if this approach fails and if required to achieve U.S. objec-

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<sup>2</sup> The Department of Defense has been directed to undertake in consultation with the Department of State an over-all study of the feasibility and desirability of utilizing direct rental payments as quid pro quo for the maintenance of military rights and facilities in various foreign countries. [Footnote in the source text.]

tives in The West Indies, consider, after consultation with the United Kingdom, providing U.S. assistance to meet the federation's minimum legitimate internal security requirements.

## **Annex**

### U.S. POLICY TOWARD THE WEST INDIES

#### General Considerations

1. The West Indies, a new federation, officially came into existence on January 3, 1958. It consists of ten island territories: Jamaica, Trinidad and Tobago, Barbados, Antigua, Dominica, Grenada, Montserrat, St. Christopher-Nevis and Anguilla, St. Lucia, and St. Vincent. (The Bahamas, the British Virgin Islands, British Honduras and British Guiana are not in the federation.) These islands in the Caribbean Sea extend in an arc of about 1500 miles from Jamaica in the northwest to Trinidad in the southeast. Their total land area is about 8000 square miles and the total population about 3,000,000. Approximately 80% of the land area and 75% of the population are on the three largest territories—Jamaica, Barbados, and Trinidad and Tobago.

2. About 88% of the population is of African or mixed origin with a large East Indian minority on Trinidad. Population density is already very high and a rapid population increase is continuing. The islands are generally under-developed and technical skills are lacking. There is substantial unemployment and under employment. Living standards on the small islands, which have approximately one-fourth of the population of The West Indies, are very low, although the average per capita income for The West Indies as a whole is higher than that of the great majority of the less-developed nations and exceeds the average for all Latin America. Although illiteracy is common, it is not as widespread as in many other less-developed nations and there is a substantial educated leadership.

#### *Political*

3. Although no specific date was set when the federation was established in 1958, it was widely believed that it would receive independence (dominion status within the Commonwealth) within five years (by 1963). Independence may come, however, by the end of 1960 or early 1961. The present constitution of the federation gives the central government only weak powers over the governments of the unit territories. There is conflict among the territories about steps to be taken to strengthen the authority of the central government and to strengthen the cohesion of the units. During the period prior to inde-

pendence, the United Kingdom government will continue to have authority in the fields of foreign affairs, defense, and financial stability. In the exercise of this authority, however, it is already clearly evident that the United Kingdom takes fully into account the wishes of the federal and unit governments and is not disposed to act without their concurrence.

4. The structure of the governments, both unit and federal, is modeled after the British cabinet system. The Crown is represented on the federal level by a Governor-General and on the unit level by Governors in the three large territories and Administrators in the other units.

5. The Federal Labor Party (FLP) has a narrow margin in the federal parliament and has formed the first government of The West Indies. It and the opposition, the Democratic Labor Party (DLP), are amalgamations of allied parties within the unit territories. The FLP is mildly socialist in orientation, rather like the British Labor Party, and is inclined to be more pro-federation than the DLP. On neither of these issues, however, or on other major issues facing the federation, are the two parties far apart. Although the political parties in the federation are moving away from groupings formed around personalities rather than around issues, the personalities of the leaders continue to play a large part in party structure.

6. There has so far been no significant political or economic infiltration of the federation by international Communism. There are a few indigenous Communists but their influence is negligible. Practically all trade unions, with the exception of the Bustamante Industrial Trade Union, Jamaica, and a few minor unions, are members of the ICFTU. There is no Communist union of any significance. However, as is true in any less-developed country, there are conditions in the federation which could be exploited by the Communists should the Soviet Union undertake a concerted drive in the federation or should economic conditions seriously deteriorate.

### *Economic*

7. The West Indies possesses modest resources, including petroleum in Trinidad and, in Jamaica, the Free World's largest reserves of bauxite, but agriculture continues to provide the principal sources of livelihood for the people. A rapidly growing tourist industry provides a significant foreign exchange income and promises to be of increasing importance to the federation's economy in the future.<sup>3</sup>

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<sup>3</sup> U.S. tourists are estimated to have spent \$36 million in The West Indies in 1958. [Footnote in the source text.]

8. Economically, The West Indies is closely tied to the United Kingdom for historical reasons and also because the United Kingdom buys certain West Indian agricultural products at higher than world market prices and gives West Indian imports preferential tariff treatment. British investors have invested heavily in the islands. In 1958 about 39% of The West Indies' trade was with the United Kingdom. In recent years, the United States has become the second trading partner, and in 1958 accounted for about 18% of The West Indies' trade. Canada was third with about 9%. With the recent relaxation upon dollar imports there is little doubt but that the U.S. and Canadian share of trade with the area will increase. U.S. investors have supplied \$300–500 million in private capital, particularly for petroleum, bauxite and tourist development. Canadian investors have provided about one-half the capital for the exploitation of Jamaican bauxite.

9. Since World War II, the United Kingdom has provided direct financial assistance to The West Indies at a higher rate, on a per capita basis, than to almost any other British dependent territory. Because of its interest in keeping the federation within the Commonwealth and basically oriented toward the United Kingdom, it is probable that the United Kingdom will seek to ensure that the federation is able to maintain economic stability even after it becomes fully independent. The British have already committed themselves to make a block grant through the federation government for budgetary support of some of the smaller territories during the first ten years after establishment of the federation and invited the federation to continue to turn to the United Kingdom for help in planning and financing its economic development. Nevertheless, it is likely that the United Kingdom would encourage the assumption by the United States of a part of the burden of public assistance to the federation but would seek to retain, so far as practicable, the present orientation of The West Indies toward the United Kingdom and the Commonwealth. The West Indies, anxious to speed economic development, may be expected to press for U.S. aid even though the Commonwealth continues to provide substantial assistance.

10. Very few other countries are currently receiving as much external public and private capital, on a per capita basis, as The West Indies. In 1959, the amounts received appear to be roughly equivalent to 13% of the GNP. In 1959 the U.K. Government provided a total of \$17 million in grants and loans to The West Indies for budget support and economic development. The sum of \$25 million has been allocated for development purposes (in addition to budgetary support) for the period 1960 to 1964. Canada has provided technical assistance and aid to \$10 million for a five-year period, most of which will be spent on two ships. The U.S. Government has provided technical assistance to Jamaica at a rate of \$200–300 thousand per year since 1955 and in

FY 1959 provided technical assistance totalling \$200 thousand to the federation and special assistance totalling \$400 thousand. It is estimated the private capital is flowing into the area, primarily to Jamaica and Trinidad, at a rate of roughly \$100 million per year.

### *Military*

11. The colonial status of The West Indies has naturally influenced the development of its limited military forces. These forces, under British supervision, have served internal security purposes and have provided a means for showing the flag. In the entire Caribbean area, U.K. forces total about 900 troops. This includes a central headquarters at Kingston, Jamaica, and the 1st Battalion, Worcestershire Regiment (about 660 men), which is garrisoned not only in The West Indies (Jamaica), but also in British Guiana, British Honduras and at Nassau in the Bahamas. In addition, The West Indian Regiment (Battalion), which is composed of native troops (515 men), is stationed at Kingston, Jamaica. Plans are now being made concerning the future of these units when The West Indies achieves independence. However, nothing firm is known concerning the details of these plans.

12. At present the United States has arrangements with the United Kingdom which allow for U.S. use of more than two dozen different locations for the conduct of specified military activities. It is extremely doubtful that, in international law, U.S. rights to these facilities will continue upon the achievement of independence by the federation without the specific consent of the federation. Accordingly, the United States plans to negotiate with the British and The West Indies in the pre-independence period concerning the continuation of these rights. The status of these U.S. installations is as follows. The United States presently has four military facilities in the federation which are leased for 99 years under the "Destroyer-Bases" agreement. These are the Chaquamaras Naval Station on Trinidad (including a prototype BMEWS station), an active missile-tracking station on Antigua, an inactive missile-tracking station on St. Lucia, and a specialized military installation on Antigua. Under shorter-term agreements, the United States has one specialized military installation on Barbados and another on Grand Turk Island. We have had informal talks with the British about replacing this latter station with a site on Jamaica. The United States also has 16 de-activated base areas of varying size which it is prepared to relinquish immediately. In addition, there are three de-activated Air Force bases (Waller and Carlson in Trinidad and Vernam in Jamaica) as well as a few smaller installations, the relinquishment of which, in whole or part, is currently under review in the light of existing or potential military requirements.



*Importance of The West Indies to the United States*

13. The formation of this new nation, which at its nearest point will be only about 500 miles from southern Florida, will be of significance to the United States for several reasons:

a. It will be the first new nation to come into existence in the Latin American area since Panama became independent in 1903. (Although its land area is small, the federation has a population larger than that of most of the present independent nations in Central America and the Caribbean.)

b. Because of their Afro-Asian background, the people of the federation will be likely to have a greater affinity for the Afro-Asian nations than the peoples of other Western Hemisphere nations. Hence the federation may be tempted to give support to Afro-Asian interests.

c. With the relatively strong democratic political tradition which it developed under British leadership, the federation could become an example of stable democracy in an area which sorely needs such an example.

d. The strategic location of the islands has caused the United States to establish on them certain military installations which contribute to the air and sea defenses of the Western Hemisphere. Some of the U.S. peacetime facilities on the islands are important as tracking stations for essential missile development work, while others are important to military training activities. In the event of war, certain of these installations will be important to the defense of the Panama Canal, the southern approaches to the United States, and the shipping routes between Latin and North America. Additionally, these facilities are important to the initial and continuing defenses of the continental United States.

e. U.S. economic interests in the federation are sizeable. For example, in 1959, estimated U.S. imports included about 4.5 million tons of bauxite from Jamaica and 15 million barrels of oil from Trinidad.

*Obstacles to the Attainment of U.S. Objectives*

14. *Fragmentation of governmental authority* is an obstacle to coherent political development of the federation. At present, the British exercise political authority in some fields, the unit territory governments in others, and the federal government in still others. There is probably general agreement within the federation that as it moves closer to independence, the federal government must be given increased authority, but there is by no means agreement as to the manner or time in which such authority will be given, or as to the degree of centralization acceptable.

15. *Separatism* within the federation is an obstacle to political and economic stability and growth. Jamaica, the largest unit, is currently opposed to surrendering to the central government those powers which the federation needs to function effectively. A major problem, for example, concerns the bases of political representation in and sources of revenue for the central government. Free movement of

persons and of goods (customs union) among the islands of the federation would seem to be essential to its development, but conflicts among the units are making this difficult of achievement. There exists on Jamaica a large body of opinion in favor of Jamaican withdrawal from the federation. Such withdrawal is unlikely, but should it occur it would greatly weaken the federation.

16. *Population Pressure.* Most of the islands comprising the federation are overpopulated. Barbados, to take the extreme example, has one of the highest population densities in the world—about 1400 persons per square mile. On the other hand, two British dependencies outside the federation, British Guiana and British Honduras, have large land areas and small populations. If those two territories joined the federation they could furnish something of a "frontier" which would be of considerable psychological importance to the new nation and might have some economic importance. Jamaicans, particularly, would tend to support federation with more enthusiasm if these "escape valves" for surplus population existed. Neither British Guiana nor British Honduras appears at present disposed to join the federation, however. It is not likely that British Honduras will ever join. British Guiana may join if it can see a clear advantage in doing so. Such an advantage will probably not become apparent, however, until some time after the federation acquires independence.

17. Rising nationalism in the area, although it may contribute to a sense of national pride in the federation and ultimately to cohesion of the units, tends at present to be a divisive factor because it is oriented to the individual units. This orientation is gradually changing. Nationalism, however, also brings with it some hazard of political unrest for, if political leaders promise substantially more than they can achieve through democratic processes, a climate favorable to totalitarian solutions may develop. Development of a militant West Indies nationalism with concomitant rejection of foreign influence and intrusions on the national territory would make the retention of U.S. bases and other interests in the federation increasingly difficult.

18. *Anti-white sentiment* exists in the federation now and it can be expected to continue to be a problem. Such sentiment could be directed externally toward countries with predominantly white populations (including the United States). Moreover, the West Indians are aware that racial discrimination exists in the United States and some individuals have suffered indignities during visits here. The resulting antagonism creates difficulties for us in retaining the friendship of the new country and in retaining our installations there.

19. *Our immigration legislation* which provides non-quota status for immigrants from the present independent countries of the Western Hemisphere, but establishes restricted subquotas for The West Indies, occasions considerable resentment in the area. It should be noted that

any action taken by the United States with respect to immigration from The West Indies will have a pronounced effect on all aspects of U.S. relations with The West Indies. (At present each of the ten units of the federation has a subquota of 100, giving the federation as a whole an effective quota of 1,000. As the law now stands, when the federation becomes a new nation, it will be allocated the minimum quota of 100. The Executive Branch is supporting legislation before the Congress which will (a) raise the subquotas to 200 and (b) permit new nations to retain the quotas to which they were entitled prior to independence. If both provisions are enacted into law, the quota of the federation after independence would thus be 2,000.)

20. *Opposition to U.S. Bases.* There does not appear to be substantial opposition to a U.S. military presence in the area. There exists among some officials of the federation and among the people of Trinidad, however, a strong desire that the United States withdraw from the naval base at Chaquaramas in order to make it available as a capitol site. Our refusal to release this base has created a political problem and has directed attention to the over-all base question. There has also been some dissatisfaction concerning the U.S. failure to release unused areas. On the other hand, there is no reason to believe that there is any particular desire to have active bases other than Chaquaramas relinquished. There is a desire for revision of the present U.S.-U.K. Leased Bases Agreement and for release of inactive areas.

21. *Inadequate Understanding of U.S. Defense Interests.* There is an absence of real awareness on the part of the population as a whole of any mutuality of interest between their government and that of the United States in U.S. military facilities in The West Indies or of the economic benefits which accrue to the federation from these military facilities.

22. *Poverty.* Despite higher living standards than in most less-developed nations, poverty in some parts of the federation, particularly the Leeward and Windward Islands, constitutes a continuing hazard for the development of democratic institutions. Unless political leaders in the area can find some means of alleviating poverty, support for extremist solutions to local problems could rapidly develop. There is a conspicuous inability among West Indians, even those who are well-educated, to comprehend why the United States, with its presumably limitless resources and extensive international aid program, cannot provide greater assistance to the new neighboring unit.

23. *Dependence upon Agriculture.* Agriculture constitutes the main source of livelihood for the people of the federation, and the federation faces the familiar economic hazards of most nations which are producers of a few raw materials.

24. *Absence of Ties with Other Countries in the Western Hemisphere.* Heretofore the primary orientation of the federation has been toward the United Kingdom, and to a lesser degree toward Canada and the United States. Otherwise there has been little contact with other nations in the Western Hemisphere or with hemispheric organizations. The federation will participate in the activities of the Caribbean Commission,<sup>4</sup> soon to be known as the Caribbean Organization, but this is a local organization of other dependencies and involves little contact with independent nations of the hemisphere. Conversely, Latin American nations have evinced little interest in the federation. This makes difficult the development in the federation of an interest in hemispheric cooperation and defense.

25. *Oppportunistic leadership* presently exists in The West Indies, particularly on Trinidad, and thrives on its efforts to make maximum political capital from the grievances against the United States which are indicated earlier in this section.

[Here follows a Financial Appendix comprising two parts: Part A entitled "Cost Implications of Existing Policies" and Part B entitled "Cost Implications of Proposed Policies."]

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<sup>4</sup> The Caribbean Commission, made up of representatives of the four governments with dependencies in the Caribbean (the United States, the United Kingdom, France, and the Netherlands) was a post-war outgrowth of the Anglo-American Caribbean Commission which operated during World War II. Its activities have included technical assistance, exchange of information among the dependencies, and the maintenance of a library. Its headquarters were in Port of Spain. Following the desires of the people in the area, the Caribbean Organization is being established to supplant the Commission. It will be made up of representatives of the dependencies themselves rather than of the metropolitan powers. It will carry on essentially the same work as the predecessor organization, but the headquarters will be moved to Puerto Rico. [Footnote in the source text.]

**130. Operations Plan Prepared by the Operations Coordinating Board<sup>1</sup>**

*Washington, June 22, 1960.*

**OPERATIONS PLAN FOR THE WEST INDIES<sup>2</sup>**

*Objectives*

1. Free World orientation of The West Indies including (a) cooperation with the United States in world affairs, (b) economic development conducive to the maintenance of political stability, pro-Western orientation and free democratic institutions, (c) cooperation with the Free World defense efforts, and (d) preservation of freedom from Communist influence.

2. Orderly progress of The West Indies toward independence and subsequent maintenance of a stable and democratic government.

3. U.S. access to such military rights and facilities as may be required by U.S. national security interests.

*General Guidance*

4. All U.S. actions with respect to The West Indies should be taken in light of its importance to the U.S. This will be the first new nation in the Latin American area since 1903. Because of its Afro-Asian background, its population may be tempted to support Afro-Asian interests. Nonetheless, with the democratic political tradition developed under the British, the federation could become an example of stable democracy in an area which sorely needs such an example. The strategic location of the islands has caused the United States to establish on them certain military installations which contribute to the

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<sup>1</sup> Source: Department of State, S/S-OCB Files: Lot 62 D 430, West Indies—Documents. Secret. A cover sheet, statement on the "Purpose and Use of the Operations Plan," and an undated transmittal memorandum signed by Bromley Smith are not printed. The memorandum indicated that the OCB revised and concurred in the Operations Plan at its meeting on June 15, the minutes for which were approved on June 22.

The Operations Plan was prepared by the OCB Working Group on the West Indies, chaired by Rockwood H. Foster, Office of British Commonwealth and Northern European Affairs. In addition to the Department of State, the Working Group was comprised of representatives from the Departments of Defense, the Treasury, CIA, ICA, USIA, and the OCB Staff.

<sup>2</sup> The West Indies consists of ten island territories: Jamaica, Trinidad and Tobago, Barbados, Antigua, Dominica, Grenada, Montserrat, St. Christopher-Nevis and Anguilla, St. Lucia, and St. Vincent. This new federation officially came into existence on January 3, 1958. Best current estimate for full independence is late 1961. [Footnote in the source text.]

air and sea defenses of the Western Hemisphere. The U.S. economic interests in the federation are sizeable and the federation is a source of bauxite and petroleum.

5. Both before and after independence, the United States should, to the extent feasible, rely on the U.K. to support The West Indies in recognition of acknowledged U.K. responsibilities and to influence The West Indies to support U.S. objectives. In this connection, we should urge the U.K. to continue economic support of The West Indies. In addition, the United States should solicit actions by Canada in The West Indies favorable to our objectives.

6. However, U.S. actions with regard to The West Indies should be formulated in full consideration of increasing close relations with the U.S., and the respective interests of each. At the same time, the U.S. should avoid assuming a posture that would encourage the West Indian populations to transfer their expectations of major economic assistance from the U.K. to the U.S.

7. The U.S. should assist the U.K. in the insulation of The West Indies from international conflicts in the Caribbean and should attempt to counteract any Communist attempts to infiltrate the federation, if they appear.

8. The U.S. should keep in mind that U.S. actions and attitudes with respect to racial frictions and rights, especially in Africa and in the U.S. itself, are closely observed by the predominantly Negro population of The West Indies.

9. As in most nations moving toward independence, there exist in The West Indies nationalistic leaders who, for various reasons, tend to use the U.S. as scapegoat for their own problems. Foremost, among these at present is Dr. Eric Williams, Premier of Trinidad. The U.S. is particularly vulnerable because of its Bases on West Indian soil. The U.S. should recognize that fulminations by nationalist leaders are frequent concomitants of the emergence of independent nations and should avoid being provoked into actions which would strengthen the hands of such leaders and should avoid as much as possible directing U.S. policy or tactics to individuals rather than to basic problems. Nevertheless, the U.S. should use such means as would not constitute interference in the domestic affairs of The West Indies, both to encourage moderation on the part of present leaders and to encourage the assumption of leadership by other more moderate and responsible individuals. To a large extent this may be accomplished by the United States increasing its dealings where possible through the Federal Government structure in preference to working with the unit territories.

10. The U.S. should foster the creation of a favorable climate for the development of private enterprise, both domestic and foreign, expansion of West Indian trade with the United States and other Free World nations, increased flow of U.S. private investment capital, and access to sources of important materials.

[Here follow the section of the Plan concerning Operational Guidance and a Financial Annex.]

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**131. Memorandum of Discussion of the 452d Meeting of the National Security Council, Washington, July 21, 1960<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting and agenda item 1, "U.S. Policy in Mainland Southeast Asia," and the first part of Allen Dulles' briefing, agenda item 2, "Significant World Developments Affecting U.S. Security."]

Mr. Dulles next turned to the situation in the Caribbean. He stated that the Dominican dissidents had increased in number and desperation. Several had been shot early this month while seeking asylum. One had been shot just as he was going into the Brazilian Embassy. The Brazilian Government was outraged but would not break relations. The dissidents and the Catholic Church had temporarily abandoned their efforts pending OAS action. Foreign pressure and internal dissidence, however, may result in over-turn of the regime before the OAS acts. The armed forces are likely to go over to the opposition if they feel that Trujillo is doomed. Mr. Dulles noted that the AFL-CIO was advocating a boycott of shipping to the Dominican Republic. As a result of Venezuelan pressure, the Netherlands West Indies had denied oil to the Dominican Republic, thus forcing it to obtain its oil from more expensive sources.

Haiti was characterized as usual by a chaotic situation. The Duvalier regime was drifting Leftward. Duvalier was not well and had delegated much authority to a clique of Leftists. [1 sentence (1 line of source text) not declassified] The government had been attacking the U.S. and was pro-Castro. The use of U.S. aid for political patronage purposes had crippled the effectiveness of the aid program. [1 sentence (1½ lines of source text) not declassified] The army was the most important cohesive force in Haiti and was pro-U.S. [1 sentence (1 line of source text) not declassified] Secretary Herter agreed that the army

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Robert H. Johnson.

probably offered the best bet in Haiti. He stated that the U.S. was not enthusiastic about a proposal that Haiti contribute army units for the Congo because the U.S. prefers to have the Haitian army in Haiti.

Next, Mr. Dulles stated the Communists were tightening their grip on Cuba. A Latin American young Communist organization was to meet on the 25th of July in Cuba. [1 sentence (1½ lines of source text) not declassified] Delegates were expected from most of the Communist Bloc and Afro-Asian countries including the FLN. Peruvian and other anti-Communist groups would boycott the meeting. [1 sentence (2 lines of source text) not declassified] Havana University had become a creature of the regime as a result of a take-over on July 15. The student federation had ousted anti-Communist professors and was recruiting Leftist professors from other Latin American universities. This would of course improve the situation in these other universities while worsening it in Havana. On the 14th of July the Communists' daily paper had taken over the printing plant formerly used by *Revolucion*, the official regime paper which was moving to larger quarters. This action strengthened the Communist daily. Catholic circles in Cuba appeared to be moving away from a previous policy of vacillation. Castro, from his sickbed on July 18, denounced the "Falangists" among the priests. This had been a reaction to the spontaneous demonstrations on the 17 and 18 of July. These demonstrations had been led by Catholic prelates who had been sent to Cuba by Rome in April and May of last year. Mr. Dulles observed in passing that while Castro was probably ill, he also appeared to be in temporary retirement, perhaps because he was not sure of the line he should take. Mr. McCone asked whether these demonstrations had been truly spontaneous or whether they were the product of clerical leadership. Mr. Dulles said he was not sure of the answer to this question. The government, Mr. Dulles said, appeared to be cracking down on the church. It had recently denied foreign exchange to two high churchmen who wished to go to Europe. The attitude of the church might be a very important element in future Cuban developments. Mr. Dulles noted that the editor of a very popular Cuban weekly which circulates widely in Latin America had defected on July 18 and at that time had made a very eloquent speech. [1 sentence (1 line of source text) not declassified] It was the view of Ambassador Bonsal that Khrushchev's declaration<sup>2</sup> may have been a serious blow to the Castro regime because it removed doubts as to the Communist orientation of that regime.

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<sup>2</sup> Apparent reference to the joint communiqué by Raúl Castro Ruz, Chief of the Cuban Revolutionary Armed Forces, and Nikita S. Khrushchev, Chairman of the Council of Ministers in the Soviet Union, in Moscow on July 21, 1960, at the end of Castro's 4-day visit as part of a tour of East European countries. The communiqué stated, inter alia, that the Soviet Union would use every means at its disposal to prevent U.S. armed intervention against Cuba.



Mr. Dulles noted that a 14-man Communist Chinese mission, headed by the Chinese Deputy Minister of Foreign Commerce, was in Cuba. The Communist Chinese are likely to agree to buy 500,000 tons of sugar. They have bought 130,000 tons already. There is a large Chinese community in Cuba of about 30,000. Some of these are Communist and some are anti-Communist, but the majority, as in the case of the overseas Chinese generally, would probably prefer to be left alone. Mr. Dulles noted that Raul Castro had arrived in Moscow on July 17 and was due to go to Cairo on July 22. He then read parts of the communiqué that had been issued that morning following the Raul Castro–Khrushchev conversations.

Mr. Dulles went on to say that [*less than 1 line of source text not declassified*] had revealed nebulous and somewhat pro-Castro actions on the part of the Venezuelan Foreign Minister.<sup>3</sup> The Foreign Minister had recommended to the UAR and Bolivia through Venezuelan Embassies in those countries that neutralists support Castro. The Foreign Minister had advised Bolivia and the UAR of conversations with the U.S. Ambassador to Venezuela (Mr. Sparks) in which the Venezuelan Foreign Minister had said that Venezuela would not hesitate to back Castro in the OAS and in the UN. Betancourt, however, was pursuing a different policy. Secretary Herter pointed out that Venezuela was now concentrating on Trujillo and did not want the problem of Cuba mixed up with it. He went on to note that an OAS mission was in Venezuela and would report back at the end of the week. At that time the OAS would set a time and place for a meeting of the Foreign Ministers of the OAS to deal with the Dominican question. The U.S. was also working to get the Cuban problem on the agenda. There was considerable disagreement over where the meeting should be held and recently it had been suggested that it might be held in Puerto Rico on the assumption that Puerto Rico could control any pro-Castro demonstrations. However, the U.S. was somewhat disturbed by this proposal. Secretary Herter pointed to one encouraging note. Colombian President Camargo had said yesterday that this was not simply a dispute between Cuba and the U.S. but involved intervention by another power in the Western Hemisphere. Such intervention, he had said, should be dealt with under the Monroe Doctrine which had been transformed into an inter-American doctrine.

Mr. Allen pointed out that a people-to-people committee had recently been organized to express the regard of the American people for the Cuban people. This represented a new departure in the people-to-people movement. Usually these committees were organized among missionary groups, stamp collectors, etc., and had not got into the political field, although a people-to-people American-Islamic

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<sup>3</sup> Ignacio Luis Arcaya.

Council had been somewhat involved in political activity. This new group had written a round-robin letter to the Cuban people which had been signed by fifteen prominent Americans. It had been published in Spanish-language newspapers in Miami and New York. Three thousand copies of the Miami newspaper had been sold on newsstands in Cuba and 22 thousand more copies had been ordered for distribution in Cuba. In addition a tear sheet containing the letter had been sent to two thousand leaders all over Latin America. The activities of this group have not got into the U.S. press to any extent but there was a surprising amount of interest in Latin American circles. A Chinese in New York had had the letter translated into Chinese for distribution to the Chinese in Cuba.

Mr. McCone said that he had talked with tanker owners and it was their view that there was no way to keep Cuba from getting surplus tankers. Even if the large operators cooperate, the Cubans would be able to get all the tankers they need. A boycott by the major oil companies of tanker owners who provide tankers is not likely to be effective because the oil companies have imposed such boycotts before and then have forgotten them when the market for tankers changes.

Mr. McCone went on to say that Mexican friends of his were alarmed over the Communist trend in Mexico. These friends had expressed their views in connection with the announcement of a leading member of the Mexican Parliament of his support for Castro. These Mexicans said that the U.S. did not realize the extent of this insidious movement in Mexico. Secretary Herter said that this development had not gone unnoticed by State. Mr. McCone felt, however, that it had gone unnoticed by the American people. Mr. Dulles stated that Mexico had its most anti-Communist government in a long while. Secretary Herter interjected to say, however, that the government was not strong. [1 sentence (2 lines of source text) not declassified] Secretary Mueller asked whether the trend referred to by Mr. McCone represented simply an extension of the Socialist philosophy or actual association with the Soviets. Mr. Dulles said there were many Leftists in Mexico but there was no trend toward association with the Soviets and that there had been no new political developments in Mexico in the last few months. He pointed out that the pro-Castro statement of a member of the Mexican Parliament did not reflect the attitude of the Mexican Government. Secretary Herter noted that we had indications that ex-President Cardenas<sup>4</sup> was an active spearhead in this.

Returning to the question of the Cuban oil situation, Mr. Gray said he understood that the real limiting factor was the operation of the refineries and obtaining spare parts for the refineries. He wondered whether the line was being held on supplying such spare parts.

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<sup>4</sup> Lázaro Cárdenas, President of Mexico, 1934–1940.

Secretary Herter said he thought so and went on to state that the Cubans could be expected to have some trouble operating the refineries, partly as a result of intermittent interruptions in the power supply. The tanker problem, he noted, had been taken up in NATO which had reached the conclusion that it was beyond control. Mr. Dulles noted that there were 268 surplus tankers available and Secretary Mueller added that this represented six million dead-weight tons of tanker capacity.

Mr. Gray asked what percentage of the Cuban population was Catholic. It was agreed in the discussion that followed that a very large percentage of the Cubans were Catholic, perhaps as high as 95% or more. Mr. McCone pointed out, however, that traditionally the Catholics in Latin America were not very active church members.

Secretary Gates noted that a Mexican delegation was to visit the U.S. on the 15th of September and he wondered whether it was still a good idea to go ahead with this visit. Secretary Herter thought that the question of the level of representation on both sides was an important consideration in this connection. Secretary Gates wondered specifically whether it was desirable for him to participate in this visit. As a second emerging problem relating to Latin America, Secretary Gates pointed to the fact that the President had given preliminary consideration to the possibility of a "Plowshare" project for building a canal in Central America.<sup>5</sup> Plans called for the President to give a speech on this subject in the UN in September. Secretary Gates thought that careful consideration needed to be given to whether such a speech should be made. Secretary Herter said he thought that such an announcement at present might drive the Mexicans wild. He also noted that technical considerations were involved. Secretary Gates concluded by pointing out that the deadline for action on both these matters was rapidly approaching.

Secretary Herter stated that there was a question as to how long we could hold the line on giving Trujillo any significant part of the Cuban sugar quota. So far we had made only token purchases from the Dominican Republic and hoped to get the law changed when Congress reconvened. Secretary Mueller inquired how much the U.S. was paying for the sugar we bought under the re-allocated Cuban quota. Secretary Herter indicated that we paid the same premium price we paid to Cuba. He went on to say that he was not sure where the decision had been made to pay this price but we had an agreement with the quota countries and it might appear to constitute discrimination not to pay the same premium price to those who received parts of the Cuban quota as we paid to those who had regular quotas.

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<sup>5</sup> See Document 347.

[Here follow the final part of Allen Dulles' briefing and agenda items 2, "U.S. Policy Toward Cuba," and 3, "U.S. Policy Toward the Congo."]

**S. Everett Gleason**

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**132. Editorial Note**

In a memorandum to James S. Lay, Jr., September 21, Bromley Smith stated that at a meeting on September 16 the OCB Board Assistants noted that the Working Group for the West Indies had completed its semiannual appraisal of NSC 6002/1, and that the Assistants concurred in the judgment that there was no need for an NSC review of the policy nor any developments significant enough to warrant sending a report to the NSC. (Department of State, S/S-OCB Files: Lot 61 D 385, West Indies—Documents)

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**133. Memorandum From the Director of Intelligence and Research (Cumming) to the Secretary of State<sup>1</sup>**

*Washington, November 14, 1960.*

SUBJECT

Intelligence Note: Revolutionary Outbreaks in Central America<sup>2</sup>

The bloodless overthrow of the Lemus regime in El Salvador on October 26, and its replacement by a government which is exhibiting an increasingly leftward trend, has been followed by attempts against the Ydígoras and Somoza administrations, respectively, in Guatemala and Nicaragua. The Guatemalan and Nicaraguan Governments allege that Castro is supporting the revolutionary movements. Disturbances related to the Nicaraguan uprising have also taken place in Costa Rica.

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<sup>1</sup> Source: Department of State, Central Files, 713.00/11-1460. Confidential. No drafting information appears on the source text.

<sup>2</sup> On November 17, Assistant Secretary Mann sent Under Secretary Merchant a more extensive memorandum covering the same subject. (*Ibid.*, 713.00/11-1760)

All of these developments, beginning with the deposing of Lemus, have had an unsettling effect upon the somewhat unstable Villeda regime in Honduras.

Summaries of the situation in Guatemala, Nicaragua, and Costa Rica follow:

### *Guatemala*

Supported by the army and air force, the Ydígoras administration appears to have placed insurgent forces, which staged uprisings in several parts of the country on November 11, on the defensive. A state of siege—a modified form of martial law—has been placed in effect. Order, never seriously disrupted, prevails in Guatemala City, from which rebels fled after attacking at least one garrison. Troops have been dispatched to reinforce Chiquimula, and are fighting rebels in Zacapa and Puerto Barrios, where some troops in local garrisons are reported to have defected. Led by several middle grade army officers, the revolutionary movement has some support among anti-Ydígoras elements of various political orientations, but principally moderate leftists. The clandestine Guatemalan Labor (Communist) Party reportedly was unaware of plans for the movement, although it and extreme leftists have been very active in their opposition to Ydígoras.

The elements undertaking the revolution are reported to have agreed upon a new government composed of members ranging from extreme leftists to rightists. Thus far, there does not appear to be widespread popular support for the insurgents despite the fact that the Ydígoras regime is unpopular in many quarters. The revolt appears to some extent to represent a coalescing of hitherto disparate oppositionist elements seeking to take advantage of declining stability, and to bring about pressure which would compel the military to replace Ydígoras with a junta.

### *Nicaragua*

On November 11 predominantly leftist and pro-Communist opposition forces launched a co-ordinated uprising from within and outside Nicaragua against the Somoza regime. Severe fighting took place in Carazo province, where barracks at Jinotepe and Diriamba were seized for a short time by the rebels. Some acts of terrorism were reported to have taken place in Managua. There were also reports that reinforcements and arms for the rebels had been landed on the country's Caribbean coast. Indications are that a considerable number of the insurgents within Nicaragua have been killed or captured, and the government, which has declared martial law, appears to be in control of the situation.

*Costa Rica*

On November 12 the Echandi government began attempts to contain Nicaraguan exiles and other revolutionaries, possibly including Cubans, which were concentrated at the Nicaraguan border. This has resulted in clashes between the Costa Rican Civil Guard and the rebels. President Echandi has declared a state of siege and has called up the country's reserves. Some reports indicate that the rebels are well-armed and receiving reinforcements and supplies by air from Cuba and Honduras.

*Conclusions*

The almost simultaneous timing of these uprisings suggests the probability that the whole is a co-ordinated undertaking. Both Somoza and Ydígoras allege that the actions against their governments are Cuban inspired. Ever since its inception, the Castro regime has actively sought to further its interests in Central America through the use of its diplomatic missions, special agents, financial assistance, and propaganda. As a result, Guatemala severed diplomatic relations with Cuba, and Honduras declared a Cuban ambassador *persona non grata*. In all of the Central American republics, Castro's efforts have been abetted by local Communists and extreme leftist sympathizers. While direct evidence of Cuban participation in the most recent uprisings as yet is lacking, their occurrence, together with developments in El Salvador, creates an unsettled atmosphere favorable for exploitation by Castro.

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**134. Memorandum of Discussion at the 467th Meeting of the National Security Council, Augusta, Georgia, November 17, 1960<sup>1</sup>**

[Here follows a paragraph listing the participants at the meeting.]

*1. Significant World Developments Affecting U.S. Security*

Mr. Dulles commented that "Castro-itis" was affecting Central America and parts of South America. Castro propaganda had certainly played a part in the recent revolts in that area. There was no evidence

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Lay on November 21. The source text incorrectly indicates the meeting took place in Atlanta, instead of Augusta, Georgia.

yet that Cuban “bodies” had been involved but there was no doubt of Cuban intrigue. Somoza says that he has hard evidence of Cuban involvement [*less than 1 line of source text not declassified*].

Mr. Dulles stated that the Guatemalan revolt was largely by disaffected army officers. Also, it was not yet over. The government has control of a key city on the road to Puerto Barrios. The revolutionists held Puerto Barrios for awhile. However, they have now been driven out into the hills but are still a menace. The government air force is worn out [*less than 1 line of source text not declassified*] it is still needed. Ydigoras, while he has suppressed this revolt for the present, cannot be sure to keep the top on the Guatemalan political volcano.

Mr. Dulles then turned to the Nicaraguan rebels who were based in Costa Rica. This was a most severe revolt but the action was concentrated near the border. The revolt has generally been put down. It included extreme Leftists who had been in Cuba.

Mr. Dulles reported that in El Salvador Leftist elements have now entrenched themselves in the government and were being encouraged by the Cuban Embassy. In Honduras also the Cuban Embassy was cultivating Leftist groups. There is a strong pro-Castro element in Venezuela although it has suffered a set-back. Betancourt still has considerable opposition.

Secretary Herter commented that the overall picture presented by Mr. Dulles was accurate but not pleasant. Mr. Herter said that he planned to take up with the President, after the NSC Meeting, the Nicaraguan and Guatemalan requests for U.S. help to prevent outside assistance to the rebels.<sup>2</sup> Mr. Herter said that the Communists were taking full advantage of recent developments in Latin America. The OAS may call a consultative meeting, probably to name an investigative group. Secretary Herter said he was hopeful that this process would lead to the OAS taking specific sanctions against Cuba. He said that the OAS Peace Commission was headed by a Mexican and had a number of Leftists on it. Therefore, the U.S. preferred the appointment of an investigative committee.

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<sup>2</sup> Later that day, James C. Hagerty made the following statement to news correspondents at Augusta, Georgia:

“In response to requests of the Governments of Guatemala and Nicaragua, surface and air units of the United States Navy are in a position in which they could assist these Governments, should it become necessary, to seek out and prevent intervention on the part of Communist-directed elements in the internal affairs of Guatemala and Nicaragua through the landing of armed forces or supplies from abroad.” (Department of State *Bulletin*, December 12, 1960, p. 888)

For a related exchange of letters between President Eisenhower and President Miguel Ydígoras Fuentes of Guatemala, released to the press by the White House on December 2, see *ibid.*, December 19, 1960, p. 924.

[Here follow additional discussion of agenda item 1 and agenda item 2, "NATO in the 1960's."]

James S. Lay, Jr.

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**135. Memorandum of a Conversation, Department of State,  
Washington, November 18, 1960<sup>1</sup>**

SUBJECT

Caribbean Situation

PARTICIPANTS

The Secretary  
Ambassador Hervé Alphand, French Embassy  
M. Claude Lebel, Minister, French Embassy  
Mr. Robert H. McBride, WE

Ambassador Alphand inquired regarding the Caribbean situation. He said this subject had been discussed recently with Assistant Secretary Mann but that he wished to pursue it further with the Secretary. With regard to the sending of ships to the Caribbean, the Secretary said that we had not informed the French of this previously because we had only received the request very recently from the Central American governments concerned and had alerted our vessels accordingly. He said these governments had only asked for surveillance of possible Castro invasion attempts and interdiction on November 17. In response to a question he said our ships would not go into the territorial waters of these Central American states, at least at the present time. He thought aerial reconnaissance would be sufficient for the purpose now. Ambassador Alphand inquired if our efforts were directed solely to preventing invasion attempts by Castro forces. The Secretary replied in the affirmative saying our vessels would be off the Central American coast. Ambassador Alphand asked if it is our intention to use these vessels to prevent shipment of Soviet arms to Cuba and if the United States intended to follow the same sort of a line of preventing Soviet arms from reaching Cuba as the French were following with regard to Algeria. The Secretary said that the situation was very different since Algeria was a part of France, according to the French position. Ambassador Alphand asked if we would attempt to interdict

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversations: Lot 64 D 199. Confidential. Drafted by McBride and approved in S on November 28.



shipments of arms to Guatemalan rebels. The Secretary replied in the affirmative. The Secretary added that these governments had also reported this matter to the OAS. The Secretary said he hoped that they had a good case. He also noted the presence of Communist elements in Guatemala.

In response to a further query the Secretary said we were not recognizing the Salvadoran Government yet. We thought it looked more and more penetrated by Communist elements. The inexperienced members of the military junta had been hoodwinked by left wing elements. Should Salvador go Communist we would have numerous difficulties elsewhere.

Finally, Ambassador Alphand inquired with regard to the applicability of the Monroe Doctrine in such a situation. The Secretary did not think it would be practical to apply the Monroe Doctrine but noted there was some talk of applying the Caracas resolution.

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**136. Memorandum on the Substance of Discussions at the Department of State–Joint Chiefs of Staff Meeting, Pentagon, Washington, November 18, 1960, 11:30 a.m.<sup>1</sup>**

[Here follow a list of participants at the meeting, a table of contents, and discussion of agenda item 1, "Congo."]

*2. Cuba and Central America (State Initiative)*

Mr. Merchant said at the outset he was hopeful that the naval movement announced yesterday in the Caribbean might stabilize the situation there and have a blocking effect on any adventurism. He pointed out that we saw a discernible pattern developing in Central America and that there was some evidence of Castro's hand. He said we had no plans at the present time to recognize El Salvador.

So far as Cuba was concerned, he thought it might be worth while to make a few general remarks about the situation on the understanding that these remarks were not authoritative and did not necessarily represent official policy. He said that we had come to the realization that we must revise some of our early assumptions on the timing and character of any overthrow of Castro and his regime. We had origi-

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<sup>1</sup> Source: Department of State, State–JCS Files: Lot 70 D 328. Top Secret. According to a note on the cover sheet, the memorandum was a Department of State draft, not cleared with the Department of Defense. Thirty individuals were present at the meeting; Merchant headed the Department of State contingent of seven officers.

nally thought that rather quickly internal opposition would arise which, with a certain amount of outside help, would be able to regain control. Six months ago we were much more optimistic about this happening than we are now and we must do a lot of long and hard thinking on what the trend will probably be. Certainly there is rising dissatisfaction with Castro in Cuba but also there is rising control along the tried and true communist line. The militia movement and the nationalization of the economy are certainly two traditional communist moves. The regime is moving with efficiency and speed in the further communization of the island. However fast grows the internal unpopularity of the regime, just as fast grows the ability of the regime to control this dissatisfaction.

Possible courses of action open to the U.S. include breaking diplomatic relations, support of a government in exile, moving into overt and demonstrable support of the opposition, etc. This, of course, produces other problems, such as that of Americans resident in Cuba. He said his remarks should be construed merely as an indication of some of the thinking going on in the Department. He pointed out if we accept the premise that there is a delay in the possibility of effective action against Cuba we may well have to put more emphasis on steps like the recently announced naval movement. We may have to establish a quarantine area to prevent the export of Castroism from Cuba onto the Central and South American mainland.

Mr. Mann said we are talking with the Latin American ambassadors in Washington to see if they are ready to go ahead on some kind of an investigation of Castro activities, perhaps under the provisions of the Rio Treaty. We have had to by-pass the Peace Committee of the OAS since the Latin American members on that Committee are pretty shaky. What we hope to do through an OAS investigating committee is to educate South American public opinion about the dangers of Castroism and hopefully to come up with some hard evidence concerning the things Castro is doing.

Admiral Burke wondered whether we had to notify the OAS under Article 6 of the Rio Treaty concerning the Nicaraguan and Guatemalan requests.<sup>2</sup>

Mr. Mann said that was not necessary but that in any event we hoped to get the OAS to focus on the possibility of a hemispheric-wide break in relations with Cuba, total economic sanctions, quarantine on the export of arms and men from Cuba, etc. We would hope this could be applied quickly.

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<sup>2</sup> Article 6 of the Rio Treaty required the Organ of Consultation of the OAS to meet immediately to discuss appropriate measures whenever aggression against a member state occurred which was not an armed attack or was committed by an extra-continental power.

General Lemnitzer said he just didn't understand why we couldn't get more support from the other Latin American countries. What we had to do was explain to each Latin American country that without unified action against Cuba that country itself might be next in line for Castro trouble.

Mr. Mann said we were doing just that. He noted we have made a great deal of progress in educating the Latin American leaders since the difficult period represented by the San Jose meetings.<sup>3</sup> He hoped that within the next 30–45 days we might be able to have a formal OAS meeting devoted to the Castro problem. We would certainly take a "head count" first in order to avoid the San Jose difficulties but hopefully we could get most of the countries to go along with a program contemplating break of relations, economic sanctions and arms quarantine.

He hoped that perhaps we could reconstitute a committee along the lines of the one established in 1942 concerning the control of internal subversion throughout the hemisphere.<sup>4</sup>

General Lemnitzer said the speed of the communization of Cuba proved extensive external guidance.

Admiral Burke said he would like to make a few remarks about the Presidential proclamation made yesterday. The U.S. naval ships off the coast of Nicaragua and Guatemala are, under the terms of the proclamation, in essence ships of those two countries. In their territorial waters—3–12 miles—these ships have the complete right of visit and search and if it is determined that foreign ships are carrying crews and cargoes posing a threat to the security of those two countries they will be turned over to Guatemala and Nicaragua. Outside of the territorial waters our naval vessels will carry on reconnaissance activities. This proclamation went pretty far in establishing rights and obligations.

As to the definition of territorial waters, it is clearly established that sovereignty extends three miles off shore and that it will extend 12 miles if the country claims this area for customs or other purposes. For example, the U.S. claims 12 miles for this purpose, this being a carryover from Prohibition days.

Mr. Mann said that so far as he knew neither of these countries had claimed 12 miles and Admiral Burke replied he wasn't sure but his people were checking on it.

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<sup>3</sup> Reference is to the Sixth and Seventh Meetings of Consultations of Ministers of Foreign Affairs, held in San José, Costa Rica, August 16–29, 1960.

<sup>4</sup> Reference is to the Emergency Advisory Committee for Political Defense, established by the Third Consultative Meeting of the Ministers of Foreign Affairs of American Republics, held at Rio de Janeiro, January 15–28, 1942; for documentation on the formation and work of the Committee, see *Foreign Relations*, 1942, vol. v, pp. 74–107.

Mr. Merchant observed he was not speaking facetiously when he cautioned that we should look at this in terms of our position in the law of the sea.

Mr. Mann agreed, stating that a proclamation by President Truman concerning jurisdiction and fishing rights off the continental shelf had actually started all of this law of the sea problem.

Mr. Smith said that recent evidence in Central America had certainly highlighted the need for expeditious military efforts in the internal security field.

General Lemnitzer agreed that speed was of the essence.

Mr. Knight referred to a pending request for \$1 million to Bolivia for internal security. The Pentagon had approved this request and it was awaiting approval in the Department of State. It would be most helpful if this could be broken loose quickly in view of the problems in Bolivia. He understood that this request, once approved in the Department of State, would require a Presidential determination.

[Here follows discussion of agenda items 3, "Appreciation for East Pakistan Relief Operations;" 4, "Review of U.S. Attitude Toward CENTO;" 5, "Ambassador Durbrow's Philosophy Vis-à-Vis Attempted Coup in Vietnam;" and 6, "Soviet Oil Defensive."]

# ARGENTINA

U.S. RELATIONS WITH ARGENTINA <sup>1</sup>

**137. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Acting Secretary of State (Herter)**<sup>2</sup>

*Washington, January 27, 1958.*

SUBJECT

Study on United States-Argentine Relations

The present Argentine situation presents certain special considerations and opportunities as regards our relations with that country. We have a rare historical opportunity to establish a tradition of friendship and cooperation with Argentina such as we have not enjoyed in many years. The opportunity is, however, a passing one, and for this reason I believe our relations with Argentina call for special attention and careful handling.

In this connection I attach for your information a study recently prepared in OSA which considers United States policy toward Argentina in the light of the present situation.<sup>3</sup> This study makes the following points: 1) Because of its importance in the hemisphere, the establishment of good relations with Argentina must be one of the basic objectives in our Latin American policy; 2) The present climate is very propitious for this. Present Government and military leaders are pro-US, support cooperation with us and are trying to lead Argentina out of traditional isolationism; 3) These trends are not yet hardened, however. The first elected government since Peron's overthrow is scheduled to take office in May, and Argentina is at something of a crossroads; 4) Almost the first task of a new government will be to reassess Argentina's relationship to us; 5) Given this situation, the present propitious climate and the advances already made, now is the time to

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<sup>1</sup> For previous documentation, see *Foreign Relations, 1955-1957*, vol. VII, pp. 350 ff.

<sup>2</sup> Source: Department of State, Central Files, 611.35/1-2758. Confidential. Drafted by Viron P. Vaky.

<sup>3</sup> The study, transmitted in a memorandum from Vaky to Rubottom, December 16, 1957, is printed in *Foreign Relations, 1955-1957*, vol. VII, p. 498.

“nail down” the opportunity offered us to strengthen the posture of pro-US moderate elements and influence the new government by example; 6) The situation calls for a careful overall approach to Argentina in the next year or two. Special attention should be given to the psychological element, i.e., giving a feeling of support to the Argentines which will be of prime importance in the coming months. The economic sector will be the most critical and should receive high priority with immediate attention to possible additional financial aid. This factor is important also in view of Soviet economic overtures, Argentina’s economic distress making her susceptible to Soviet blandishments.

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**138. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Assistant Secretary of State for Economic Affairs (Mann)<sup>1</sup>**

*Washington, February 5, 1958.*

**SUBJECT**

Modification of Argentine PL 480 Loan Agreement

*Background:*

We negotiated two PL 480 sales agreements with Argentina for edible oils, one in April and the other in December 1955.<sup>2</sup> The first of these contemplated a 10-year loan of \$2.3 million repayable in dollars. The second a 30-year loan repayable in dollars or pesos. In loan agreement negotiations now being carried on by our Embassy the Argentine representatives have requested that both loans be for 30 years and repayable in pesos or dollars. The Embassy has recommended that maximum effort be made to meet the Argentine request.

*Discussion:*

There are compelling reasons why we should accede to this request both from an over-all political viewpoint and in connection with the actual negotiation itself.

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<sup>1</sup> Source: Department of State, Central Files, 411.3541/2-558. Confidential. Drafted by Vaky and Edward G. Cale of the Office of South American Affairs.

<sup>2</sup> For text of these agreements, see, respectively, 6 UST 1085, 6077.

There are considerations involved which go beyond the loan agreement matter itself. Our posture during these negotiations will be viewed by the Argentines together with our position on the several other things we have discussed and are discussing with them. For that reason our approach here will influence the Argentines' judgment of the value of cooperating with us generally. While the benefits derived from acceding to the present request or the consequences resulting from refusing it will not be directly discernible, we may be sure that there will be an important cumulative impact.

Argentina is in a very difficult financial position and needs our help. She has turned to us for such aid in numerous ways.

The United States has a unique opportunity at the present time to strengthen cooperation with Argentina, because the Argentine Government now in power wants to be friendly to the United States. The political necessity of cultivating and strengthening the position of pro-US elements—and specifically not appearing to rebuff them—is particularly important since Argentina is moving to a cross-roads with a new government, not yet elected, coming to power in a few months.

At the same time there appears to be increasingly little we can do for Argentina to help those in power to demonstrate the benefit of cooperating with us. The competitive nature of our two agricultural economies restricts our possibilities of importing Argentine goods, and this affects Argentina's capacity to service debts which in turn limits the amount of loans we can lend to Argentina.

If in addition to not doing things for Argentina because we lack the capabilities, we fail to do something which it is within our power to do, our sincerity will become suspect and our general relations with Argentina will suffer.

Argentina has been a strong critic of our agricultural policy but will be inclined to criticize it less to the extent that she benefits from the program.

I attach great importance to the political and psychological effect on our general relations which our position in this particular negotiation will have.

In addition to the broad considerations, if we fail to accede to the Argentine request for an alteration of the loan terms we will weaken our chances of obtaining Argentine acceptance of our position on other agreement provisions now under negotiation, and will also lessen the possibility that Argentina will accede to our views regarding use of the loan funds. These provisions relate to such matters as maintenance of value, reduction of the amount of the loan from \$20 million to about \$18.2 million because of a shortfall in sales—although this is not specifically provided for in the sales agreements—and freedom on our part to decide on the use of peso funds which we will receive when the loans are repaid.

We also hope to obtain Argentine agreement to use at least 25% of the funds for loans to private enterprise, although this was not contemplated in the sales agreement. We also hope to induce them to use some of the funds to finance migration projects in which the ICEM and members of our Congress are interested. Our chances of persuading them to do these things are of course very directly related to the treatment we accord their request for changes in the currency and duration provisions of the first loan agreement.

An appendix is attached<sup>3</sup> which describes the various issues involved in the negotiation in more detail.

In considering this problem the matter of undesirable precedent has been mentioned, e.g. in February 1956 we signed a 10-year loan agreement with Chile with repayment in dollars,<sup>4</sup> and it has been argued that Chile might also press for a renegotiation. On the other hand, there are relatively few cases of this kind, which means a minimal precedent of danger. Moreover, there is some logic in requests to bring early agreements into line with what is now our current and standard practice and which applies to the majority of sales agreements negotiated to date. In any case, there are strong reasons for favoring Argentina in such a matter vis-à-vis other Latin American nations such as Chile. ARA would not hesitate to justify this exception for Argentina to the Chileans themselves if they are inclined to claim discrimination. Chile has been one of the most favored recipients of PL 480 assistance whereas Argentina is among the countries which stand to lose most by the PL 480 program. Furthermore the Chilean loan agreement was signed some time ago and the loan component was 80%; the corresponding Argentine loan agreement is of course now under negotiation and its loan component is only 40%.

I should stress the fact that the April 1955 sales agreement with Argentina was negotiated with the Peron government, and we were not disposed to be particularly lenient with the result that the terms of that agreement were tougher than many being negotiated at the same time.

The amount of money involved is small, \$2.3 million. Converting to local currency repayment, would not, it seems to me, constitute a waiver of any significant right nor create a dangerous precedent. Local currency repayment is already current practice. We would in waiving the dollar repayment requirement receive consideration through increased interest rates.

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<sup>3</sup> Not printed.

<sup>4</sup> For documentation relating to the loan agreement, see *Foreign Relations, 1955-1957*, vol. VII, pp. 795 ff.



*Recommendation:*

I recommend that the Department press other agencies to accede to the Argentine request for alteration of currency and duration provisions of the first loan agreement, especially since the concessions involved are in line with the policy we now follow in negotiating the provisions in question.

If you concur that this should be the Department's position, I recommend an early approach to Agriculture which is to my knowledge the only agency which has so far exhibited any real opposition to conceding the request. Because timing is important, the matter should be placed before the IFC February 13.<sup>5</sup>

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<sup>5</sup> The agreement amending the agricultural commodities agreement of April 25, 1955, was effected by an exchange of notes at Buenos Aires, April 11 and 22, 1958; for text, see 9 UST 543–545.

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**139. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, February 20, 1958.*

SUBJECT

Departmental Policy on Possible Visa Application of Juan D. Perón

*Discussion.*

On February 19, 1958, Roberto Galan, secretary to Juan Perón, approached our Embassy in Ciudad Trujillo to state that Perón intended to apply for a temporary visa to stay in the United States from March 1 to April 1 before proceeding to Europe. Visas would also be requested for Galan, his wife, and Maria Estela Martinez, reportedly Perón's mistress. Galan requested that no publicity be given to these visa applications and said that Perón would like to know by February 24 whether the visas can be issued. (Argentine elections are to be held February 23.)

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<sup>1</sup> Source: Department of State, Central Files, 735.00/2–2058. Confidential. Drafted by Paul F. Canney, Office of South American Affairs. A notation on the source text indicates that the Secretary saw it. There is no indication on the source text of Dulles' action regarding the recommendation.

It is the intention of the Department to keep Perón out of the United States [*less than 1 line of source text not declassified*]. While residing both in Caracas and Ciudad Trujillo, Perón has continued to plot against the present Argentine Government. Presumably he would do so if allowed to enter the United States. These activities would be the basis of our rejection of a visa should Perón persist in his efforts. His presence here would definitely be damaging to our relations with Argentina. We have been answering press queries regarding Perón's alleged application with the statement that no application has been made. We assume and hope that no application will be made by Perón after he receives the discouraging reply which Ambassador Farland has been instructed to make.

*Recommendation.*

If queried, I recommend that the Department state that it has no knowledge of a visa application made by Perón.<sup>2</sup>

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<sup>2</sup> On February 20, the Department informed the Embassy in Ciudad Trujillo that circumstances made it impossible to justify admitting Perón to the United States even if he was willing to issue a statement that he would not engage in political activities. The Department added that it hoped to discourage visa applications. (Telegram 417 to Ciudad Trujillo, February 20; *ibid.*, 735.00/2-1958)

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**140. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, February 26, 1958.*

SUBJECT

Meaning of Argentine Elections for US-Argentine Relations

Arturo Frondizi has won the Argentine presidency, control of Congress and the governorships of all provinces by landslide proportions.<sup>2</sup> He and his Intransigent Radical Party were supported by a conglomeration of elements, which included ultra-right wing national-

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<sup>1</sup> Source: Department of State, Central Files, 735.00/2-2658. Confidential. Drafted by Vaky. A notation on the source text indicates that the Secretary saw it.

<sup>2</sup> On February 23, in elections to elect a President, Vice President, Congress, and provincial and municipal officials, Arturo Frondizi and his Intransigent Radical Party won the presidency and large majorities in the Congress and all the provincial councils. A more detailed report of the election and reaction in Argentina was transmitted in despatch 1302 from Buenos Aires, February 25. (*Ibid.*, 735.00(W)/2-2558)

ists, Catholics, Peronists and Communists. He denies making any "deals" for such support, despite persistent rumors to the contrary, and it remains to be seen if he has any political debts he feels he must pay.

The immediate question is how he will use this overwhelming mandate to tackle serious economic and social problems ahead. His campaign was opportunistic, as he tried to win a variety of voters by being all things to all men. His intentions are therefore unclear. He is a product of the old-line, middle class Radical Party which has traditionally favored nationalism, neutrality and tended toward statist economic policies. In the campaign he advocated a strong labor movement, nationalization of public services and state exploitation of natural resources, especially oil, but hinted in private that this was only a campaign posture. His attitude toward us is equally ambiguous. He has attacked "imperialistic capitalism", but says privately this means Great Britain not the United States. He denies that he is anti-United States and says he will deal with us in concrete business-like fashion.

Whatever his real attitudes, it is clear he must face up immediately to serious problems, the most immediate and crucial being economic ones. In formulating policies to meet them, he cannot avoid a careful assessment of his regime's relationship to us, and he will surely weigh carefully the advantages to be gained from cooperation with us. At the same time he will be subject to nationalistic, traditional and other counter-pressures. Very likely the USSR may seek to use the economic stress to her own advantage. It is perhaps no exaggeration to say that Argentina will be at a cross-roads when Frondizi is inaugurated May 1.

In the circumstances, a frank exchange of views between us and Frondizi as soon as possible seems highly important. Suggestions on this score will be the subject of a separate memorandum.<sup>3</sup>

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<sup>3</sup> The February 28 memorandum, sent to Dulles, recommended that Frondizi be invited to the United States for an exchange of views with administration officials. (*Ibid.*, 735.11/3-958) Dulles approved the memorandum and after receiving the President's approval, a formal invitation was extended to Frondizi. On March 11, however, the Argentine President informed the Embassy in Buenos Aires that he could not make the trip for 4 or 5 months. (Telegram 1331 from Buenos Aires, March 11; *ibid.*, 735.11/3-1158)

**141. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, February 26, 1958—5 p.m.*

1251. Embassy approached yesterday by Frondizi representative inviting staff member to meet with Frondizi. In ensuing conversation last night Frondizi indicated desire work closely with US, considered Embassy should know his views and expressed desire frank and informal discussions regarding any matters of mutual interest.

(Today Vice President-Elect Gomez invited me to discuss matters of interest next Wednesday continuing conversations reported Embassy despatch 826, December 10, 1957.)<sup>2</sup>

Frondizi said expects appoint personal representative to visit US purpose ascertaining attitude private business and financial circles toward Argentina, identification problems and assessment best means encouraging investment in Argentina. Interested obtaining advice persons to see in business and financial circles as well as government.

Upon return of such representative would discuss problems with Minister Finance following which expects dispatch second mission to US. Unclear whether present intention is persuade provisional government send such mission prior May 1 or send his own mission after that date.

**Timberlake**

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<sup>1</sup> Source: Department of State, Central Files, 611.35/2-2653. Secret.

<sup>2</sup> Despatch 826 transmitted a summary of Timberlake's discussions with Gómez on the following subjects: petroleum; inflation; economic relations with the United States; international commitments; the provisional government; Peronism; Communism; Argentine psychology and pride; and the Communist advantage. (*Ibid.*, 735.00/12-1057)

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**142. Editorial Note**

On February 27, at the 356th meeting of the National Security Council, with the President presiding, Allen Dulles, in his review of significant world developments affecting U.S. security, raised the question of the recent elections in Argentina. The memorandum of discussion reads as follows:

"Turning to the recent Argentine election, Mr. Allen Dulles stated that Frondizi had actually won more decisively than had been contemplated prior to the returns. He had very nearly secured a clear majority

of the votes. He got the Peronista vote and most of the Communist vote. Frondizi made a deal with Peron during the campaign—allegedly in writing. In general he had promised that the Peronista Party would be legal, and that he would grant a general amnesty to Peronistas. Of course, we do not know whether he will keep his word, but unless the United States is able to exert some real influence on Frondizi, he is likely to take Argentina along a neutralist path. Of course, it was possible that he may change views when he assumes the responsibilities of his office.” (Memorandum of discussion at the 356th meeting of the National Security Council, February 28; Eisenhower Library, Whitman File, NSC Records)

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**143. Memorandum of a Conversation Between the Ambassador in Argentina (Beaulac) and President-elect Frondizi, Buenos Aires, March 6, 1958<sup>1</sup>**

I called on Dr. Frondizi last night by appointment. Mr. Pedro San Martín accompanied me from the Residence to Frondizi’s offices in the Ministry of Commerce and Industry and was present at the conference. Also present was Mr. Del Carril.

I told Dr. Frondizi I had come to congratulate him on his election and to wish him every success in his important mission as President. I expressed the opinion that his success was important not only to him and Argentina but to the United States and the Continent, and I said my Government wanted to cooperate in ways that were appropriate and possible in helping to bring about that result.

I said that with the majority vote that he had received, and with the good will of important institutions of the country, I was confident that he would have a very successful administration.

Dr. Frondizi thanked me for my statement and he said that he wanted to have the very best and closest relations with the United States and welcomed my offer of cooperation, which he reciprocated. He said he was very happy to have received the majority he did and felt that it did indeed constitute support which would be very helpful to him in carrying out his task. He cited figures which probably were intended to show that he would have won even without the help of Perón.

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<sup>1</sup> Source: Department of State, Central Files, 611.35/3–658. Confidential. Drafted by Beaulac. Transmitted to the Department of State as enclosure 1 to despatch 1387 from Buenos Aires, March 6.

Dr. Frondizi said he loves his country (he showed a little emotion at this point) and he wants to do the best job he can. He will try to do what is right. He wants to have close relations with me. He will be accessible at all times. He will be quite frank. When he says "yes", he will mean "yes", and when he says "no", he will mean "no".

That will be his attitude with everybody. He has told labor that he will agree to retroactive increase once, but only once. Retroactive increases are contrary to the country's interest because they do not permit companies to make accurate estimates of costs.

He suggested that I not hesitate in asking for anything. If he can do it, he will. If he cannot, he will say so. But his sensibilities will never be offended no matter what I may ask.

I said I appreciated that, and that I would have the same attitude toward him. I said I would speak very clearly with him. I noted that with all the responsibilities the United States has throughout the world, it necessarily must proceed on the basis of truth. It is truthful with others and hopes that others will be truthful with it.

I said that my mission in Argentina is a simple one. It is to contribute to the extent possible to the process of political and economic recuperation which is going on here. It is in the interest of the United States to have a friendly Argentina and we want that friend to be strong and stable. Argentina's interests, therefore, are ours.

What we can do in Argentina depends, of course, on what Argentina does. What we can do is to add something to what Argentina does. We hope that Argentina will do a lot so that we can do a lot.

I noted that there were difficulties in the way of cooperation. There was Argentina's chronic shortage of dollars, for example. I said that we estimated that in the year 1961, for example, the cost of servicing Argentina's now existing dollar debt would be \$60 million. Argentina's dollar income today is only \$120 million. If that rate continues there would be only \$60 million left for the servicing of new debt and for the payment of imports.

I said that it was my understanding that Argentina now had \$303 million in foreign exchange, including currency reserves and that the country's trade deficit for last year was \$340 million.

I said that these facts spoke for themselves and indicated that something was wrong which only Argentina could cure.

I said I was very optimistic regarding Argentina's future because, compared with other countries where I had served, its problems were simple. It had vast unused resources which were largely untouched. In order to make these resources available to the Argentine people only simple decisions on the part of the Argentine Government were required. Most countries were not in this fortunate position.

Dr. Frondizi indicated that he agreed.

I said that the United States had few problems in Argentina. When I had come here there were two—the problem of the meatpackers, deriving from the practice of the Perón Government of subsidizing the price of meat to the consumer, and the ANSEC problem. I said that the meatpackers' problem seemed to be well on the way to solution. Agreement had been reached concerning the principles which should apply in solving the problem, and there appeared to remain only the business of settling the accounts along the lines agreed to.

Dr. Frondizi asked whether this problem could be solved before May 1. I said I understood that it would be.<sup>2</sup>

He expressed gratification.

I then referred to the ANSEC problem. I said that the problem was, of course, of importance to American & Foreign Power and it was a problem in which the Government of the United States was bound to concern itself because American & Foreign Power is a legitimate American interest. However, the problem was most important to Argentina because failure to solve it had damaged Argentine credit abroad and had prevented the United States from being helpful in the field of electric power.

Dr. Frondizi said he realized the problem was unimportant to us in dollars, especially in the light of the enormous responsibilities we have throughout the world. He understood that what was important was the principle. He said he had asked the President and the Minister of Commerce and Industry to solve the ANSEC problem before May 1.

Having in mind the interview with Dr. Frondizi in yesterday's *New York Times*, I asked him whether he was insisting that any agreement reached with American & Foreign Power should be approved by the new Congress.

He said that he did not insist on that at all. On the contrary, he doesn't want the Congress to have to review the acts of the Provisional Government. That would create an intolerable situation. As he has said publicly, he wants to "draw the curtain" over what has passed and start all over again. He said he has told the Provisional Government that he wants the ANSEC problem cleaned up and as many other problems as possible cleaned up.

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<sup>2</sup> In a memorandum of conversation with President-elect Frondizi on March 10, transmitted to the Department under cover of despatch 1420 from Buenos Aires, March 12, Ambassador Beaulac stated, *inter alia*, the following:

"Dr. Frondizi later reverted to the ANSEC problem. He wanted to know whether it was in such shape that a solution could be reached before May 1. I said I thought it was. I said that the company and the Government had been discussing bases for evaluating the properties for which compensation would be made and that I understood certain principles had been agreed to. My opinion was that the figures could be agreed to quickly. I understood that indemnification would be in pesos and that the company would be willing to reinvest the pesos in the country." (*Ibid.*, 611.35/3-1258)

I asked Dr. Frondizi if I might quote him on this to the Argentine Government.

He said, certainly. The more problems that can be cleaned up the better. The Provisional Government is going out. It is responsible only to itself and has great authority. The Argentine Congress, on the other hand, will be difficult, especially in the beginning. He wants to limit the things that have to be submitted to Congress.

I told Dr. Frondizi I would like to talk to him about trips. I had read in the press that he might possibly make a trip abroad and that his trip might include the United States, but he had told Mr. Holcomb he was going to send someone up to the United States. I said we had informed Washington to that effect and that, in accordance with Dr. Frondizi's request, Washington had been thinking about whom that person might see.

I said that I had heard nothing from Washington about any invitation to him, and, of course, I had no idea, nor did Washington, whether he would welcome an invitation. Any invitation would, of course, have to be cleared with President Eisenhower himself. I asked whether he would like to comment in that connection.

He said he had not decided about making a trip. What he would like to do, if possible, is to make a quick trip which would include the United States. He had been invited by Uruguay and Brazil and he would like to visit those countries. He would like to spend no more than two days in the United States. His object would be merely to greet United States officials. He would not want to talk business. Later on, he would want to send a person or a group up to talk business.

In this connection, he said that he would let me know whom he intended to send and would be glad to consult with me concerning the kind of person he should send. He would ask the person or the group to talk to me before going up, and to consult concerning whom they should talk to in the United States.

I said I would be happy to talk to his people.

I asked Dr. Frondizi how I might communicate with him quickly. He suggested that I might do this through Mr. San Martín, who was present. I said I would. I invited him to communicate to me anything he thought would be helpful or of interest, and he said he would.

I told Dr. Frondizi that a number of press representatives were waiting outside. He suggested we see them together, which we did. The press asked me whether I had invited Dr. Frondizi to visit the United States. I said we had not talked about that. I said I had come to congratulate him on his election and to offer my Government's cooperation. We had talked about common problems and had agreed that collaboration would be helpful to both countries.



I said that, of course, Dr. Frondizi as a person and as future President of Argentina would be welcome in the United States now, or later, or at any time.

A newspaperman asked what problems we had discussed. Dr. Frondizi replied that we had not discussed specific problems, but general problems. We had agreed that our relationship should be as close as possible and that we should be quite frank with each other. He had promised that when he meant "yes", he would say "yes", and when he meant "no", he would say "no".

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**144. Memorandum of a Conversation Between the Ambassador in Argentina (Beaulac) and President-elect Frondizi, Buenos Aires, March 18, 1958<sup>1</sup>**

I called on Dr. Frondizi by appointment. Dr. Pedro San Martín accompanied me from the Chancery to Dr. Frondizi's apartment on Calle Bustamante 2656. Dr. San Martín said that Dr. Frondizi had stopped going to his offices in the Ministry of Commerce and Industry because he was so besieged by people there.

Dr. Frondizi introduced me to Dr. César Barros Hurtado, an attorney whom he described as his permanent representative to the United States, official or unofficial. He said Dr. Barros Hurtado knew the United States very well and was very friendly toward the United States. I expressed pleasure at meeting Dr. Barros Hurtado. He and Dr. San Martín were present during my conversation with Dr. Frondizi.

I said that I had asked to see him to check concerning whether or not he might be able to visit the United States and, if he were not, to suggest that he might want to say something to the press about the invitation and his reasons for turning it down, since our common friends would be wondering whether or not he had been invited.

Dr. Frondizi said that he was almost entirely sure that he could not accept the invitation now but he would like to delay until tomorrow before telling me. He was going to have dinner with the President and the Minister of Finance tonight and he would be able to make up his mind in the morning.

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<sup>1</sup> Source: Department of State, Central Files, 611.35/3-1858. Confidential. Drafted by Beaulac. Transmitted to the Department of State as enclosure 1 to despatch 1460 from Buenos Aires, March 18.

I told him that, of course, our Government was disappointed that he had not been able yet to accept. It had thought that a visit would be useful to him and to our relations. I told him that as I had suggested before a State visit could not be so easily arranged and, whereas I was sure my Government would be pleased to have him visit the United States, there would be undoubtedly considerable delay in arranging such a visit—of perhaps more than a year. Dr. Frondizi said he understood.

I said that, of course, we did not want to appear to be pressing Dr. Frondizi and we realized that only he could decide whether or not he should make the trip.

Dr. Frondizi said he still wanted to make the trip and he hoped he could do it but he was nearly completely convinced that he could not. He said all the labor problems that are coming up are receiving his attention. He does not appear as dealing with them but he is dealing with everyone. There will be many labor problems between now and May 1.

Dr. Frondizi referred to his talk yesterday with Mr. Sargent and Mr. Hylander of the American & Foreign Power. He said he was going to talk to the President and to the Minister of Finance of the problem tonight. He reiterated that he wanted a solution before May 1. If it were not solved then it would have to go to Congress. He asked Dr. San Martín, who he explained had been in touch with both the American & Foreign Power officials and with the Government, to bring him a solution which he could take up with the present Government.

I thanked Dr. Frondizi for his attention to this problem and said I thought it was constructive.

Dr. Frondizi said he wanted to solve this problem in order to pave the way for intensifying relations with the United States. Argentina needs a lot. He loves his country. It must be progress. I had referred during my first conversation with him to the balance of payments problem. This problem, of course, bothered him at least as much as it did me. He was going to reduce imports to a minimum and use available foreign exchange to buy machinery and equipment which the country urgently needed.

Meanwhile, he hoped that we would not wait until the balance of payments problem had been solved before helping Argentina. When the problem were solved Argentina would not require help. I referred jokingly, as I had the last time, to the fact that people with lots of money have plenty of credit and those without money did not seem to have credit. I said, in seriousness, that what appeared to be needed was a good economic policy. The United States wanted to help. It wanted to be shown that what it was asked to do would really contribute to economic progress. It did not want to add to Argentina's debt without contributing to a solution of Argentina's problems. That

would be the opposite of help. I said again that what we could do would depend on what Argentina did. Unlike many countries, Argentina has resources it has not utilized. I said that Dr. Frondizi was an economist and that he knew better than I that the answer to Argentina's problems was in utilizing those resources. He laughingly said he was not an economist but a politician.

I suggested we could talk about all these things in detail as time went on.

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**145. Memorandum of a Conversation Between President Aramburu and the Ambassador in Argentina (Beaulac), Buenos Aires, April 23, 1958<sup>1</sup>**

I told the President that everyone I had talked to in Washington was watching with admiration the process of turning the Argentina Government over to an elected regime and his leadership of the process. I said that the same people were fearful of the economic problems that President-elect Frondizi would face and wondering whether he would meet them promptly.

The President said that Dr. Frondizi would have to meet them. Dr. Frondizi is a realist and he will have to act promptly.

I said that one problem which the State Department hoped the President would solve before he left office was the ANSEC problem. The Department knew the President wanted to solve it and it had the impression that it was on the way to solution. In this connection, I said I had learned that Mr. Sargent of American & Foreign Power had had a meeting yesterday with Mr. Dillon, Mr. Black, and Secretary Anderson,<sup>2</sup> and it was my hope that the Bank would agree to act as arbitrator in order to fix the price which Argentina would pay for the American & Foreign Power properties. It was my hope that the Bank would agree as an institution to do this and I was confident that it would if it were able to.

The President noted that the Bank had been alleging that this did not come within its powers as a Bank.

I asked him if this were not two or three days ago and he said it was.

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<sup>1</sup> Source: Department of State, Central Files, 735.11/4-2558. Confidential. Drafted by Beaulac. Transmitted to the Department of State as enclosure 1 to despatch 1641 from Buenos Aires, April 25.

<sup>2</sup> Not further identified.

I said I hoped now that the Bank would agree although I did not know, of course, and that if it did that a solution to the problem would be immediately forthcoming.

The President made no comment.

I said I would like to refer also to the meatpackers' problem. I knew he wanted to see this solved, too, before he left office and I had, therefore, asked the packers to give me a couple of paragraphs outlining their present situation. I noted the problem was not yet solved and that I was taking the liberty of leaving with him the packers' memorandum<sup>3</sup> in the event it might be useful to him.

The President said he understood the problem would be solved this week. He said he was very glad to have the memorandum.

Taking advantage of the presence of the Minister of Foreign Affairs, I told the President and the Minister of Foreign Affairs that although both the Minister of Foreign Affairs and the Minister of the Navy had promised that Argentina would support the American proposal for a six-mile territorial seas limit at the Geneva Conference, the Argentine delegate voted against the United States proposal, alleging that his instructions left him no alternative. After some discussion, the Minister agreed to telephone to Geneva specific instructions to support the United States proposal.

The President, in a relaxed manner, asked how everything had gone with me in the States. He asked what people thought of Dr. Frondizi up there.

I said that people knew Frondizi's history and knew what he had preached for many years. However, they had noted that his public statements since election day would not stand in the way of realistic solutions to Argentina's urgent economic problems and that these people were hopeful that Dr. Frondizi would actually meet the problems facing him, as he had said in private conversations that he would.

The President repeated that Dr. Frondizi was a realist and he thought he would face up to the problems. He said he would have to.

I reverted to the ANSEC problem and said it was one problem which Argentina's friends hoped Dr. Frondizi would not inherit.

The President said it was Dr. Frondizi who had made settlement of the problem impossible.

I said that my impression had been the opposite. I said it was my impression that the Balbinistas had interfered with the settlement of the problem. I recalled that the problem was on the point of being settled when the President brought the Balbinista Ministers into the Cabinet and that they had vetoed the solution.

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<sup>3</sup> Not printed. The memorandum included a brief discussion of the Argentine Government's Decree 9096 stipulating the conditions and terms which the Junta Nacional de Carnes would have to follow in conducting an audit of the accounts of the Frigorifico industry.

The President said that he had had trouble with them but that Dr. Frondizi had whipped up a public attitude of opposition.

I said I had the impression that there was very little public opposition to a settlement of the ANSEC problem.

The President said that there was much more opposition than I was aware of. He mentioned the opposition of the Balbinistas, the Socialists and all the other opposite parties.

I suggested to the President that this was the kind of problem that a Government did not submit to a plebiscite. It was a problem that a Government solved if it could do so in an equitable manner.

The President said he would settle the problem if Dr. Frondizi asked him to. I asked the President if he meant if Dr. Frondizi agreed with the solution.

The President said he did.

I asked if Dr. Frondizi had not already offered to express agreement with a solution.

The President said he had not.

I asked the President if Dr. Frondizi wrote him a letter saying that he was aware of the agreement reached and had no suggestions to make, whether that would be sufficient for his purposes.

The President said that it would be sufficient.

I said that it was too bad that I could not convey this message to Dr. Frondizi.

The President said Dr. Frondizi already knew it.

I said, "Yes, but Dr. Frondizi doesn't know that I know it."

The President said he regretted that he could not authorize me to convey this message to Dr. Frondizi.

I thanked the President for his friendship and cooperation during our association of nearly two years, and he expressed appreciation of the Embassy's cooperation.

**146. Memorandum of a Conversation, Buenos Aires, April 30, 1958<sup>1</sup>**

## PARTICIPANTS

President-elect Arturo Frondizi  
Vice President Nixon<sup>2</sup>  
Ambassador Beaulac  
Mr. Rubottom

Arrangements had been made for Vice President Nixon to call on President-elect Frondizi prior to the latter's swearing in, and, according to the Embassy, the Vice President was the only head of delegation to be received by Frondizi before his inauguration May 1. In spite of all efforts to keep the discussions out of the public eye, the Vice President departed from the Plaza Hotel, to which point he had returned following the presentation of credentials to outgoing President Aramburu, among the cheers of a large crowd of people and, since he was accompanied by Frondizi's secretary, the attempt to keep the discussions secret was not successful. A police escort accompanied the Vice President to the apartment house on Calle Ayacucho.

The Vice President stated that he was delighted to be able to represent President Eisenhower at the inauguration and emphasized his pleasure at being present at such an epoch-making event in Argentine history. The President-elect expressed his pleasure that the Vice President could honor Argentina by coming to the inauguration which was the beginning of a completely new era for the country.

Dr. Frondizi stated that Argentina and the United States had no political problems, and he acknowledged the long period of friendship between the two countries. He stated that Argentina was beset by very serious economic problems and that he was hopeful that the United States would be able to help his country. The Vice President replied that it would indeed be tragic if, after having again achieved democracy and freedom, the Argentine people could not be assured an improved way of life through a solution of the country's economic problems.

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<sup>1</sup> Source: Department of State, Central Files, 033.1100/5-658. Secret. Drafted by Rubottom and Beaulac. Transmitted to the Department of State as enclosure 1 to despatch 1693 from Buenos Aires, May 6.

<sup>2</sup> During a good will trip to Latin America, April 27-May 15, Nixon visited Argentina as head of a delegation representing the United States at the inauguration of President-elect Frondizi. Regarding Nixon's trip, see Documents 42 ff.

Dr. Frondizi declared that, as a result of the Perón dictatorship, his country had been suffering from an acute shortage of electrical power and a breakdown in transportation. Most of its reserves had been used up and petroleum imports now cost about  $\frac{1}{4}$  of the country's annual foreign exchange earnings. Dr. Frondizi referred also to the need of Argentina to develop its iron and steel industry.

Vice President Nixon expressed awareness of these problems and reiterated the desire of the U.S. government and people to assist their friends in Argentina. Obviously, he pointed out, the ability of the U.S. government to help was limited and the tremendous needs of Argentina could best be met by a combination of government loans and the stimulation of a large flow of private investments to develop the country's resources.

Fronidizi acknowledged that this was the case and stated that it was his hope that such loans would provide the stimulus of private investments both from local sources and foreign. He stated that Argentina, insofar as petroleum was concerned, fortunately had unlimited resources throughout the whole length of the country and that it required the means to develop these resources and transport them to the centers of population. He mentioned that Argentina could even obtain petroleum from Bolivian fields, if it had the capital to construct the pipelines.

The Vice President inquired as to what the possibilities were for private investment to assist in the development of the petroleum industry.

Dr. Frondizi expressed the belief that the best way to accomplish this would be for private companies to enter into contractual arrangements in accordance with Argentine law (he never mentioned YPF by name) so as to enable them to make a reasonable profit and at the same time help Argentina to produce the oil which it has. He stated that it would be fruitless to continue the same old discussions of the past several years regarding concessions, that it was simply not acceptable for Argentina to enter into such arrangements. Rather, he urged that those interested in developing Argentine oil negotiate on the basis of a contract acceptable to the Argentine people, and one at the same time fair to the investors, to permit useful cooperative ventures in the petroleum field.

The Vice President agreed that any discussions between prospective investors in the petroleum industry should go forward on a constructive basis that would help to meet the concrete needs of Argentina rather than attempt to continue the discussion of a program which had no hope of fulfillment.

The President-elect stated that he intended to settle quickly certain thorny problems which were under discussion with the Embassy. He did not refer to any specific matter. He expressed hope that a credit

for the Rio Turbio coal project might be approved quickly since the French had made a concrete offer which Argentina would have to accept in case the U.S. was unable to do so.

The Vice President stated that he was not an expert on Latin American or Argentine problems but that he knew that Ambassador Beaulac and the Assistant Secretary of State and his colleagues in the Department of State were working closely with the Argentine government in an effort to reach a prompt solution of problems wherever possible. The President-elect said that he had had several discussions with Ambassador Beaulac and that most of the matters pending between the two governments were on the way toward solution.

The country needs urgently additional credits to buy its necessary imports, according to the President-elect. He stated that Argentina was ready to cooperate with the United States in every way to help bring about an era of closer economic cooperation, and that it was up to the United States.

He wants government-to-government credits promptly as a stimulus to large-scale private investment.

The Vice President again assured Dr. Frondizi of the U.S. government's desire to cooperate with Argentina.

The Ambassador told Dr. Frondizi that the Municipal Workers' Union had invited the Vice President to attend a barbecue they were giving on Labor Day and that the Vice President had planned to attend it. The Ambassador said, however, that a Mr. Capurro, who said he represented Dr. Frondizi, had suggested, on his own responsibility he said, that the Vice President not attend the barbecue. He had pointed out that the Municipal Workers' Union was one of the thirty-two unions and that the Vice President's presence at the barbecue would be resented by the sixty-two unions which are on the other side. He had expressed the opinion that if the Vice President attended the barbecue there would be an unpleasant incident when he departed. The Ambassador asked the Vice President whether he would like to comment on this.

Dr. Frondizi said that Mr. Capurro had correctly interpreted his own feeling in the matter. He said he would not recommend the Vice President attend the barbecue. He said he thought it would increase friction between the two sectors of labor. The Ambassador asked Dr. Frondizi whether the Vice President's attending the barbecue would cause any difficulties for him, the President-elect. Dr. Frondizi said that it would not cause any difficulties for him.<sup>3</sup>

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<sup>3</sup> Vice President and Mrs. Nixon, accompanied by Beaulac and Rubottom, met with Argentine Vice President-elect and Mrs. Gómez on April 30. A memorandum of their conversation, by Beaulac, was transmitted to the Department in despatch 1693 from Buenos Aires, May 6. (Department of State, Central Files, 033.1100-NI/5-658)



**147. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, May 2, 1958—11 p.m.*

1617. Vice President accompanied by Ambassador Beaulac and Rubottom had lengthy private talk with Frondizi.

Frondizi stated Argentina had no political problems with US. It hoped for US assistance solve serious economic problems. He described deficiencies in electric power, transportation as well as serious foreign exchange burden of petroleum.

Vice President stated US wants to help but pointed out limitations government assistance.

Frondizi expressed hope prompt credits by US Government would help encourage large volume private investment.

Frondizi thought private enterprise could best contribute to petroleum development through contracts providing reasonable profits. He emphasized no point continuing talk about concessions. Mr. Nixon agreed on desirability follow course that could lead to solution of the problem.

Frondizi stated intended settle promptly problems under discussion with Embassy. ANSEC not mentioned but probably meant. He hoped for a quick decision on the Rio Turbio project stating French had already made concrete offer which Argentina intended to accept if Export-Import Bank decision negative.

Conversation closed with Frondizi's statement Argentina needed credits for imports, that it wants to cooperate economically with US and hopes for cooperation.

Vice President repeated desire of US to cooperate.

**Beaulac**

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/5-5258. Confidential.

**148. Memorandum of a Conversation, Buenos Aires, May 4, 1958<sup>1</sup>**

## PARTICIPANTS

Vice President Gómez  
Vice President Nixon  
Ambassador Beaulac

During the ride to the airport, Vice President Nixon suggested again that the Frondizi administration would have its greatest authority during the first few months of its life; that was the time, therefore, to do the difficult things. The Vice President referred to the "first ninety days" of the Franklin Roosevelt administration and recalled that although Roosevelt was reelected three times he never again had the authority he enjoyed during those ninety days.

Vice President Gómez asked the United States to help "push Argentina around the curve."

He said no American president has had so much popularity in Latin America as Roosevelt and that one reason was that Roosevelt treated the Latin Americans as equals, at least on the surface. He noted that when a man is with his best girl he doesn't notice whether he is hungry or not.

Vice President Gómez referred to the political situation in Argentina following the 1930 revolution. He said all politicians were corrupted by the big companies.

I asked him whether he meant foreign companies or domestic companies. He said both. I asked him whether he thought Argentine politicians were more corrupt than the politicians of other countries. He said he did not know because he did not know other countries.

He referred to the CADE case, and said that the time had come now to "revive the dead," meaning to rehabilitate CADE.

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/5-658. Confidential. Drafted by Beaulac. Transmitted to the Department of State in despatch 1693 from Buenos Aires, May 6.

### 149. Telegram From the Embassy in Paraguay to the Department of State<sup>1</sup>

*Asunción, May 4, 1958—8 p.m.*

297. Pass Eximbank from Bernbaum. VP, Beaulac, Rubottom and Waugh had hour meeting with Frondizi at Los Olivos Saturday evening.<sup>2</sup> Also present were Minister Delegate Carril, Commerce Secretary Oefila, San Martin, Frigerio, and Mazar Burnett. Latter apparently close to Frondizi and rumored to be named important post.

VP said inaugural speech was impressive, referred to useful talk on general principles held Wednesday;<sup>3</sup> stated desire discuss concrete matters such as ANSEC case and government oil which had been raised at earlier press conference. Said had told press that ANSEC matter was between government and company and refrained from commenting. Respecting oil had publicly reiterated US Government policy not to loan where private capital available. Nevertheless realized gravity of problem for Argentine Government and noted President intention participate personally in YPF direction. Suggested examination of sectors where loans feasing [*feasible?*].

Waugh described what EXIM Bank had loaned Argentina, said was ready to loan more provided country had capacity repay which in turn determined by government policy toward power and oil problems.

President repeated line that decision by EXIM Bank on Rio Turbio needed urgently since French now ready finance that project. Waugh outlined main points of engineer's recommendations and stated EXIM Bank ready to consider application if Argentine Government prepared reduce project to \$13–15 million outlay.

Vice President recalled Waugh's proposal to send EXIM Bank mission if agreeable to Argentines and suggested they consider sending mission to Washington later for purpose consulting US Government and financial community.

Frigerio who only Argentine to speak besides President spoke up that missions would be satisfactory but they needed to know US attitude toward loans to Argentina since need urgent. Stressed that government anxious to get out of uneconomical business and said prepared move ahead with Rio Turbio project on reduced scale as recommended by EXIM Bank mission. Waugh said Bank ready to do business.

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<sup>1</sup> Source: Department of State, Central Files, 835.10/5–458. Confidential; Priority. Repeated to Buenos Aires.

<sup>2</sup> May 3.

<sup>3</sup> Apparent reference to the meeting between Vice President Nixon and President-elect Frondizi on April 30; see Document 146.

Fronzizi declared that country would progress rapidly if US showed understanding. They want US goods and machinery which is better and cheaper. If Argentina does not get help from US it will have to turn to Italy, France, Japan and "other countries" which are making offers. Argentina has resources, it will go ahead, it can repay eventually, but it needs loans now.

Waugh suggested US could not provide everything needed and that Argentina should accept loans from other sources.

Vice President Nixon recalled significant statement made by Fronzizi at Wednesday meeting that whereas loans must be repaid private investment stays on and works for country. Understood ANSEC and meat packing problems being discussed with Embassy but declared that their settlement would clear air for other potential investors. Mentioned that speech on May 1 had raised hopes including those of prospective investors and that prompt action now by government will carry great weight.

Fronzizi replied he would try to move ahead. Said had been ready to settle ANSEC month ago and so informed Ambassador Beaulac, but provisional government had backed away.

Vice President asked whether we could expect a solution now. President replied "we will make the effort required to settle the problem. It will take longer now because of the need for Congressional approval". Rubottom asked about World Bank and President replied they were disposed to use its facilities.

Waugh suggested the problems facing Argentina were of such magnitude that financing from all possible sources in addition to EXIM-IBRD from countries in Europe with which they trade.

Vice President referred to President's excellent statement in speech "the aim of economic policy will be to better employ the productive resources as the only effective means to obtain the highest possible standard of living." Then added that problem is to eliminate obstacles including those imposed by governments.

President replied that he had tried to synthesize main problem that way. He had observed understanding attitude on part of US businessmen and hoped for even greater understanding from US Government.

Vice President concluded by wishing President success in his task and observing that the Argentine people and government could not have been more generous and helpful during his visit.

150. **Telegram From the Department of State to the Embassy in Argentina**<sup>1</sup>

Washington, June 13, 1958—8:11 p.m.

1998. Re Asuncion tel 348.<sup>2</sup> Dept's position on presence Peron this hemisphere especially any country bordering Argentina has been based on firm evidence his continuing intent attempt regain power Argentina. Likewise, previous Argentine Govt was implacably hostile Peron and took firm action against those govts which gave him residence. Since Frondizi inauguration Dept has no firm statement from his govt re attitude toward Peron. Therefore, unless objection perceived, Embassy Buenos Aires should inform GOA soonest [*less than 1 line of source text not declassified*] of report Peron's impending departure for Paraguay. Embassy should seek obtain clear statement GOA position toward possible Peron return Paraguay or any other bordering country but without itself expressing opinion.

At present Dept does not rpt not believe it can do more than has been done this matter. Question of Peron's activities and possible entry Paraguay seems squarely responsibility GOA and GOP. Amb. Ploesser has made unmistakably clear to GOP our views and apparently now being met with either no comment or evasion.

**Dulles**

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<sup>1</sup> Source: Department of State, Central Files, 735.00/6-1358. Secret; Niact. Drafted by Vaky and Rubottom and initialed by Rubottom. Also sent Niact to Asunción and repeated Niact to Ciudad Trujillo.

<sup>2</sup> Telegram 348, June 13, urgently requested the Department to act on a report from Buenos Aires which indicated that if necessary Frondizi would ask the Government of Paraguay not to give Perón asylum. (*Ibid.*)

**151. Memorandum of a Conversation, White House,  
Washington, June 23, 1958<sup>1</sup>**

SUBJECT

Courtesy Call of New Argentine Ambassador on President Eisenhower

PARTICIPANTS

President Eisenhower

Sr. Dr. Don Barros Hurtado, Ambassador of Argentina

ARA—Mr. Rubottom

Mr. Rubottom introduced the new Argentine Ambassador, Dr. Barros Hurtado, to the President, whereupon they exchanged envelopes containing the required protocolary documents.

The President inquired regarding the general situation in Argentina. Ambassador Barros Hurtado replied to the effect that President Frondizi had started off well and should consolidate his political forces within the next six months. He commented on his long acquaintance with the President and stated that he expected to reflect fully the latter's high regard, as well as that of the Argentine people, for the United States during his mission here. He recalled that he had known the United States well during the past 25 years after many visits, including a visit to the Columbia University during the Presidency of Dr. Nicholas Murray Butler, and later, during the incumbency of the President while he was head of that University.

The Ambassador then handed the President a personal letter from President Frondizi.<sup>2</sup> There being no English translation attached, Mr. Rubottom translated the key paragraphs referring to: (1) the economic problems in the hemisphere and in Argentina, and (2) the effect of these problems on international relations.

The President expressed general agreement with the significance of the economic problems in the hemisphere, then added that he still felt that there was a lack of comprehension on the part of Latin America as to the extent of United States economic support for the area. He pointed out that the United States itself has many economic and political problems and that the Government is not always able to do as much as it would like to do in the way of assistance. The

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<sup>1</sup> Source: Department of State, President's Memoranda of Conversation: Lot 66 D 149. Official Use Only. Drafted by Rubottom.

<sup>2</sup> Not found attached to the source text. For President Frondizi's letter to President Eisenhower and Eisenhower's reply, see Department of State *Bulletin*, August 4, 1958, pp. 209–210.

President requested the Ambassador to express appreciation to President Frondizi for the letter and said that he would be replying to it shortly.

The Ambassador rose to depart and observed to the President that he was delighted to find him in such good health and that he felt that the whole world owed him respect and appreciation for the leadership role he had been carrying out.

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**152. Memorandum of a Conversation, Buenos Aires, July 11, 1958<sup>1</sup>**

PARTICIPANTS

H.E. The President of the Nation, Dr. Arturo Frondizi  
Mr. Vance Brand, Export-Import Bank of Washington<sup>2</sup>  
The Ambassador

Mr. Brand said he had come to make the acquaintance of officials in Argentina, and that he wanted also to talk about the delays which had occurred in implementing the \$100 million loan.<sup>3</sup> Almost 50 per cent of the credit had not yet been contracted for.

The President said that his Government was determined to cut through red tape.

Mr. Brand said that he had had some good conversations already with Mr. Frigerio, with several Ministers, and with several Secretaries. Perhaps everything could not be discussed now. He would leave for Lima and Bogotá on the 17th. He might return later on, or Argentina could send a mission to the United States when it had carried out some of the things it planned to do.

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<sup>1</sup> Source: Department of State, Central Files, 103.02-XMB/7-1758. Official Use Only. Drafted by Beaulac. Transmitted to the Department of State in despatch 60 from Buenos Aires, July 17.

<sup>2</sup> An Export-Import Bank mission headed by Brand arrived in Buenos Aires on July 8 and departed on July 17. The Embassy reported the activities of the mission in despatch 60, which also contained several memoranda of conversation between members of the mission and officials of the Argentine Government. Additional documentation on the subject is *ibid.*, 103.02-XMB.

<sup>3</sup> In September 1956, the Export-Import Bank had approved a \$100-million credit for Argentina to assist in the country's economic recovery; for a joint statement issued by the Bank and an Argentine mission concerning the credit, see Department of State *Bulletin*, October 1, 1956, p. 515.

The President said that the two most urgent problems were oil and steel. The Government was soliciting the cooperation of private companies in the production of oil. It wanted private enterprise to invest in steel also. He had talked to Argentine private capital and urged it to build a new steel mill.

Mr. Brand recalled that building steel mills was a very complicated business. The Export-Import Bank had been at it for nineteen years. They had helped to finance all the new steel mills in Latin America. Building an integrated steel plant was a difficult and complicated job. Paz del Río in Colombia was begun thirteen years ago and is not yet working efficiently. It is better to produce 500,000 tons of steel economically than twice that amount uneconomically. He will visit San Nicolás over the weekend. A decision must be made whether to carry out the present plan for San Nicolás, whether the plant should be enlarged or whether a new one should be built.

The President said his Government wanted the present plan carried out and it also wanted a new plant built by private capital.

Mr. Brand asked whether private capital could not participate more actively in the plant now being constructed.

The President said that theoretically it could. Practically, it was very difficult because the Government's ownership was vested in Fabricaciones Militares.

Mr. Brand found an opportunity to mention interest in the AN-SEC case.

Mr. Brand offered to come back and see the President before he left if the President wished.



### 153. National Intelligence Estimate<sup>1</sup>

NIE 91–58

Washington, August 5, 1958.

#### THE OUTLOOK FOR ARGENTINA<sup>2</sup>

##### The Problem

To estimate the outlook for Argentina, with special reference to the character of the new regime, the economic situation, and prospects for the survival of constitutional government.

##### Conclusions

1. Argentina is in the throes of adjusting to democratic rule and, at the same time, is suffering from severe economic deterioration which began in the late forties during the regime of former dictator Perón. (Paras. 5, 9, 10, 12, 13)

2. The next year will be critical for President Frondizi. Measures taken to cope with pressing economic and political problems are bound to arouse opposition from various important civilian and military elements. Nevertheless, although dissatisfaction and indications of active plotting exist among the military, the bulk of the armed forces will be reluctant to interfere with constitutional processes, which they were instrumental in restoring. Meanwhile, the Peronists will be preoccupied with rebuilding their movement, and labor will be partially placated by further material benefits granted by the administration. At the same time, the Frondizi administration will almost certainly allow the Communist Party of Argentina (PCA) to operate freely so long as it does not seriously interfere with public order; this in turn will enable the PCA to increase its following and influence. (Paras. 11, 19, 20, 24)

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<sup>1</sup> Source: Department of State, INR–NIE Files. Secret. According to a note on the cover sheet, the estimate was “Submitted by the Director of Central Intelligence. The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.”

The estimate was “Concurred in by the Intelligence Advisory Committee on 5 August 1958. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Assistant Chief of Staff, Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.”

<sup>2</sup> This estimate supersedes NIE 91–56, “The Outlook for Argentina,” 17 July 1956, and SNIE 91–57, “The Outlook for Argentina,” 12 November 1957. [Footnote in the source text. The estimates are printed in *Foreign Relations, 1955–1957*, vol. VII, pp. 424 and 495, respectively.]

3. If Frondizi can persuade congress to support his economic programs and acts decisively to prevent interference with them, he will almost certainly gain the active support of the military. If Argentina receives a considerable amount of foreign private investment, together with some loans and economic assistance, we believe that he has a better than even chance of serving out his term and laying the groundwork for the continuation of constitutional government—even though tangible results in the economic field will seem small for several years at best. (Paras. 7, 8, 17, 18, 25)

4. If Frondizi does not make progress in his various programs, the economic situation will deteriorate with the probability that the military will remove Frondizi, either:

a. because they have become convinced that Frondizi is unable to cope with Argentina's problems; or

b. because of civil disturbances accompanied by Peronist resurgence and communist agitation. (Para. 26)

## Discussion

### *Introduction*

5. Argentina is going through a difficult period. It is attempting to adjust to democratic rule after almost 30 years of authoritarian governments. Although the military leaders, who unseated Perón in 1955, voluntarily turned over the government to civilian control following national elections, they are continuing to keep the civilian government under close scrutiny. The supporters of former dictator Perón are numerous and influential, especially in the politically vocal labor organizations. The situation is further complicated by major economic problems—the Argentine economy has been stagnant for a number of years and its foreign exchange reserves are virtually exhausted. The ability of newly elected President Arturo Frondizi to cope with these economic problems will largely determine the future of democratic rule in Argentina.

### *The Political Situation*

6. In the free elections of February 1958, Frondizi and his left-of-center party, the Intransigent Radical Civic Union (UCRI), won a sweeping victory although it appears that the magnitude of this victory may have been due to a protest vote. In addition to the presidency and vice presidency, the UCRI won all seats in the senate, more than two-thirds of the chamber of deputies, all provincial governorships,

and the majority of municipal posts.<sup>4</sup> In the campaign, he exploited dissatisfaction with the economic situation. He advocated the adoption of much of Perón's liberal social program, but strongly opposed the repression of civil liberties. His party's platform called for continuation of state control of national resources and public services. Frondizi received substantial support from both Peronists and Communists. However, his present cabinet is drawn largely from the more moderate wing of his party and suggests that he will follow a course only slightly left-of-center.

7. Frondizi's main problems in the political field will be to hold his own party together and win congressional approval for his economic program while he seeks: (a) to reduce the effectiveness of the Peronists as an organized political movement; (b) to reduce Peronist and Communist influence over major portions of organized labor and, in turn, to gain labor's political support; and (c) to convince the military that it is to their advantage, as well as to that of Argentina, to support Frondizi as the head of the constitutional government.

8. Despite his sweeping electoral victory, Frondizi's support in congress is not entirely reliable because of the lack of unity in his own party. He faces the problem of satisfying the diverse groups in his party while at the same time seeking to neutralize the potential sources of opposition, both civilian and military.

9. Although the strength of the Peronist movement was reduced by the anti-Peronist measures of General Aramburu's provisional government and by internal factionalism, it still retains considerable numerical strength and the capability to cause serious disorders. Frondizi is apparently seeking to maintain the support of the Peronist machine while attempting to win over elements of the Peronist following. In addition to supporting many features of Perón's economic and social programs, Frondizi persuaded the congress, as one of its first actions, to grant general political amnesty, chief beneficiaries of which were the Peronists, and he has subsequently appointed some Peronists to official positions, though not at the cabinet level. While Frondizi is unlikely to permit Perón's return in the foreseeable future, he might agree to the formation of a party bearing the Peronist label, particularly if necessary congressional authorization is given. In pursuing this approach to the Peronists Frondizi will be hampered somewhat by the

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<sup>4</sup> Out of the total 9,049,615 votes, Frondizi won 4,090,840; his principal rival, Ricardo Balbin of the People's Radical Party (UCRP), 2,624,454 votes; and other candidates, 1,502,663 leaving a remainder of 831,658 blank votes, many of which probably represented Peronists. The Chamber of Deputies is composed of 133 UCRI members, 54 members of the UCRP, and two members from the Liberal Party of Corrientes. No other parties are represented. The Saenz Pena electoral law in effect gives two-thirds of the seats in the Chamber of Deputies to the leading party in each province and the remainder to the runner-up. While the UCRI won all senate seats up for election last February, two provinces have not yet elected national senators. [Footnote in the source text.]

fact that in addition to the military, the moderates within his own party, who are the largest faction and control the party machinery, are apprehensive concerning the resurgence of Peronism.

10. Frondizi is also confronted with difficult problems in dealing with organized labor, which under Perón's control was a political instrument of major importance. Although the Aramburu regime removed Peronists from leadership of the General Confederation of Labor (CGT) and its member unions, Peronists remain the most influential force in organized labor. During Perón's regime, labor gained substantial material advantages, a sense of participation in national life, and an equal status with other social groups. Regardless of the loyalties of its future leadership, labor will almost certainly seek to increase these economic benefits and to enhance its political position. To minimize the possibility of trouble with labor in the short run, Frondizi, as one of his first acts, granted labor a nominal wage increase. Although Frondizi made pre-election commitments to support a reconstituted strong labor confederation, there are indications that he is now intent on avoiding such a development by supporting the organization of a labor segment, loyal to his party, which could be used as his instrument whether it is within or without the CGT.

11. The Communist Party of Argentina (PCA), which enjoys legal status, polled only two percent of the vote in the national elections and won only a few municipal posts. It poses no immediate threat to political stability. Nevertheless, in the open political climate prevailing since the Perón ouster, the PCA has more than doubled in size, and with its present membership of about 70,000 to 80,000, has become the largest Communist party in the Western Hemisphere. Communists also have a strong position in some important labor unions. Although Frondizi does not favor communism and has denied any obligation to the PCA for its open electoral support, his administration will almost certainly allow the PCA to operate freely so long as it does not seriously interfere with public order. Thus it seems likely that Argentina will remain one of the principal centers of propaganda and liaison for international communism in Latin America during Frondizi's tenure and that the PCA will be able to increase its following and influence.

12. Frondizi's tenure of power will depend ultimately on the acquiescence of the armed forces.<sup>3</sup> Most leaders of the army, navy, and air force do not care for Frondizi's left-wing background. They

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<sup>3</sup> The Argentine army is estimated to have a strength of about 50,000; the Federal Police, 20,000; and the National Gendarmérie, 10,800. The air force consists of approximately 17,000 men (400 pilots) and 450 aircraft; the Naval air arm has 1,280 men (224 pilots) and 175 aircraft. Naval strength is estimated at 36,000 men and 123 vessels. While the over-all strength of the ground forces was reduced during the Aramburu regime for reasons of economy, these forces retain their capability for maintaining internal order. [Footnote in the source text.]

have been generally dissatisfied with his performance in office. However, they apparently are still willing to go along with him because of their respect for the size of his electoral mandate and, to some extent, because of the growing sensitivity of the military to public opposition to military dictatorship. Although Frondizi has cautioned the armed forces to stay out of politics, he apparently realizes the need to satisfy some of their aspirations in order to maintain military support. Important military leaders would almost certainly try to unite the armed forces in an effort to remove Frondizi if he allows Peronists or Communists an important role in his administration, if he should adopt an extreme leftist program, or if he fails to make progress in solving the economic problems confronting Argentina.

### *The Economic Situation*

13. Perón almost bankrupted his country in his efforts to eliminate foreign capital and to finance an industrialization program at the expense of the agricultural sector of the economy. During the past decade, the country has suffered a declining rate of investment and real per capita Gross National Product (GNP) has remained below 1948 levels. While there was some annual increase in GNP during the years 1952 to 1957, the rate of growth of GNP did not keep pace with the approximate two percent annual growth in population, which is now 20 million. Moreover, Argentina has had a sizeable annual trade deficit in six of the past ten years. When Frondizi took office on 1 May, gold and foreign exchange reserves were down to \$250 million and the trade deficit for 1958 was projected at \$315 million. Although imports had already been severely restricted, Frondizi's immediate and desperate action was to suspend issuance of import permits pending a study of the international payments situation.<sup>5</sup>

14. The weakness of Argentina's trade position and its internal economic stagnation cannot be overcome in the longer run until Frondizi meets the fundamental problem of rehabilitating and expanding domestic productive capacity. Capital needs include an estimated three billion dollars to be expended over a five-year period to supply minimum requirements in the basic services of transportation, communications and power. Substantial amounts of foreign exchange must be secured to pay for required imports of machines and equipment.

15. While Frondizi has said that his government will not advocate additional nationalization, we do not foresee any important reduction of the state's substantial role in the economy. However, the government's internal borrowing capacity is limited. The budget deficit for 1958 is estimated at 14 billion pesos, or about \$780 million, but this

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<sup>5</sup> The attached graph depicting imports and exports, 1951–1957, not printed.

does not include funds which will be required for planned and urgently needed state development. Heavy borrowings in the past have nearly saturated the limited market for government bonds. While official foreign loans can provide partial solution to Argentina's financial problems, current foreign indebtedness of approximately \$1 billion adversely affects the country's ability to obtain additional large-scale loans.

16. There is little hope that Argentina in the next few years will be able to expand exports sufficiently to finance more than a portion of its import requirements of capital goods. Western Europe, which accounts for over 55 percent of Argentina's total trade, offers the best prospects for expanding trade; not only might this area be willing to increase its imports of agricultural goods but it might be willing to continue extending medium-term credit and to make some investment capital available. At the present, Argentina has a favorable trade balance with Western Europe. Part of this must be used to reduce existing commercial indebtedness which was consolidated and made payable over a ten-year period, and part to offset its deficit in trade with the US. It is difficult to expand trade with the US, amounting to one-fifth of the total in 1957, because agricultural products are Argentina's principal export.

17. While Argentina's ability to export would probably be increased if the peso were devalued, in the longer run the most hopeful possibility for alleviating the trade problem lies in the reduction of imports. The development of petroleum resources, plus exploitation of coal reserves, could materially reduce Argentina's requirements for fuel imports, which in 1957 amounted to over \$317 million. However, even with fully adequate capital and technical resources this will take several years at best.

18. Despite the history of popular opposition to the development of petroleum resources by private foreign capital, Frondizi is pressing for private foreign capital participation, but on a contract rather than a concession basis. Frondizi's long record as an ardent nationalist will probably assist him in convincing the public that private foreign investment in this and in other industries can be encouraged without jeopardizing Argentine sovereignty.<sup>6</sup> Frondizi probably hopes to use the critical state of the Argentine economy as a further strong argument in support of his petroleum policies. He has recently completed an agreement with an American firm and he is negotiating with other foreign oil companies for similar contracts to develop and to produce oil for delivery to Yacimientos Petroliferos Fiscales, the government oil agency which Frondizi has placed under his personal supervision.

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<sup>6</sup> The US is the leading foreign investor in Argentina with \$470 million in private direct investment in 1956, mostly in manufacturing. [Footnote in the source text.]

Under such arrangements, the Argentine government would retain full control of oil resources and would not have to put up the capital for the development of the fields.

19. Frondizi will be faced with a series of dilemmas in his efforts to revive the Argentine economy. He must increase prices to encourage agricultural production, the principal source of export commodities; but this will contribute to internal inflationary pressures and, in particular, to increased demands by urban labor for higher wages. If he devalues the peso to improve the competitive position of exports and to reduce imports, the rising cost of imported goods will contribute to domestic pressures for higher incomes. If he seeks to check an increase in consumption by resisting wage increases, Frondizi will have to face heightened labor unrest, reduced output, and, most importantly, a loss in political support from labor. If he attempts to meet Argentina's needs for capital by encouraging foreign private investment, he is likely to run into opposition from strong nationalist groups. However, the scope of such opposition will probably depend on Frondizi's success in obtaining terms favorable to Argentina and his ability to obtain widespread understanding of his actions.

20. In this situation, Frondizi will probably take a calculated risk, and follow a moderately inflationary credit and wage policy in order to avoid serious internal labor strife, minimize unemployment, and increase incentives. Such a policy will also tend to offset the rising domestic prices of food which will result from his effort to increase agricultural output. Argentina probably will be able to expand agricultural exports, but only slowly. Frondizi will probably be gambling not so much on an increase in exports as on his ability to obtain substantial foreign assistance. Frondizi has already obtained important commercial assistance in Western Europe and he probably estimates that a more favorable internal situation will, at least temporarily, substantially improve Argentina's credit. He will also make a determined effort to obtain large-scale financial assistance from foreign governments. Unless his gamble pays off and Argentina receives considerable external financial help within the next year, a severe economic crisis is likely to develop. At this point, Frondizi's political position would be jeopardized.

#### *External Relations*

21. Despite the quasi-isolationist record of his party, Frondizi seems ready to follow the trend toward increasing cooperation in

international affairs which marked the Aramburu regime.<sup>7</sup> He has asserted Argentina's firm identification with the West and its intention to honor all international commitments. The military will almost certainly continue its anti-Communist and generally pro-US orientation, and Argentina's cultural and commercial ties will follow their traditional attachment with Western Europe. Frondizi has shown special interest in strengthening ties with other Latin American countries, particularly in the economic field. These countries in turn have generally welcomed the new administration's overtures, an attitude which contrasts with the widespread distrust of the Perón regime.

22. Frondizi has called for close relations with the US. However, prospects for a continuation of generally friendly relations with the US will be in large part a direct function of American cooperation on economic matters critical to Argentina—financial assistance, commercial policies affecting Argentine dollar markets, and the US agricultural surplus disposal program. Many Argentines resent the small amount of support which the provisional regime received from the US government. Frondizi already has indicated that if he does not get help from the US he will have to seek it elsewhere.

23. Argentina has more extensive diplomatic and trade relations with the Soviet Bloc than any other Latin American country. It maintains diplomatic relations with the USSR and all of its European satellites except East Germany and Albania and has trade treaties with all save Albania. While the Bloc provides an outlet for Argentine agricultural exports and is a source of useful imports, trade with the Bloc has been a small proportion of Argentina's total trade and in the post-Perón period has fallen off. Bloc offers of trade and development credits, especially in the field of petroleum, will receive the closest attention from the Frondizi government. Frondizi will almost certainly favor increased trade with the Bloc, but will probably be reluctant to accept any Bloc proposals for substantial economic aid as long as there is a possibility of assistance from other sources.

### *The Outlook for Argentina*

24. The next year will be critical for the Frondizi administration, and decisions made to cope with pressing economic and political problems will give rise to opposition from various important civilian and military elements. Although there is dissatisfaction with the administration among the military and there are indications of active plotting in some quarters, the bulk of the armed forces will be reluctant to

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<sup>7</sup> During the Aramburu regime, Argentina joined the World Bank and the IMF, ratified the charter of the Organization of American States—being the last country to do so—and approved the 1954 Caracas anti-Communist resolution. [Footnote in the source text.]



interfere with constitutional processes which they were instrumental in restoring. Moreover, rivalries and lack of unanimity will make it difficult for the military to take joint action against the administration. Frondizi may also be protected against military action by the lack of an acceptable alternative to him. Meanwhile, the Peronists will be in the process of attempting to rebuild their own political strength, and labor will be at least partially placated by further material benefits granted by Frondizi.

25. If Frondizi persuades congress to support his economic program and acts decisively to prevent interference with economic rehabilitation even at the risk of antagonizing Peronists, labor, and ultranationalists, he will almost certainly gain the active support of the military. Moreover, evidence of a constructive economic policy probably would serve to attract foreign private capital and other outside financial assistance. If he receives a considerable amount of foreign private investment, together with some loans and economic assistance, we believe that he has a better than even chance of serving out his term and laying the groundwork for the continuation of constitutional government—even though tangible results in the economic field will seem small for several years at best.

26. If Frondizi does not make progress in his various programs, the economic situation will deteriorate with the probability that the military will remove him, either:

- a. because they have become convinced that Frondizi is unable to cope with Argentina's problems; or
- b. because of civil disturbances accompanied by Peronist resurgence and Communist agitation.

154. **Memorandum From Viron P. Vaky of the Office of South American Affairs to the Director of the Office of South American Affairs (Bernbaum)**<sup>1</sup>

Washington, August 8, 1958.

SUBJECT

Exim Bank Mission to Argentina

Attached is a report prepared by Mr. Vance Brand for the Board of Directors of the Exim Bank.<sup>2</sup> Below is a summary of the report to the Board.

*I. Conclusions*

Brand recommended the following to the Board: 1) There appears to be no basis for a balance-of-payments credit at this time; 2) The Somisa steel mill does not appear to require additional dollar financing at this time; 3) Bank assistance to other large steel mill projects currently under discussion in Argentina does *not* appear advisable. This does not preclude consideration of relatively small credits to existing private enterprises; 4) A solution of real substance to the problem of supplying increasingly substantial portions of Argentine oil requirements out of domestic production would produce a major improvement in Argentina's capacity to service additional external debt and could be the occasion for a substantial expansion of the Bank's activities in Argentina; 6) [*sic*] The Bank should continue to accept applications for credits in the private sector. Priority should be given to the Swift application when it has been properly developed, because of the industry's importance as a major dollar earner for Argentina; and 7) The Bank should continue to consider a credit for the Rio Turbio project developed along the lines of the Woomer report.

*II. General Impressions*

A general impression of pessimism was noted by the mission when it arrived in Buenos Aires. A gloomy picture of the economic situation had been painted in a public address by the Minister of Economy, but Brand felt that perhaps this was done deliberately to prepare the country for basic changes in economic policy.

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 34, Export-Import Bank Loans, Argentina 1958. Official Use Only. Drafted by C.E. Smith, Office of South American Affairs. Initialed by Rubottom.

<sup>2</sup> Not printed.

The new policy apparently includes (1) a substantial revision of the multiple exchange rate system involving a significant element of devaluation, (2) far more rigorous import controls, (3) domestic price controls, (4) trimming the government budget, and (5) attracting foreign capital. The general impression of pessimism also was reinforced in the mission's early contacts with the IMF mission which indicated that the government's proposed new economic policies were not regarded as adequate to meet the current problems, and in addition were generally not of the type that would be pleasing to the Fund.

However, some correction of this gloomy appraisal was made when the mission observed that many Argentine economic officials appeared sincere and competent. Conversations with the officials indicated that they appreciated the importance of the development of private enterprise generally and of foreign private investment in particular.

Argentine private businessmen said that they were encouraged in some respects by recent governmental actions. They indicated that there were men in the new government sympathetic to the business point of view.

### *III. Current Economic Conditions*

Argentina's imports of \$1.3 billion in 1957 exceeded exports by \$340 million, which underlines the need for a substantial exchange adjustment. This was recognized by the Argentine officials, including Dr. Lopez, Secretary of Finance. He expressed the belief that imports could be cut to balance exports without damage to the economy.

The central government's budget estimate is 85 billion pesos, and the deficit 37 billion. Official entities, including railroads, the Buenos Aires transport system, and YPF account for 10.5 billion of the deficit. No mention was made of general tax increases. While public finance figures are reportedly inaccurate, it seems abundantly clear that the government operations are now substantially inflationary. Another inflationary element is the recent wage increase. Prices, stable in late 1957, have risen. By the middle of June the cost of living was up 30% from the preceding year. Prices will probably continue to rise.

The balance-of-payments problem would be helped by greatly increased domestic oil production and expanded exporting of meat. A Swift representative gave an optimistic forecast of the future of the meat industry. Discussions with members of the Krieger Vasena group confirmed the fact that Argentina has undertaken to use excess earnings in trade with Paris Club countries to prepay obligations there. This information, together with the prospect that the free market will probably become much less important in the immediate future, con-

firms the existence of a serious impediment to the long-term financing of increased dollar debts by means of a surplus in the trade with the Paris Club countries.

#### *IV. Other Topics*

##### *A. Loans to Small Businesses*

Argentine officials were told that the Exim Bank makes small loans to private industries. Dr. Gallarce of the Banco Industrial indicated that he might seek such loans by appearing personally before the Board in the U.S.

##### *B. Meatpackers*

Because of the major importance of the meatpackers, special attention was paid to them by the mission. Current dollar earnings of the industry are now about \$50 million a year. In a meeting with Dr. Lopez, Brand was promised that the meatpackers' problems would be settled soon.

##### *C. Priorities for Industrial Development*

A list of priorities for industrial development was submitted by the Argentine government. Items on the list were not numbered. They included steel, petrochemicals, soda ash, Hessian and jute fiber industries, cellulose and paper, machine tools, intermediate chemical products, "especially those deriving from organic synthesis," aluminum and its alloys, special steel, and cement.

##### *D. Implementing Existing Credit*

An interagency committee has been set up by the Argentine government to implement use of existing Exim Bank credit. While the mission was in Argentina, reports were received indicating that in a number of cases action on import permits and exchange assurances had already been taken.

##### *E. Loan Requests*

The John Deere Argentina proposal for tractor imports to build a capital reserve to finance tractor manufacture was wholeheartedly endorsed by Argentine government officials. They indicated they would do all they could to consummate the arrangements, including the provision of exchange assurances satisfactory to the Exim Bank.

A study of Exim Bank loan 826-A to the Argentine railroads was also made. The mission's feeling is that the railroad officials are capable, but that they need more governmental cooperation. Brand notes that "to summarize the railroad situation briefly we might say that the organization, while being essentially made up of the same people, has

suffered severely in morale because of the Government's failure to cope with the serious labor problem. Although the new Secretary of Transport is optimistic, with respect to his ability to bring about substantial improvements, his optimism is not reflected in the morale of his administrative organization. The future of the Argentine State Railways seems to lie principally in Argentina's ability to re-establish a disciplined organization." Brand also suggests that in any future consideration of Argentine transport problems the Bank's studies should include a more thorough investigation of the possibilities of river transportation.

The mission did not attempt to investigate the current status of negotiations with A&FP. General inquiries were met with predictions that a satisfactory solution would be reached shortly.

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**155. Memorandum From Viron P. Vaky of the Office of South American Affairs to the Director of the Office of South American Affairs (Bernbaum)<sup>1</sup>**

*Washington, August 22, 1958.*

SUBJECT

The Argentine Problem

This memorandum attempts (a) to draw together for perspective's sake the significant politico-economic factors in the present Argentine situation and (b) to see what this suggests for US policy toward Argentina.

*A. Political Situation.*

1. Frondizi is subject to pressures from a large number of elements, many of them mutually antagonistic, and can itself lean on no widespread group or groups for support. Frondizi clearly has no strong tie with the military, and is plainly suspect as far as the supporters of the "Liberating Revolution" are concerned. He is suspect, too, by most of the opposition political parties, and the largest of these, the UCRP, is sufficiently anti-Frondizi to give evidence of an irresponsible rather than loyal opposition. The Peronists or Peronist-indoctrinated groups cannot be said to be his loyal supporters, and have their own axe to grind. Frondizi likewise finds it difficult to cater to labor in order to

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<sup>1</sup> Source: Department of State, Central Files, 735.00/8-2258. Confidential.

weld a strong supporting organization, having no economic "fat" to play with as did Perón. Frondizi's own party has yet to prove it is a disciplined unified group, and evidences of incipient differences, particularly in doctrinal approach to the country's problems, can be seen.

Each of these elements exerts pressures on the administration in terms of its own interests and concept of what should happen, and many of them, especially the "Liberating Revolution" elements have assumed the position of guardians of Argentine democracy. Moreover, these elements are to a considerable degree antagonistic toward each other, and watch each other closely as well as Frondizi.

2. In these circumstances, Frondizi's political tactic seems to be to win widespread individual support from persons in all walks of life and to inculcate loyalty to institutions. Finding it hazardous to lean exclusively on organized elements in the population, Frondizi is apparently dedicated to the development and expansion of democracy, out of political necessity if not ideological belief. By appealing to all as individuals he seems to aim at lessening the clash of group interests, and by supporting institutional stability and loyalty to that concept he hopes to offer an alternative and counterweight to coups and the resort to force which have cycled through Argentine history.

3. Frondizi, in following this tactic, takes a calculated risk and plays for time. The administration is plainly trying to keep everyone quiet and to keep anyone from "rocking the boat" until it can mount an effective economic program that will diminish some of the causes for political and social discontent, and until more time has elapsed in which the concept of institutional stability can take root.

As a consequence, administration leaders stress the virtues of democracy, and Frondizi himself makes a big thing of meeting with and talking to all political leaders and the press to demonstrate that all shades of opinion have access to the Executive. A practical example of this policy was the nomination of a long list of persons to be ambassadors in the Foreign Service representing a wide range of parties and groups.

As a result of this effort to reduce the factionalism in Argentine life and balance each group's interest, Frondizi gives the appearance of taking no firm stands and straddling the fence. There is likewise evidence of lack of internal coordination in his administration, as was demonstrated by the judiciary crisis, and, one may assume, there are clashes within his own administration as to pressures upon him to follow a given course in any given instance. Frondizi has, with all this, however, maneuvered well.

The tactic he follows constitutes a calculated risk because there is no assurance that he can be successful in finding an effective program in time since he cannot control all the elements in the situation, and because there are political risks in the very tactic itself of buying time and peace by being indulgent toward the different groups.

A word is in order here with regard to the Peronist problem. Frondizi seems to operate on the hypothesis that Argentina will achieve stability only if the rifts that divide the body politic are healed, and if the sizeable body of Peronists are reincorporated into the national life ("reencuentro"). He also acts on the premises that Peronism without Perón is no effective organized force, that it has seeds of discord he can exploit, and that he can assimilate the Peronists and disintegrate the movement. He cannot do this, however, if he persecutes them, and he cannot afford the outright opposition such persecution would provoke. There may be presumed to be other motives to his attitude toward Peronist elements, such as the desire to use the Peronists as a counterweight against the military and civilian elements of the Revolution, and to develop some sort of a cushion against the day when labor troubles become intense.

Given these motivations and starting from a situation in which the Peronists were "outside the pale", Frondizi's actions inevitably involve concessions toward Peronist elements. As Embassy Buenos Aires puts it, the Administration seems prepared to accept some Peronists for the sake of breaking Peronism. There is no political reason why Frondizi would wish to see Peronism as such reconstituted or installed in power since that can only mean his own political eclipse or demise. In being indulgent toward Peronists, however, he is taking risks—underestimating the effectiveness of the movement as an organized group, overestimating his own ability to channel Peronist energies the way he wants them to go, and antagonizing opposed elements to the point of action.

4. The stability of the Frondizi Government is directly related to the economic situation. The economic problems the country now faces are so serious and conditions so deteriorated that they give rise to social discontent with potentially serious political consequences. In an environment of economic and social unrest, such as that caused by serious inflation, it is difficult to keep the political balance that Frondizi is trying to maintain. Moreover, the problems are so pressing that he has limited time in which to show results before unrest could come to a head. Unless he can rapidly alleviate the economic distress he may be unable to finish out his term.

5. Argentina's basic problem is political in nature and only secondarily economic. This does not deny that the immediate test of the Frondizi Government's stability and viability will be in the economic field. There is no mystery, however, to the country's economic prob-

lems. The economic solutions are clear enough, and, one is tempted to believe, recognized by the authorities. The problem is how politically feasible in Argentine eyes the indicated measures are, and how much can be done how rapidly in the given political context. In these circumstances, almost every economic decision and problem become political ones, and the Argentine situation has to be considered in these terms rather than in solely economic ones.

It is not, moreover, solely a question of political courage by Frondizi. Basically the question is how well the Argentine body politic as a whole can meet its problems through established constitutional and institutional means. This, of course, puts a premium on mature political responsibility. Directly related to this problem is how sorely Frondizi will tax the passions and emotions of the divergent elements in the population by his policies, particularly the indulgence toward Peronism.

### *B. Economic Situation*

The consequences of Perón's economic policies reduce, in real terms, to two elements: (1) decapitalization of the economy, and (2) distortion of its productive pattern, both resulting from a combination of inflation, artificial controls, and large-scale Government intervention in the economy. In the present picture, this situation manifests itself in at least three broad, major problems facing the Frondizi administration: (1) balance of payments disequilibria; (2) inflation, low productivity and real income; and (3) need for capital to finance necessary development.

*Balance of Payments.* Argentina is going through one of the worst payments crises in several years. Its reserves of gold, convertible and multilateral currencies is currently estimated at about \$150 million. It has virtually no dollar balances. Argentine authorities have estimated the balance of payments' deficit this year at about \$300 million, which in the best of circumstances might be brought down to the neighborhood of \$200 million. On May 1 when the Frondizi administration took over it faced a hangover of \$350 million of outstanding import licenses. Present reserves, moreover, represent less than two months' normal imports. An additional amount of some \$120 million in financial commitments were outstanding for the year. Long-term external indebtedness totals almost one billion dollars.

*Inflation and Public Finance.* The cost-of-living index is now 30 percent higher than a year ago, and the rate of increase is on the order of 4 percent per month at the present time. A budget deficit of at least 29 billion pesos is indicated for this year, of which 10.5 billion is accounted for by official entities, including railroads, the Buenos Aires transport system and YPF. It seems abundantly clear that government operations are now substantially inflationary.



Another inflationary element is the recent wage increase, the effect of which in terms of real wages has already been largely negated by the rising cost of living. Argentine authorities calculate an over-all monetary expansion of 22 percent for this year, one-half of which has already occurred.

Aside from the labor unrest which inflation provokes, the rapid rate of inflation has a corrosive effect on domestic capital formation and industrial productivity and expansion.

*Capital for Development.* The country's basic services, power and transportation, are in a deteriorated condition, and the industrial plant is in need of modernization and expansion. The need for development capital in all fields is as immense as it is essential. Up until now the Government has insisted on undertaking itself much of the basic development, particularly in the field of public services and to contract large loans as a means of obtaining the capital. To what degree it will continue to do so will be pertinent to the rate of development, since such a policy places a greater strain on the already strained balance of payments.

*Government Policy.* In order to deal with its payments difficulties the Argentine authorities plan to widen the area of import prohibition, reduce drastically the issuance of new import permits, and accelerate the conclusion of oil development contracts to spur the development of proven fields in the hope of closing the oil import gap rapidly. In addition, the Government has established a series of new mixed rates designed to increase the peso return to exporters and to raise the cost to importers of significant trade items. The Argentines seem to place only limited hope in promoting any sizeable increase in exports as a means of cutting down the payments deficit. Efforts to increase exports have not been notably successful to date, and except for corn no significant increase in export availabilities have [*has been*] realized this year.

The basic philosophy seems to be one of accelerating the process of industrialization with oil, power, steel, and a large list of import-substituting industries as prime targets. A push toward industrialization, incidentally, would be consistent with Frondizi's long-held beliefs.

A dramatic step was taken with the recent announcement of agreements made with private companies for oil development, representing the first break in the hitherto nationalistic oil policy, as well as a conscientious, if limited, effort to avail itself of private capital resources. The Government has also set up, in the office of the Presidency, a staff to act as a clearing house, information center and coordinator in foreign investment matters in general. There are at least some indications that Argentine officials appreciate the importance of the

development of private enterprise generally and foreign private investment in particular. This is true in the general industrial field, if less true in the field of public services.

The Frondizi administration is also working hard toward a solution of the ANSEC problem and reportedly of the CADE question, both of which would be a preface to private investment in power facilities.

On the debit side, the Government has not faced up to the fiscal problems posed by inflation and what appears to be a permanent disequilibrium in the balance of payments. Internally, the budget is essentially inflationary, as noted above, and there seems to be no coordinated policy to eliminate the internal deficit. There is likewise no evidence of a consistent or generally restrictive monetary policy, and, in fact, the elimination of the 30 percent supplementary reserve requirement established last December increases the liquidity position of private banks which are now able to expand their credit operations. The establishment of the new mixed exchange rates is clearly an expedient and not the answer to balance of payments difficulties. It is understood that the IMF report was highly critical of Argentina's fiscal policies.

In general, policy aspects, too, Argentina has not done all that it should to rehabilitate the economy. A case in point is the meatpackers' situation. While one of the principal industries for generating foreign exchange it operates under conditions that inhibit and limit its operations.

One factor, however, seems to be worth bearing in mind. At least the top leadership is in a mood to do what has to be done to get economic growth started. To the extent that the administration's political stability depends upon economic health, it may be assumed that it will do what it has to do to stay in power.

### *C. Meaning for US*

The situation described above has significance for our relations with Argentina:

1. Frondizi will almost surely seek external public assistance to help solve the economic problems. Given the immediacy of the economic crisis and the extent of capital needs, Argentina cannot itself generate all the capital and technical resources required for economic rehabilitation. There will, moreover, be some political limitations to utilization of private foreign capital, such as in public services, and for government projects, such as the steel mill, already undertaken by official entities. In some fields, such as transportation and coal development, private capital is apparently not available at all. Consequently, while it is undoubtedly true that Argentina can do a good deal more for itself in utilizing both domestic and foreign private

capital for development, it will surely find it necessary to seek public assistance as well, especially in the light of the political necessity to make economic progress quickly. It is difficult to see, for example, how Argentina can avoid seeking balance of payments aid before the year is out, given the serious payments crisis it faces. Likewise, there will be a compulsion to seek capital for key development projects, such as power, coal, and transportation. The applications of private companies for loans for various projects will also be supported by Argentina.

2. Frondizi apparently will look to the US as the main practical source of public assistance, but may also consider seeking aid from other sources, including the USSR. There is every indication that Frondizi would like to establish a close relationship with the US, and that he would like to receive sizeable aid from this country. The administration appears to be more inclined to turn to us than to European sources, perhaps influenced by the old charges of British "imperialism" in the country. Admittedly, Frondizi's approach to the US is probably pragmatic, i.e., because he reasons the US is the best source of aid to him in his difficulties he is prepared to be friendly with us. Whatever the motivation, the practical result of the matter is that a cooperative relationship is thereby made possible, and would undoubtedly be of benefit to both. It is equally clear that in the last analysis Argentina is disposed to accept aid anywhere it can get it. In this connection, the interest of and intent of the Soviet Union to increase its economic activity in the hemisphere is pertinent. The Frondizi Government shows no inclination to spurn this possible source of aid, and the continuance of trade with the Soviet Bloc, the investigation of Soviet offers of oil equipment and purchases in the Bloc of key import commodities such as oil and coal are cases in point.

It is entirely possible that Frondizi will adopt the tactic of seeking to get all he can from both the US and the Soviets, and use the dealings with each to extract the maximum in assistance from the other. That Soviet offers might be used solely for tactical reasons, however, should not delude us. The economic pressures are severe enough that Argentina would be sorely tempted to increase its economic ties with the Bloc if it cannot satisfy its requirements—either to import capital goods or sell its export products—in Western countries.

3. How the US reacts to Frondizi's economic aspirations will have a great deal of influence on his assessment of the value of cooperation with this country. In turning to us for aid Frondizi will be taking a political gamble that he can pull the country out of its economic doldrums quickly, and the success of that gamble (which includes taking politically risky measures such as the oil policy) will depend in his eyes on simultaneous extension of aid from external sources, principally the US. Since in his mind the issue at stake is his political survival and the opportunity to realize the objective of constitutional

government, he will be very sensitive to our reaction. The administration's willingness and desire to work with us in other fields will be affected correspondingly. The point to be made here is that Argentina's need for aid gives us the opportunity to establish the basis for a good workable relationship with this important country. The urgency of the situation from the Argentine viewpoint, moreover, makes our posture during the next several months highly important in this regard.

#### *D. Course of Action*

I believe that it is important for the US to respond quickly and warmly to Argentine overtures for cooperation and friendship, and to assist that country economically, insofar, as we practically can. Implicit in this statement, of course, is the premise that it is in our interest to support Frondizi's efforts to stabilize the country.

1. Having made overtures toward the US, we can, by responding promptly and effectively, establish an experience or tradition of cooperation difficult to reverse and demonstrate the value of cooperation with us.

2. Given Frondizi's mood of doing what has to be done despite the risks, we can probably achieve a great deal by way of persuading Argentina to adopt constructive policies with comparatively little aid. The present leadership is disposed to do things, and has a good many of the abilities to succeed. Consequently, prospects for adoption of the type of policies we would like Argentina to adopt seem much better now than with the Aramburu government which proved politically impotent in making the basic decisions required.

3. If Frondizi's political survival is at stake, our failure to assist him may force him to turn to the Soviets or to the left in internal politics in an effort to retain political power.

4. If Frondizi fails in his efforts to carry out his program policies which he has adopted and which we believe constructive (such as private capital in oil development) will be discredited. It will be remembered that the principle of private oil exploitation, toward which Perón moved at the end of his career, was discredited when it became involved in his downfall, and so was set back by some three years.

5. It is in the interest of the US and the hemisphere that Frondizi complete his term of office and succeed in stabilizing the country. This is not because he is a great friend of the US or an indispensable political figure, but simply because stability and development in Argentina depend upon letting the concept of constitutional, institutional government become firmly rooted. If Frondizi's legally elected government is unable to complete its term, the cause of constitutional govern-

ment in Argentina will have been severely weakened. The great likelihood would then be extremist and authoritarian solutions to the problems with all that that entails for hemisphere politics.

### *E. Recommendations*

If generally agreed that the US should aid Argentina, there is no ready answer as to what this means in practical measures. How much and what kind of economic assistance we should give, for example, will have to be determined by further study. This paper, however, makes two recommendations:

1. In our general handling of Argentine relations in all aspects (not solely economics) we should make special efforts to accommodate Argentina and to demonstrate warmth and sincerity. It is probably true to say that the state of our relations is more important to Argentina than to us. It will do us no harm to recognize the Argentines' peculiarly egocentric view and the "life and death" feeling of urgency with which she sometimes approaches these matters. Catering to these sensibilities, where we reasonably can, would cost us little and gain us much.

2. Insofar as economic aid goes we should undertake quickly an overall study of possible aid to Argentina to better estimate what we might be able to do and under what circumstances. We know that Argentina will seek aid from us and we know what the problems are. In these circumstances, rather than wait and react to their approaches, we should prepare ourselves by analyzing and studying the problem now. Moreover, this should be a coordinated study from the standpoint of all the tools available to us for economic assistance, such as technical cooperation, DLF, Eximbank, etc.

What is envisioned, in other words, is that something of a task force from various agencies would study the Argentine situation as a whole, determine what the US might be in a position to do, what combination of things, if any, we might do for maximum effect, and under what conditions we would do what. Thus prepared we could more effectively negotiate with the Argentines.

It is logical to assume, for example, that there are technical cooperation activities which could contribute greatly to economic development particularly if meshed in with loans or other types of assistance. Up until now we have merely waited for isolated requests and then considered them. It might, however, be profitable to study the situation and suggest, even promote, activities, if indicated, which would accelerate overall development. Such an overall study might similarly examine such things as trade policy for the same reasons. This type of approach might make it unnecessary to consider "massive" loans by making modest aid more effective.

There are examples of something like a coordinated approach in our handling of economic crises in countries like India, France, and Turkey where several types of aid are extended in one package. The crisis in Argentina, in terms of our overall interest, may well counsel a similar approach now.

I have no illusion as to the practical difficulties in organizing such a study, but it would seem worth the effort, all the more so if the Frondizi visit to this country eventuates. It might perhaps not be too naive to suggest that such an approach could be a good experiment in the handling of similar economic problems which we face throughout the hemisphere.<sup>2</sup>

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<sup>2</sup> A notation on the source text, apparently by Bernbaum, reads as follows: "Excellent views with good ideas. Idea of a task force a good one—we've had one before—this one could build on what's already been done."

Another notation, initialed by Bernbaum, appearing on the first page of the source text, reads as follows: "REA—Mr. Turkel. See pp. 8–10. How about going along on a task force with Alex Rosenson to represent us."

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## 156. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>

*Buenos Aires, September 9, 1958—5 p.m.*

356. Deptel 269.<sup>2</sup> Whereas, elements in opposition Peoples' Radical Party and elements in armed forces (at least in Army) have been and are thinking in terms of over-turning Frondizi Government and, whereas, there seemed to be imminent possibility (though not probability) of effort being made a few weeks ago, situation has quieted down at least for time being. It is probable that majority Army opinion and nearly unanimous Navy opinion favors continued support of Frondizi despite disagreement with certain policies especially toward labor which some armed service elements consider provide opportunities for Peronists or neo-Peronists to gain control of organized labor but present feeling is Frondizi should be given chance and opposition should be expressed democratically. There is little popular

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<sup>1</sup> Source: Department of State, Central Files, 735.00/9–958. Secret.

<sup>2</sup> Telegram 269 to Buenos Aires, September 8, reads as follows:

"In view probable aid request Argentine economic situation and subject US assistance discussed meeting of Treasury and Department officers. Consensus was current and prospective stability Frondizi government significant factor determining timing and manner any assistance. Embassy's assessment stability requested soonest." (*Ibid.*, 835.10/9–858)

support for movement to unseat Frondizi by force and obvious danger of civil war if serious attempt to unseat Frondizi occurs. This danger is probably clear to military whose collaboration would be essential to possible success of any subversive attempt. Present crisis in Air Force not known seriously to affect this picture.

Frondizi's petroleum program believed to have strengthened his position. Invitation to visit US also has improved his position. Last night's announcement terms of prospective settlement CADE (electric power) problem should further improve his position. At present time Embassy gives Frondizi better than even chance of continuing in office.

**Beaulac**

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**157. Memorandum From the Director of the Office of International Financial and Development Affairs (Adair) to the Assistant Secretary of State for Economic Affairs (Mann)<sup>1</sup>**

*Washington, September 24, 1958.*

**SUBJECT**

Secretary Anderson's Sept. 25 Meeting re Argentina<sup>2</sup>

Assistant Secretary Coughran has called this meeting because of Secretary Anderson's earlier expression of a desire to have views on the Argentine problem before he leaves for the IMF and IBRD meetings in New Delhi.<sup>3</sup> As you know, Secretary Anderson has expressed interest in helping the Frondizi administration.

The Argentine financial situation is serious. Argentina has undergone extensive decapitalization since World War II, largely because of the policies of the Peron period. Gold and foreign exchange reserves have declined from \$1.7 billion at the end of 1946 to less than \$200 million now and probably will be virtually exhausted by the end of

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<sup>1</sup> Source: Department of State, Central Files, 835.10/9-2458. Secret. Drafted by Eaton.

<sup>2</sup> No memorandum or account of this meeting has been found in Department of State files.

<sup>3</sup> Reference is to the Annual Meeting of the Boards of Governors of the International Monetary Fund, International Bank for Reconstruction and Development, and the International Finance Corporation, October 6–10, 1958. For texts of statements made at the meeting by Secretary Anderson and Douglas Dillon, see Department of State *Bulletin*, November 17, 1958, pp. 793–798.

this year. The transportation system is seriously run down, industry badly needs re-equipment, agriculture needs equipment and technological improvements, and the country urgently needs more electric power capacity. Inflation has been serious and is accelerating. The exchange system is extremely complex and over-values the peso to the detriment of the balance of payments.

Certain constructive steps have been taken since the overthrow of Peron. Notable among them are the recent arrangements made by the Frondizi administration for foreign private capital participation in petroleum development. Fuel imports cost Argentina more than \$300 million in 1957.

The approach thus far, however, has been piecemeal. The large overall problems outlined above have not been faced with a comprehensive program. Moreover, the IMF mission which visited Argentina in July found Argentine authorities unprepared, for political and other reasons, to take appropriate steps for restoration of internal and external balance. These steps include reform of the exchange system, budget balance, and wage and credit restraint.

Questions concerning external assistance for Argentina do not center so much on whether there is a legitimate need for assistance as on when, how much, for what purposes, from what sources, and under what conditions assistance should be provided. An NAC working group has been formed to study these questions. Conclusions have not yet been reached.

Secretary Anderson probably will be particularly interested at this meeting in State's views on the political stability of the Frondizi administration. Mr. Rubottom, who will also attend the meeting, presumably will be prepared to comment on political prospects. In response to a query from the Department, Embassy Buenos Aires stated in a telegram of Sept. 9<sup>4</sup> that the political situation appeared to have quieted, Frondizi's position seemed to have strengthened, and Frondizi probably had a better than even chance of remaining in office.

The United States has followed the practice recently of making balance-of-payments and stabilization assistance dependent on adequate financial programs worked out with the International Monetary Fund. It would seem desirable, from an economic point of view, to continue this practice in the case of Argentina. Balance-of-payments assistance without a comprehensive stabilization program would be of little value in solving Argentina's fundamental problems. Some may argue, however, for a certain amount of balance-of-payments assistance to provide Frondizi political support, regardless of economic policies. It might be argued equally well, on the other hand, that Frondizi's

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<sup>4</sup> Document 156.



internal political position would be bolstered more by adoption of a sound and strong economic and financial program than by external support in the absence of such a program. Moreover, to provide balance-of-payments support without adequate stabilization measures would be to depart from our recent practice in other cases (e.g., Brazil, Chile, Colombia, France, Peru, Bolivia and Turkey).

This does not necessarily mean that further development credits should be dependent upon an adequate stabilization program. On the contrary, further development credits may be desirable whether or not a stabilization program is undertaken. However, Argentina's capacity to service dollar loans is limited by the facts that it exports primarily to Europe, tends to run payments deficits primarily with the dollar area, and is faced with difficulties in converting balances which may be earned with European countries to dollars. Argentina's limited capacity to service dollar loans points to the possible desirability of encouraging the IBRD, which can make nondollar loans, to enter the Argentine picture (the IBRD thus far has made no loans to Argentina, which became a member in 1956).

The problem of difficulties in converting European currencies to dollars raises the question of whether Argentina should not attempt to persuade European countries to adopt a more liberal attitude toward convertibility of possible future balances earned by Argentina under the Paris Club arrangements and whether the United States should not be prepared to support Argentina in this effort. Argentina does not now have substantial balances in European currencies and has run deficits with both Europe and the dollar area in 1957 and thus far in 1958. Its deficits are smaller with Europe than with the dollar area, however, and when its payments position improves, it will come into surplus more readily with Europe than with the dollar area. At that time reduced restrictions on convertibility of balances in European currencies would be useful in meeting Argentina's dollar problem.

**158. Memorandum of a Conversation Between the Ambassador in Argentina (Beaulac) and President Frondizi, Buenos Aires, October 13, 1958<sup>1</sup>**

I said I had had a very interesting week in Washington which I wanted to tell him about.<sup>2</sup> Everyone is interested in his visit and enthusiastic about it.<sup>3</sup>

The President said at this point that it was odd that he should be the first President of Argentina in all history to visit the United States.

I said, also, that people in Washington were enthusiastic about the progress being made in Argentina.

The President recalled that he had told me that he and I might help bring about a new relationship between our two countries. He said he thought that this was going to be the case. I said I was sure of it.

The President noted that the petroleum problem was in process of being solved. He hoped that the Congress would approve the petroleum bill and the CADE agreement this week. An agreement has been reached with ANSEC and needs only to be formalized.<sup>4</sup> He is awaiting the proper time. Timing is essential. Everything is agreed to with ANSEC except the price which, of course, will be fixed by arbitrators. He hopes ANSEC will build a new power plant and there will be discussions about where that plant will be.

I referred to a letter he had addressed to Secretary of Energy and Fuel Dr. Gregorio Meira last week,<sup>5</sup> in which he anticipated a solution to the ANSEC problem. He did not comment on this letter.

I said people in Washington admired how he was solving problems one by one. He said he would continue to do this. Right now the Central Bank needs dollars and we can be helpful in that regard.

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<sup>1</sup> Source: Department of State, Central Files, 835.10/10-1558. Confidential. Drafted by Beaulac. Transmitted in despatch 597 from Buenos Aires, October 15.

<sup>2</sup> Beaulac left Buenos Aires on September 19 for consultations in Washington. He returned to Argentina on October 5.

<sup>3</sup> On August 26, the Department authorized the Embassy in Buenos Aires to invite Frondizi to make an official visit to the United States in mid-January. (Telegram 215 to Buenos Aires, August 26; Department of State, Central Files, 735.11/8-2658) On August 28, the Embassy reported that Frondizi had accepted the invitation in principle. (Telegram 296 from Buenos Aires, August 28; *ibid.*, 735.11/8-2858)

<sup>4</sup> On October 2, in conversation with Department officials, Henry Sargeant, President of the American and Foreign Power Company, reported that on September 25 he had signed a contract with the Argentine Government for settlement of that company's claims. (*Ibid.*, 835.2612/10-258) On November 28, the Embassy reported that the agreement had been finalized. (Telegram 774 from Buenos Aires, November 28; *ibid.*, 835.2614/11-2858)

<sup>5</sup> Not found in Department of State files.

I referred to press reports published locally of the formation of an Inter-Departmental Committee in Washington to consider cooperation with Argentina. I said that Argentina was fortunate in having in Washington friends in high position who knew Argentina intimately and who were anxious to be of help. These friends included Secretary of Treasury Anderson, Deputy Under Secretary of State Dillon, Assistant Secretary of State for Inter-American Affairs Rubottom, and Messrs. Waugh and Brand of the Export-Import Bank. I said I had the opportunity to discuss Argentina with a number of these persons and with others, and I wanted to read to him a summary which I had prepared and which I considered accurate of the present thinking in Washington with reference to Argentina. I said I would be happy to leave this memorandum with him if he wished. He asked that I do this. I then read him the following memorandum in translation:

"I found public and official opinion very much impressed by reports of progress in Argentina, particularly in the economic field.

The steps already taken in the field of petroleum and power have been particularly effective in creating a favorable opinion. There is a general assumption that the Government also will proceed as quickly as possible to attack the country's serious monetary problem which is tied up with the difficult problem of inflation.

The Export-Import Bank is very favorably inclined toward Argentina. The hope is expressed in Washington that Argentina also will develop close relations with the International Bank, which has access to European currencies. However, neither of these Banks is in a position to give short-term credits such as Argentina undoubtedly will need. Such credits can be advanced by the Monetary Fund but only in connection with a plan of monetary and financial reform aimed at bringing about monetary stability.

Within Government circles there is apprehension at the Argentine Government's failure, so far, to give satisfactory treatment to the meatpacking industry, not only with reference to past accounts which are covered by a decree-law of the Provisional Government which, however, has not yet been carried out, but also with respect to the system of sales in the future. This apprehension is based largely on the importance which the meat industry has in Argentina. Persons commenting on this situation have in mind that meat exports are one of Argentina's principal sources of foreign exchange and that the importance of the meat industry as a source of foreign exchange not only will not diminish in the future but will increase. It is recalled, in this connection, that the kind of economic development, including industrial development, which the Argentine Government has in mind, instead of lessening the demand for foreign exchange tends to increase the demand, particularly in the early stages. In other words, foreign exchange needs increase with industrialization and with real increases in productivity and in living standards.

For these reasons, the persons referred to consider that one of the principal objectives of the Argentine Government should be to place the meat industry on the best possible basis, including not only the production of cattle but the processing and export of meat.

Because of the excellent progress being made and the expectation that further progress will be made, particularly in the fields referred to, there is an excellent atmosphere for cooperation with Argentina, and the Argentine Government at the appropriate time will undoubtedly want to take advantage of that improved atmosphere."

I told the President that my purpose in reading the memorandum to him was not to exert pressure on him or try to influence him, but to give him exactly my impression of what was being said in Washington with reference to Argentina. I said that the memorandum, of course, was unofficial especially since I had referred to international agencies such as the Monetary Fund, which I was not authorized to discuss officially. The President said he understood that completely.

The President said it was obvious that there were two problems that had to be met. One was the problem of the meatpackers and the other inflation. He said he had met with the meatpackers in my absence and told them he would reach an integral solution to the problem.

With reference to inflation, he had already told me the Central Bank needed dollars in order to help meet that problem.

I asked the President whether he had in mind freeing the meat industry. He said not exactly, but he was sure of one thing and that was that Argentines must eat less meat in order to build up the cattle population.

I told the President that I had talked to Mr. Guy Whitney, Vice President of Swift International, today. He had simplified the problem for me. The problem has two aspects: the first has to do with past accounts. This should be no problem at all. An agreement was reached between the packers and the Provisional Government. This agreement is carefully worded. It was embodied in a decree-law which now has the force of law, and which the Argentine Government is obligated to carry out. There is nothing to discuss. There are no technical or political obstacles. The only obstacle is that the auditing office of the Meat Board will not carry the agreement out.

The second problem has to do with future sales. This, in turn, has two sub-problems: the first is to define the expenses of the companies for the purpose of calculating the 5¾ percent profit; the second is to provide that there will be no subsequent revision of accounts. Again, the auditing office of the Meat Board insists on subsequent audits. This is the old Peronist system which will not work.

I said it seemed clear, therefore, that the stumbling block was the auditing office. I noted that Secretary of Finance Dr. Antonio López had promised the packers a settlement of the problem by August 1, but there had been no settlement.

The President took notes. He said the problem was clear to him. It was a common problem. It was a bureaucratic problem. He had inherited the same officials that the Provisional Government had inherited from Perón. These officials or technicians always found some pretext for not carrying out orders. I said I had the same opinion.

The President said that he had talked to Minister Del Carril on the telephone today. Minister Del Carril is leaving New Delhi tomorrow for Washington. He will want to talk about dollars for the Central Bank. The Government is determined to attack the problem of inflation.

I reminded the President that the press in the Casa Rosada customarily asked for a statement after I had talked to him. I handed him a translation of the following statement for his approval:

“I came to greet the President and inform him concerning consultation in Washington. I told him his coming visit had aroused great interest in government and private circles in the United States, not only because he will be the first Argentine President to visit the United States but also because of the manner in which he has faced up to basic problems during the short time since he became President. It is evident one result of the program he is carrying out will be to widen the base for future cooperation between Argentina and other countries, including the United States.”

He said he thought such a statement would be very helpful.

Before leaving I noted that I had found a great many people seriously worried about the labor situation. The President said he thought that could be worked out. He made no further comment on that subject.

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**159. Memorandum of a Conversation Between the Ambassador in Argentina (Beaulac) and President Frondizi, Buenos Aires, October 18, 1958<sup>1</sup>**

I had a conversation with President Frondizi on Saturday, October 18. The President said that I would have noted that the Congress had completed approval of the CADE settlement. As soon as the shouting had died down he would announce the ANSEC settlement. He recalled laughingly that one opposition Deputy had said that if the

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<sup>1</sup> Source: Department of State, Central Files, 835.10/10-2158. Confidential. Drafted by Beaulac. Transmitted in despatch 624 from Buenos Aires, October 21.

President of the Supreme Court had been named arbitrator in the CADE case it would have been all right (the President of the Supreme Court is arbitrator under the proposed ANSEC settlement).

The President said that he is no longer a politician but a governor (*mandatario*). The country is going to economic freedom. He is preparing his speech now. The prices of seven or eight basic consumption articles will be frozen, but not meat. Meat will cost more, but more will be produced and more exported for foreign currencies. The Argentines must eat less meat.

The permit system must be given up. It is no longer tolerable that some Ministry official should be able to dictate who imports and who doesn't import and what they import.

The budget deficit must be overcome. State agencies must be put on a self-supporting basis. They are "eating the vitals" of the country (*comiendo las entrañas*).

I asked him whether he planned to free exchange. He said he did—perhaps not all at once but certainly that is the Government's aim. Much will depend on the luck which Del Carril has in Washington. The Central Bank needs a "mass of dollars", as he had pointed out to me the other day. If prices and exchange are freed, prices will go up and there will be great demand for exchange, at least temporarily. Argentina must have a cushion.

I asked him whether his Government was prepared to reduce the payroll in State enterprises. He said it was, but gradually. An improved economy would be able to absorb workers who might be dropped. (I am told there already is a shortage of trained mechanics and white collar workers, and in some cases of common labor.) He was counting on petroleum and other new foreign investment to accomplish a good deal of this.

I asked him whether his Ministers were in accord with his freedom program. He said he didn't know yet. He had not revealed to them all he was thinking. He had asked each one to submit a report on the effect of freedom in his field, but no one had been given a complete plan. He cannot expect complete support from his Ministers. The Ministers advised him up to the last minute not to make his speech on petroleum, but he made it just the same.

I asked the President whether any of the steps he contemplates would require Congressional approval. He said none would require such approval.

I said I assumed that he would not make the speech until after public announcement of the solution of the ANSEC problem. He said that that was the case.

I asked him whether freedom was the solution he intended to give to the meatpackers' problem. He said it was. I asked him whether he had in mind total freedom. He said he had in mind practically that. Perhaps not all at once, but at least substantial freedom right away.

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**160. Despatch From the Embassy in Argentina to the  
Department of State<sup>1</sup>**

No. 792

*Buenos Aires, November 20, 1958.*

REF

Embtels 662, Nov 10; 669, Nov 11; 672, Nov 11; 674, Nov 12; 678, Nov 12; 680,  
Nov 13; 681, Nov 13; 682, Nov 13; 683, Nov 13; 693, Nov 13; 706, Nov 14; 702,  
Nov 14; 715, Nov 17; 716, Nov 17; 725, Nov 18; 741, Nov 19; 747, Nov 20.<sup>2</sup>

SUBJECT

Ten Days in Argentine History<sup>3</sup>

Frondizi was elected to preside over a country which was divided within itself. Politically, the country was divided between Peronists and anti-Peronists. The same division existed in the labor field. Frondizi received more than 1,000,000 Peronist votes. He received those votes as the result of an agreement reached by Rogelio Frigerio (presumably on Frondizi's behalf) with Perón.

There were conditions attached to the reported agreement which included such things as reintegration of Peronist members of the Armed Forces and restoration of the legality of the Peronist Party, which few people thought Frondizi had any serious intention of carrying out. He has in fact made no effort to carry out those conditions.

It was in the cards, however, that he would give this large sector of the population that had voted for him an opportunity to have some representation or voice in his administration. Frigerio, who was the go-between with Perón, although not a Peronist himself, became a kind of super-economic minister. Considering the size of the Peronist vote, the representation given to Peronism in the regime is believed to date to have been a minimum one.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/11–2058. Confidential. Drafted by Beaulac.

<sup>2</sup> None of the telegrams under reference is printed. (*Ibid.*, 735.00) They provide the background and details of the incidents described in despatch 792.

<sup>3</sup> November 10–20.

It was in the cards, also, that Frondizi would try to rally the Peronist masses behind his Government. This was the democratic thing to do and it was also a proper political objective. Frigerio had an important role in this effort, too. In fact, he headed the effort.

Frondizi tried to rally the Peronists principally through wooing the Peronist labor leaders. He thought that 1) those leaders could probably muster majority votes in most unions; 2) they would be grateful to him and subservient to his wishes (he and Frigerio envisaged a single labor confederation which the Government would "control"); and 3) they would bring the labor unions into political support of the administration.

While Frondizi was cultivating the Peronist (and ex-Peronist and neo-Peronist) labor union leaders (the "democratic" union leaders owe limited allegiance to other political groups), he was refraining from openly antagonizing the Peronist political leaders although it should be noted at this point that the ban on the Peronista Party has never been lifted. He was also mild in his attitude toward the Communists.

Some persons alleged that Frondizi was appeasing the Peronists and a case can be made to substantiate this allegation. As a matter of fact, it can be stated fairly accurately that Frondizi during the first five months of his administration has appeased most of the important sectors of the population, especially sectors in a position to exert political pressure on his administration. One of the evident purposes of his appeasement policy has been to gain time to get his economic program (particularly petroleum and electric power) started.

The policy of appeasing the Peronists and of at least tolerating the Communists received a rude shock when the Peronist-dominated Mendoza branch of the National Union of Petroleum Workers went out on strike for the avowed purpose of forcing the Government to amend contracts it had negotiated with American petroleum companies.

The Mendoza strike was quickly followed by the threat of the National Union to declare a series of nation-wide strikes with the same objective.<sup>4</sup> In addition, the sixty-two groups of Peronist unions decreed a 48-hour general strike to begin November 20 in support of the Mendoza strikers and of a 1500 peso monthly wage increase for all workers pending revision of the labor contracts. (All these strikes and threatened strikes have now been ended or averted, it should be noted.)

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<sup>4</sup> On November 11, having appealed unsuccessfully to striking oil workers to return to work, Frondizi decreed a state of emergency for a 30-day period. After issuing the decree, the administration had about 250 Peronists and Communists arrested in different parts of the country. (Despatch 758 from Buenos Aires, November 11; Department of State, Central Files, 735.00 (W)/11-1158)



These events shocked Frondizi into action and for the first time forced him to take a public stand against the Peronists and Communists. In the public mind, as well as apparently in the President's mind, this marked the failure of the Frigerio policy of attracting the Peronist labor leaders to the support of the President's economic program and of the President as a political leader. Frigerio submitted his resignation and it was accepted. This did not, so far as is known, indicate any change in the Government's economic policies or in the President's friendly relations with Frigerio.

The President placed his Government in a better position to resist union political pressure by declaring a state of siege which the Congress promptly confirmed. It was at this juncture that the Gómez incident occurred.<sup>5</sup>

The total background of that incident has not yet been revealed but it seems evident that Vice President Gómez, an orthodox party politician, not only dissented from the President's policies in both the economic and political fields but was trying to rally support for his own dissenting views, and that he was given reason to believe that the crisis with which the Frondizi regime was faced (including a severe attack of gripe from which Frondizi was suffering) furnished the opportunity to force Frondizi to bring representatives of opposition political groups into his Government, and through this device to effect a revision of the Frondizi regime's policies.

While these events were transpiring a mission from the International Monetary Fund arrived in Buenos Aires and started to work. The Argentine Government is literally broke, and inflation is making the economic, political and social difficulties of the Government more serious every day. Argentina sorely needs short-term as well as long-term credits to tide the country over until the benefits of Frondizi's long-term economic policies, especially in terms of reducing foreign exchange expenditures for petroleum imports, can be felt.

The credits, it has been made clear, will not be available unless the inflationary process is contained or at least greatly reduced. That, in turn, will involve balancing the Government's budget, and reducing consumption within the country. This means belt-tightening, in other words, and Argentines have never been very good at belt-tightening.

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<sup>5</sup> On November 12, Vice President Gómez, presumably in the hope of bringing about a change in government, informed the Minister of the Interior that the armed forces were plotting to overthrow the Government and suggested the formation of a coalition government to deal with the situation. The armed forces later denied any plans of a coup. Gómez, accused of planning a palace coup, was subsequently forced to submit his resignation. (Despatches 758 from Buenos Aires, November 11; *ibid.*, 783, November 18; *ibid.*, 735.00 (W)/11-1658; and 816, November 25; *ibid.*, 735.00 (W)/11-2558)

Many persons are predicting that a real austerity program will not be accepted by the people, including organized labor. Under the best conditions the difficulties in the way of carrying out an austerity program are many and serious.

Nevertheless, there would seem to be no alternative to trying to place into effect an anti-inflationary program which will induce the Monetary Fund to make short-term credits available and also open the road to additional long-term credits, and it is anticipated that Frondizi will announce such a program in the near future.

Whether or not the Government is in a stronger or a weaker position to push through such a program than it was before the events of the last ten days, remains to be seen.

**Willard L. Beaulac**

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**161. Memorandum From the Director of the Office of East Coast Affairs (Bernbaum) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, December 9, 1958.*

**SUBJECT**

Argentine-Export-Import Bank Negotiations<sup>2</sup>

I attended a meeting at the Export-Import Bank this morning. The following were present: Sam Waugh, Vance Brand, Walter Sauer, Lynn Stambaugh, other Bank officials, the Argentine Minister of Finance Donato del Carril, the Argentine Financial Counselor Emilio Llorens and Gonzalez del Solar.

Del Carril stated that he expected to reach a final agreement with the International Monetary Fund this coming Friday, December 12, with the objective of having an announcement on December 15 or 16. He hoped that the announcement would include United States Government participation, including Export-Import Bank plans for development loans. Del Carril described the problem as follows: the IMF will authorize a drawing of \$75 million, of which only \$42-1/2 million

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<sup>1</sup> Source: Department of State, Central Files, 835.10/12-958. Confidential.

<sup>2</sup> In a memorandum of conversation at the Department of State with Rubottom and others, October 22, Argentine Minister of Economy Del Carril stated "that he had come to Washington to continue the conversations which he had had in New Delhi with officials of the United States Government and of the international agencies." (*Ibid.*, 835.10/10-2258)

will be available for utilization in 1959. This will be the emergency stabilization component. In accordance with IMF estimates and recommendations, an additional \$112-1/2 million will be required to compensate for the anticipated budget deficit of seven billion pesos. Del Carril's talk in New York with sixteen banks indicated the likelihood of a commercial bank contribution of \$60 million of which \$10 million each will be contributed by Chase, First National and the Bank of America. He conceded the possibility of an additional \$10–\$15 million from these and other banks. Assuming, however, that only \$60 million will be forthcoming, of which \$16 million will be used to repay existing debts to commercial banks, the balance required will be \$68-1/2 million. Del Carril expected that this amount would be furnished by the U.S. Treasury Department and by the Export-Import Bank.

Sam Waugh stated that the Export-Import Bank already had \$218 million in Argentina and had loan applications of slightly more than \$100 million. He frankly admitted that the Bank was pretty close to the limit of its lending facilities for Argentina and that the Bank very definitely preferred the pending economic development projects to balance of payments aid. He added that any balance of payments aid made by the Bank would have to be deducted from pending economic development projects.

Mr. Waugh then suggested that the Minister consult as soon as possible with Secretary Anderson to highlight the urgency of the Argentine problem. Del Carril agreed to request an appointment for this afternoon.

Following a telephone discussion with Mr. Dillon, Mr. Waugh told Del Carril that he, Waugh, and Mr. Dillon would arrange to see Secretary Anderson tomorrow morning to reach a final determination on how the Argentine package would be financed. He indicated the possibility of a \$25 million contribution by the DLF on the basis of the criteria established in the loan to India.

DLF loan criteria and their applicability to the Argentine situation were discussed later with Del Carril in Vance Brand's office. Tentative agreement was reached that the Argentines would find it possible to utilize the DLF loan *pari passu* with disbursement of the IMF drawing for purchases on a project basis of equipment which the Argentine Government was in any way going to make regardless of the loan. Projects discussed included the railways, Somisa and similar enterprises.<sup>3</sup>

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<sup>3</sup> On December 29, the U.S. Government, in conjunction with 11 private financial institutions cooperating with the International Monetary Fund, announced a development program of \$329 million to help the Argentine Government in its efforts to facilitate stabilization and economic development. U.S. credits included \$54 million by 11 private banks; \$125 million from the Export-Import Bank; \$25 million by the Development Loan Fund; and a \$50-million agreement with the U.S. Treasury. That same

**162. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, December 13, 1958—8 p.m.*

846. President Frondizi called me to Quinta Olivos noon today.

President said he attached great importance to forthcoming visit US and remarked he sincerely hoped it would bring about material strengthening of relations which he felt had been neglected for many years. Remarked particularly it seemed incredible that no Argentine President had previously visited US. He obviously convinced importance political alignment as well as strengthening economic relations with US. I told him our government was doing everything in its power to insure maximum value his visit for US-Argentine relations.

He asked whether I knew reason his refusal preinaugural invitation. I said probably one was heavy task involved in formation of Government. He said principal reason was his feeling that visit at that time would have made it impossible to do more than state courses of action contemplated and programs he hoped establish. Now he feels his moves in petroleum and power fields are concrete proof of policies adopted and in effect. Feels this will have more telling effect than mere statement plans and programs would have had then.

Said he believes strong probability now exists Argentina will be close to self-sufficiency in petroleum within three years. I said I believed Government and people in US conversant with Argentina affairs applauded his courage and his success so far in meeting two Argentina's principal economic problems.

He asked what other problems we in US viewed as important to Argentine recovery. I mentioned transportation as third area with which he thoroughly agreed but added that not only would rehabilitation of railways be expensive but problem also involves reduction excessive staff which plagues other government enterprises. I said that while railroads were of course important I was thinking of whole transport system including roads, waterways and air. He, particularly interested in air traffic, said Argentine airlines not able handle traffic and foreign lines needed. I reminded him of resolution 18 problem and discussions over possible bilateral pact.

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day, it was announced that the United States and the Government of Argentina had signed a \$17.7-million P.L. 480 loan agreement relating to the disposition of funds accumulated under an edible-oils sales agreement concluded in December 1955. For additional information on both accords, see Department of State *Bulletin*, January 19, 1959, pp. 105-107.

<sup>1</sup> Source: Department of State, Central Files, 735.11/12-1358. Confidential.

He told me he had devoted considerable attention to Communist activities and is now determined to take firm action against them. He said he and his advisors had considered possibility introduction legislation to curb subversive activities aimed at Communists and extremist Peronistas but believed passage would be difficult at present time and would certainly provoke extensive and perhaps bitter debate. He cited tumultuous session yesterday. He said he is now determined use state of siege law as legal base for anti-Communist action. That he said explains his insistence on obtaining legislative extension of state of siege. This was designed not to deal with immediate situation of labor unrest which he feels now reasonably quiet following firm government action but was necessary preliminary to both anti-Communist program and austerity program both of which he will launch in next few days. He said he expects complaints over belt tightening, believes that Communists and extreme Peronists will endeavor aggravate problem but appears confident he can deal with such contingency.

I said US would in my opinion welcome firm action by his Government to reduce or eliminate Communist influence since we felt it was in interests of Argentina and whole free world. I said that evidence of such determination if visible before his visit US would be another concrete asset which would be favorably viewed in US. He did not mention specification he intends take against Communists.

He said he was encouraged by reports from Washington over efforts of Del Carril in financial field, added that this would involve some changes re particular obligations but was optimistic over success mission of Aleman now en route Europe.<sup>2</sup>

**Timberlake**

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<sup>2</sup> Reference is presumably to Roberto T. Alemann, Financial Counselor of the Argentine Embassy in Washington. No additional information on Alemann's mission to Europe has been found.

**163. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, December 22, 1958—8 p.m.*

887. Frigerio invited me his house Sunday for private discussion Argentine problems and Argentine-US relations. In two hour meeting following principal points of interest: Frondizi Government firmly convinced Argentina should align itself publicly and squarely with US and free world in political and economic policy. Believes Government has shown faith in democratic process by acts already on record. Will continue efforts unite people Argentina divided and misled for twelve years under Peron but acknowledges it will be necessary prove democracy can produce tangible benefits without which such policy cannot prosper.

Said Communists will make every effort prevent success and will exploit grievances which will inevitably attend austerity program. Said Government intends take energetic measures against Communists.

In economic field said Government program designed achieve most rapid possible self sufficiency in oil and measurable improvement in electric power coal and steel production. Said confidently believes Pan-American contract alone (which is going forward faster than company agreed) expected produce one-third present YPF production by next June and should equal total YPF production in less than three years. Said Government deliberately sought contracts with smaller companies at outset to minimize calculated risk public opposition which would have been greater had big companies been involved that stage. Believes ground now prepared for important contracts with big companies. Links development power coal and iron with policy encourage development interior. Believes rural electrification and industrial development will encourage emigration from Buenos Aires.

Said Government policy is to "industrialize" agriculture and livestock production to achieve greater yield. Lamented backward state agriculture owing lack machinery. Indicated policy will not neglect agricultural development in favor of industrialization feeling they are complementary.

Said Government estimates excess workers in state-operated enterprises 45,000 will be dismissed. When remarked mass dismissals might create another problem said plan was to dismiss all such employees who have another job (this would embrace considerable num-

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<sup>1</sup> Source: Department of State, Central Files, 611.35/12-2258. Confidential; Priority. Also pouched to Rio de Janeiro.

ber). Plan is to dismiss them with benefits salary payments over twenty months from time of separation during which salaries would be reduced 5% per month. This would avoid economic distress and stimulate employees to find jobs with private enterprise.

Frigerio said Government frankly committed policy economic rehabilitation but speed with which program can be carried forward depends upon extent support and aid which US able and willing to give. Added that Frondizi determined balance budget and would be able do so.

I said that I felt sure US Government sympathetic Frondizi's objectives and would give friendly consideration any proposal. Added that if climate is right private industry would be interested and able do more eventually than government in providing capital goods and equipment. I also remarked that foreign investors always are encouraged invest abroad when domestic capital demonstrates its confidence in its own government and economy.

Frigerio feels time is important and that government must make it clear to its people that democracy can produce tangible results or there is real danger that forces opposed to democratic practices will obtain upper hand. Next three years are therefore vital. Said for better or worse Peronists are numerous have been nurtured on myth and educated in falsehood. Added however that these people believed they were better off under justicialism because they could not recognize that such well-being was possible only under a government with relatively large financial resources. Said this was hard fact and must be reckoned with since people are now going to be asked to do with even less. If measurable improvement under new policy too slow government could not retain broad enough support to ensure its stability.

Asked whether Frondizi should discuss problem in US remarking that such visits normally are protocol affairs and discussions might not be indicated.

I replied that such visits do not normally result in concrete announcements of financial programs since undesirable precedents would be created affecting all future visits. I said however believe President might appropriately discuss broad objectives and measures proposed to achieve them together with general outline areas in which he believes US might be helpful.

Frigerio requested frank opinion measures thus far taken and any suggestions I might be willing offer regarding problems ahead. After repeating more or less what I said to President Frondizi (Embtel 846 December 13)<sup>2</sup> I said two problems now outstanding which I believe should be adjusted and which I hoped could be done before President's departure. First was problem Resolution 18 and proposed new

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<sup>2</sup> Document 162.

regulation of civil aviation affecting regional traffic.<sup>3</sup> Told him present US position and said we hoped Resolution 18 could be lifted so far as applicability US carriers concerned and issuance proposed regulations be delayed until fair chance had been given negotiate satisfactory bilateral agreement. Frigerio requested memo on subject (which he appeared unfamiliar) and promised early attention. I am handing him unofficial memo today.<sup>4</sup>

Then called his attention longstanding packers' problem now made apparently worse by restrictions on non-Argentine packers which give Frigorifico Nacional obviously preferential treatment. Frigerio apparently well informed on problem said he recognized inequality treatment but that we might dismiss that problem since government had plans divest hotels entirely of ownership and management Frigorifico Nacional which would remove inequality automatically. I asked when such action might be expected to which he replied "prior departure President Frondizi".

**Timberlake**

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<sup>3</sup> In February 1958, Argentine aviation authorities issued Resolution 18, designed to limit nonregional foreign airlines with respect to the number of passengers and amount of cargo they could carry between Argentina and neighboring countries.

<sup>4</sup> Not found in Department of State files.

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**164. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, January 16, 1959.*

SUBJECT

Substantive Discussions with Argentine President Frondizi

*Discussion:*

As I indicated in my memorandum of January 8<sup>2</sup> on President Frondizi's state visit beginning January 20, there has been no official word from the Argentine Government that Frondizi desires to raise particular problems or engage in detailed discussions while here. In-

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1192. Confidential. Drafted by James F. O'Connor.

<sup>2</sup> Not printed. (*Ibid.*, ARA Files: Lot 61 D 386, President Arturo Frondizi's visit to the United States 1/1/59-1/14/59)



formal indications have been to the contrary and suggest that he views his trip to the United States as primarily protocolary in nature insofar as government-to-government relations are concerned. He is of course interested in contact with the American business community for reasons of investment-promotion, and his schedule has been drawn up with particular attention to that purpose. Following his visit to Washington, he will have opportunities to make his Government's economic views known, and to communicate with individual businessmen, in Chicago, Detroit, New York, and Miami.

President Frondizi will obviously be prepared, of course, to exchange general views with you and with President Eisenhower. In considering what topics might come up during your call on Frondizi at the President's Guest House at 10:00 a.m., January 21, I have given particular thought to the fact that U.S.-Argentine relations at the present time are primarily economic in nature, and that the Frondizi Government has solved, or put substantially on the way to solution, those economic problems which most concern us. These include Argentine petroleum and fiscal policy, compensation for the properties of the American and Foreign Power Company expropriated during the Perón era, the operating conditions of U.S. meatpacking interests, and Argentine discrimination against U.S. air carriers. While the last two matters have not yet been fully settled, I consider that they are far enough advanced toward solution to require no affirmative discussion on your part with President Frondizi about them. I believe that there is, in fact, a distinct political advantage to be gained from your forbearing to discuss Argentina's remaining economic delinquencies with Frondizi. Such forbearance would be a courtesy to him as a state visitor and would serve to demolish the myth, which is given currency in Argentina as elsewhere, that our foreign policy is primarily aimed at the protection of American business interests.

Assistant Secretary Mann and I will of course take appropriate opportunity to bring up these still-pending problems with the Argentine Minister of Foreign Relations and Minister of Economy, who are members of the visiting party.

I would suggest that the matters to be raised by you with the Argentine President during your meeting might be limited to four. In the first place, you might make congratulatory reference to the Frondizi Government's publicly announced decision to put its economic house in order in realistic terms. Argentina's efforts to help itself economically, along lines agreed upon by the Argentine authorities with the International Monetary Fund, made possible the recent extension of \$329 million in financial assistance by the Department of the Treasury, the Export-Import Bank, the Development Loan Fund, private U.S. banks, and the International Monetary Fund itself. Argentina's stand in this regard could well serve as a salutary example to

some other nations which continue to look to the United States to solve their economic problems for them. At the same time, your congratulations should probably be accompanied by some expression of hope that Argentina will find it possible to carry through the stabilization program upon which it has courageously embarked. It involves austerity for a hitherto easy-living nation and naturally poses political problems for Frondizi. There have already been some indications, although not serious ones, of a tendency to backslide. We of course want to cast any admonitions to Frondizi to carry through his program in terms of its being in Argentina's own interest to do so. Embassy Buenos Aires has reported that it is an expected tactic of the opponents of the Frondizi Government to play upon nationalistic sentiment by charging that Argentina was subjected to foreign pressure to take the steps which it has. It is therefore in our interest to emphasize, both publicly and to Frondizi, that we recognize his Government's economic decisions to have been its own, arrived at independently with the advice of the International Monetary Fund as an impartial technical organization.

In the second place, you will probably want to express the hope that Argentina will continue to support U.S. policy to the maximum extent possible in meeting the Communist challenge, both within its own borders and internationally. Its record in this regard has not been bad, but could be better. Given Argentina's geographical position and tradition of neutrality, the Soviet menace is not one which impinges on its national consciousness too forcefully. Incidentally, Mr. Allen Dulles of the Central Intelligence Agency is scheduled to call on President Frondizi at the President's Guest House at 4:00 p.m. on the same day as your meeting, and will presumably use the opportunity to treat the question of Communism in some detail.<sup>3</sup>

Thirdly, and in a related field, you may wish to make passing reference to the overlapping Mikoyan visit,<sup>4</sup> underlining that the Soviet Deputy Premier is self-invited and that the U.S. Government has taken steps to minimize its impact on the visit by Frondizi, who is President Eisenhower's special guest.

Finally, you may wish to use a portion of your time with the Argentine President to give him a summary of the current world situation. I believe that he would be appreciative of receiving your direct views in this regard. Our interest in the 1960 Law of Sea Conference could be mentioned.

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<sup>3</sup> No memorandum of this conversation has been found in Department of State files.

<sup>4</sup> Anastas Mikoyan, Soviet Deputy Premier, made an unofficial visit to the United States January 4-20.

The briefing book<sup>5</sup> being prepared for your use in connection with the Frondizi visit contains general background material and specific papers bearing on the two first topics referred to above, as well as on other aspects of U.S.-Argentine relations which would appear to be the most likely subjects for some reference by the Argentine President. These include: a possible bilateral military pact; Perón's activities directed against the Frondizi Government from the Dominican Republic; our surplus agricultural disposal program; Latin American regional economic matters, including "Operation Pan America" and the proposed inter-American development institution; U.S. technical cooperation with Argentina; the restrictions on the importation into the United States of fresh Argentine meat; and the Antarctic question. President Frondizi may also refer to the recently-announced financial assistance program, but probably only to express gratitude.

*Recommendation:*

That you limit the matters to be raised by you with President Frondizi during your meeting with him to congratulatory comment on recent Argentine economic steps, an expression of hope for Argentine cooperation in the anti-Communist field, comment on the Mikoyan visit, and a briefing on the current international situation; and leave the choice of other topics to the Argentine President.

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<sup>5</sup> A copy of the briefing book is in Department of State, Conference Files: Lot 64 D 560, CF 1192.

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**165. Editorial Note**

Between January 20 and 23, President Arturo Frondizi, accompanied by senior Argentine officials, paid a State visit to the United States. President Frondizi had conversations with President Eisenhower, Secretary Dulles, and other administration officials. During his visit, Frondizi addressed a joint meeting of Congress. For text of the address, see Department of State *Bulletin*, February 23, 1959, pages 280-283.

**166. Memorandum of a Conversation, Blair House, Washington, January 21, 1959, 10-11 a.m.<sup>1</sup>**

## SUBJECT

Conversation Between President Frondizi and Secretary Dulles

## PARTICIPANTS

President Frondizi of Argentina  
Mr. Dulles, Secretary of State  
Mr. R.R. Rubottom, Jr., Assistant Secretary for Inter-American Affairs  
Willard L. Beaulac, U.S. Ambassador to Argentina

The Secretary of State said that fortunately there were very few problems between Argentina and the United States and that he had no particular matter to take up with the President but he would be happy to hear any comment which the President might make concerning our relations.

The President referred to the progress made in Argentina in the economic field already. He said that the petroleum problem had been solved, the power problem had been substantially solved, and the problem of the meat packers will be solved by the issuance of decrees shortly.

There remain a few fields in which progress is needed—the field of hydroelectric power, particularly the Chocon project in Patagonia and the problem of steel.

Argentina will need additional credits from international organizations and from the United States Government. The hydroelectric and steel projects should be carried out by private interests but those interests of course will need long-term credits. Argentina's balance of payments does not permit liquidation of short-term obligations.

The Secretary expressed admiration of the measures already taken by the Frondizi Government in the economic field and his confidence that those measures and the measures to be taken will result in rapid development in Argentina. He expressed U.S. interest in cooperating in the process.

President Frondizi then indicated Argentina's desire to obtain armaments in the United States for the Argentine Navy, Air Force and Army. Mr. Rubottom recalled that there had been conversations concerning the transfer to Argentina of a submarine and Argentina had

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<sup>1</sup> Source: Department of State, Central Files, 735.11/1-2159. Confidential. Drafted by Beaulac. A more detailed memorandum of the conversation was prepared by Donald Barnes, Department of State interpreter for the Frondizi visit, at the request of President Frondizi for his personal use. (*Ibid.*, 611.35/3-459) In a memorandum to Bernbaum, March 4, O'Connor stated that Barnes' version provided greater detail than the "official version drafted by Ambassador Beaulac, but agrees with it." (*Ibid.*)

also been told that a number of modern jet planes which it desired were available to it. The difficulty, of course, as we recognized, was one of price. The subjects were still under discussion.

President Frondizi said he would like to point out that the Army as well as the Navy and Air Force requires armaments.

The Secretary, speaking philosophically and making clear that he was not addressing himself to the Argentine situation, with which he was unfamiliar, spoke of the desirability in his view of countries limiting their expenditures for armaments. Even the United States had great difficulty in paying for costly armaments.

President Frondizi said that Argentina had never been over armed, that what the armed services wanted in Argentina was to have a small amount of modern arms as a result of which they hoped that the size of the services and the cost of maintaining them could be reduced.

The President then urged prompt action by the four guarantors to bring about an ending to the Peru–Ecuador boundary dispute.<sup>2</sup> He said it was a reflection on the inter-American system that this dispute had not yet been settled and he saw no reason why such guarantors as the United States, Argentina, Brazil and Chile should not proceed to bring about a settlement. He mentioned in particular the excellent present attitude of Peru toward a settlement.

Mr. Rubottom referred to the conversations he had had with Foreign Minister Florit in which the Foreign Minister had referred to the excellent attitude now being shown by Peru and to recent bellicose statements by Ecuador. Mr. Rubottom recalled that great efforts had been made by the guarantors to bring about a settlement of this dispute which dates back to 1942. He thought we should bear in mind that whereas Peru, according to the Argentines, is showing an excellent attitude now, it has not always done so in the past when Ecuador has shown a disposition to settle. He pointed out the desirability of not giving the impression that we tend to favor one side against the other and that we must be sure to give a full hearing to Ecuador as well as to Peru. He thought we should continue to press for settlement and suggested that our Ambassador in Rio de Janeiro could be given new instructions to supplement his standing instructions to work to that end together with his colleagues of the other guarantor countries. Mr. Rubottom at the same time referred to problems in the way of settlement such as national pride.

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<sup>2</sup> The United States, Argentina, Brazil, and Chile, were Guarantors under the provisions of the Rio Protocol of 1942, which was negotiated to resolve existing boundary disputes between Ecuador and Peru. Certain disputes were resolved, but demarcation activities were suspended in 1949. For text of the Treaty of Peace, Friendship, and Boundaries Between Peru and Ecuador, signed at Rio de Janeiro (Rio Protocol), January 29, 1942, see 3 Bevans 700.

The Secretary expressed the hope that pride in the inter-American system could help to overcome the sentiment of nationalism and that a settlement could be reached promptly within the inter-American system.

The Secretary noted that President Frondizi had an engagement at eleven at the Argentine Embassy with his compatriots and said that he did not want to hold him further. He recalled that he would sit next to the President at dinner tonight and that they would have an opportunity at that time to talk about world affairs. He said, of course, that our Government was prepared to discuss any other aspects of Argentine-U.S. relations which might occur to Dr. Frondizi during his stay here.

Dr. Frondizi expressed his pleasure at the meeting. He emphasized that his Government would keep its word, that as he had said to our Ambassador in Argentina, "When I say yes I mean yes and when I say no I mean no." "Argentina's word is as good as its bond."

Dr. Frondizi expressed the opinion that Argentina would be "over the hump" economically in two years.

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**167. Memorandum of a Conversation, White House, Washington, January 22, 1959<sup>1</sup>**

**SUBJECT**

President Frondizi's Call on President Eisenhower

**PARTICIPANTS**

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|--|------------------------------|
| <i>Argentina</i>                         | <i>United States</i>         |
| President Arturo Frondizi                | President Eisenhower         |
| Foreign Minister Carlos A. Florit        | Secretary Dulles             |
| Minister of Economy Emelio D. del Carril | Assistant Secretary Rubottom |
| Ambassador César Barros Hurtado          | Ambassador Beaulac           |
|  | Chief of Protocol Buchanan   |

President Eisenhower invited President Frondizi to make any remarks he might want to make in addition to what he might already have told Secretary Dulles. He thought the President might want to emphasize certain points. President Frondizi repeated in summary form what he had told Secretary Dulles yesterday about Argentina's actions toward solving the problems of petroleum, coal and thermal

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<sup>1</sup> Source: Department of State, Central Files, 735.11/1-2259. Confidential. Drafted by Beaulac.

power. He repeated that Argentina would require additional credits for hydroelectric power and steel. He emphasized that Argentina wanted no credits for consumption purposes.

President Frondizi said that he had already talked with Mr. Black about hydroelectric power and that the International Bank was sending a mission to Argentina in February. He said he would appreciate any help from the United States Government in seeing that the Bank acted quickly in the case of Argentina.

President Eisenhower noted that the Bank was expert in such matters and that it would undoubtedly work promptly and efficiently. President Eisenhower asked if the hydroelectric sites were close to centers of consumption.

President Frondizi said that they were not—that they were in the South, in an area which was rich in coal, iron and petroleum.

President Eisenhower noted that the United States wanted to help Argentina in every field in which it could be helpful. Argentines were the same kind of people we were and the Argentine Government and President Frondizi stood for the same things that we stood for.

President Frondizi then referred briefly to Argentina's desire for arms. He said Argentina was a pacific country but needed a certain amount of arms for security.

President Eisenhower noted that in the absence of a bilateral military agreement no grant aid could be given. Of course our Government would seek to sell whatever might be available at the best possible prices. President Eisenhower emphasized that he did not want to be negative; that he was just pointing out possible avenues.

Secretary Dulles pointed out that certain negotiations were going on already concerning armaments.

President Frondizi indicated that the arms discussions would be continued by the Argentine Ambassador in Washington.

President Frondizi then referred to the Ecuador-Peru boundary dispute and the desirability of the Guarantors' working together to end it quickly.

President Eisenhower remarked that there was no question about our willingness to help. He asked whether President Frondizi had any ideas about how to help.

President Frondizi said that up to now Peru has insisted that any solution must be reached through strict application of the treaty. Now it is willing to talk about other possibilities.

All persons agreed that solution of the Ecuador-Peru boundary dispute would be a great thing for the continent.

Mr. Rubottom said that he thought President Eisenhower would like to hear that conversations looking into implementation of the technical assistance agreement between Argentina and the United States are well advanced under the personal direction of President

Fronzizi. Argentina has expressed a willingness to commit all the PL-480 funds available to it in support of projects in such fields as meat production, education, and atomic energy.

Secretary Dulles said he wanted to tell President Frondizi that Ambassador Barros had the full confidence of the United States Government. He made additional complimentary remarks about the Ambassador.

President Eisenhower said he wanted to assure President Frondizi that we were watching very sympathetically the progress being made in Argentina and that we admired the courage and leadership which President Frondizi was showing. We were anxious to do everything we could to help. We would be careful in our public statements concerning what was going on because we did not want to embarrass the President by inept public praise, but he should know that we were with him and always anxious to help.

President Frondizi expressed great appreciation of the Secretary's remarks about Ambassador Barros. He said that Argentina would continue to cooperate in the field of technical cooperation and with reference to other matters. He hoped that the technical cooperation program could be implemented rapidly. He referred in complimentary terms to the work of the American Ambassador in Buenos Aires. He noted that he and the Ambassador had begun to discuss United States-Argentine problems even before he assumed office and that he had told the Ambassador that if they could not settle these problems they should both quit.

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**168. Memorandum of a Conversation Between the Assistant Secretary of State for Inter-American Affairs (Rubottom) and the Under Secretary of State for Economic Affairs (Dillon), Department of State, Washington, January 29, 1959<sup>1</sup>**

**SUBJECT**

Loan to Argentina for Military Equipment

Mr. Rubottom said that he wanted to tell Mr. Dillon about a very private talk with the Argentines on the matter of military equipment.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Rubottom Files: Lot 61 D 279, Argentina 1959. Secret. Drafted by Elizabeth Beers, Bureau of Inter-American Affairs.

<sup>2</sup> See Document 166.



He said that President Frondizi had mentioned the matter to the Secretary when he called on him at Blair House, and then had talked to the President about it.<sup>3</sup> The President had called in Mr. Rubottom with the Secretary after Frondizi left and Mr. Rubottom had given the President an oral outline on it.<sup>4</sup>

Mr. Rubottom said that the Argentines want to get loans for equipment for their armed forces totaling a minimum of ten million dollars. They have indicated they cannot handle the loan on a three-year credit basis, but might start payment in two years if they could then make repayment over a period of three years, or a total of five years. Mr. Rubottom said he would like to have Mr. Dillon's opinion of possibilities because he was certain President Frondizi would raise the matter when he saw Mr. Rubottom at the *Reader's Digest* dinner.

Mr. Dillon said that it is perfectly possible that a loan could be made in that manner, although legally the funds would be lost if the loan were not covered within a period of three years, since when they are paid back, the funds go to the Treasury rather than the fund.

[1 paragraph (3 lines of source text) not declassified]

Mr. Dillon asked what our Defense people think, and Mr. Rubottom replied that they believe the Argentina Army is the best in Latin America and they would like to have something worked out. However, he did not think they were interested in pushing them into a MDAP agreement. He said that we do not want any agreements tied in with the visit anyway, for political reasons.

Mr. Rubottom concluded that he would not make any commitment, but would tell President Frondizi that his last talks on the subject have opened up more possibilities than had appeared before. He said he thought it might be vital to the security interests of the United States, as well as of Argentina, which has [less than 1 line of source text not declassified] communist elements to contend with.

Mr. Dillon agreed.

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<sup>3</sup> See *supra*.

<sup>4</sup> No record of this meeting has been found in Department of State files.

169. **Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Under Secretary of State for Economic Affairs (Dillon)**<sup>1</sup>

Washington, February 4, 1959.

SUBJECT

Military Equipment for Argentina on Credit

*Discussion:*

I refer to our conversation of January 29,<sup>2</sup> in which I informed you, in general terms, of the interest of President Frondizi of Argentina in obtaining military equipment for anti-subversive control purposes under credit arrangements within Argentina's capacity to handle in its present straitened economic circumstances. President Frondizi's emissaries have had frank and detailed exploratory discussions with officials in the Bureau and in the Department of Defense on this subject. Since our conversation one of these emissaries has made a personal report of these discussions to Frondizi and informed us of the latter's reaction.

Although the Argentine President and his military advisors had been hoping to obtain five-year credit terms, they are prepared, if there is no alternative, to limit their request to the standard three-year credit arrangement, provided that its impact can be minimized by deferring the bulk of the payment to the third and final year of this period. The Argentine Ministry of the Army is in a position to make a down payment of \$500 thousand, which would represent 10 percent of \$5 million worth of equipment, principally surplus tanks and trucks, which the Department of Defense has informally indicated would be available upon application and which the Argentine authorities view as the practical minimum contribution to the obtaining of increased ground mobility by their military forces.

I mentioned a total figure of \$10 million in equipment is the realistic Argentine goal in my conversation of January 29. The balance would be taken up by a purchase by the Argentine Air Force of 28 F-86F jet airplanes, with spare parts and equipment, at a total cost of approximately \$4.5 million. A formal offer in this regard was made by the Department of Defense to the Argentine Embassy on January 15. While recent conversations have focused on the Army items and their possible financing, similar purchase arrangements would clearly be necessary and acceptable from the Argentine point of view in securing

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<sup>1</sup> Source: Department of State, Central Files, 735.5-MSP/2-459. Secret. Drafted by James F. O'Connor.

<sup>2</sup> Apparent reference to the conversation reported *supra*.

this Air Force equipment to modernize the superannuated Argentine military air arm to meet current training and stand-by domestic tactical requirements.

It is my impression that the sale of these planes and of the Army equipment would probably have to be accomplished by use of MAP funds under the provisions of Section 103c of the Mutual Security Act, as amended,<sup>3</sup> but the possibility of the Air Force's being able to handle the sale of the planes on a loan basis under the provisions of Section 106, should be investigated.<sup>4</sup>

As you are aware, the Frondizi Government has shown a large measure of political courage in taking bold steps which coincide with U.S. foreign economic objectives. Its promotion of private enterprise and foreign capital investment and its adoption of a financial stabilization program have encouraged Peronist, Communist, and other anti-American groups to align themselves against the Frondizi program. The tactics employed by these destructive forces have included the calling of strikes in strategic industries, attempts to mount a general strike, street demonstrations, and rioting. The Government has countered by taking vigorous action to control the situation. Emergency powers have been voted the Executive by the Congress, strikers have been mobilized in some instances, and strike leaders and agitators who have flouted legal restrictions have been jailed. The Government has been assisted in its efforts to dominate the situation by clear voting control in the Congress and, most importantly, by the affirmative support of the Armed Forces, whose present orientation is democratic and anti-Peronist.

The Argentine Army, which continues to play a key role in maintaining political stability and counteracting subversive movements, has understandable professional aspirations to achieve some degree of modernization. It recognizes with a sense of responsibility, however, that there is no external military threat to justify a major build-up in its potential, and that Argentina's present economic situation does not permit substantial military expenditures. The Army consequently prefers to concentrate on the more modest and practical goal of achieving greater capacity for anti-subversive-control activity by organizing small but highly mobile striking forces and locating them strategically throughout the country. Such units would need tanks and improved truck transportation to achieve true effectiveness. It is my understanding that the Department of Defense can make tanks available from excess at reduced prices and that possibly other excess items may be

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<sup>3</sup> For text of the amended Section 103c of the Mutual Security Act of 1954, see 71 Stat. 355.

<sup>4</sup> For text of Section 106 of the same act, see 68 Stat. 836.

found when a detailed pricing and availability study is made on the basis of a specific Argentine request. Thus a basic program could be carried through at comparatively small cost.

President Frondizi endorses the obtaining of this equipment, and during his recent visit asked our cooperation in supplying it.

Although planes for the Air Force are not as directly related to the actual operation of an anti-subversion program as is the Army equipment, there are psychological and political factors to be taken into account. Improvement in the capabilities of the Argentine Air Force can be expected both to act as a general deterrent to physical moves by subversive elements and to maintain morale in the Air Force. Continued firm support of the Frondizi Government by all their Argentine services is highly important. Since the Argentine Navy has obtained an aircraft carrier from Great Britain and has been offered three vessels (two submarines and a destroyer) on a loan basis by the United States Navy, the needs of the Argentine Army and Air Force would appear to deserve priority.

I am of course aware of the obstacles to providing military equipment to Argentina at this particular time on credit terms that deviate somewhat from standard practices regarding loans to Latin American countries, and I have been apprised of the well-reasoned views of W/ MSC in this regard. There is more at stake for the United States in the Argentine situation, however, than the mere obliging of the Argentine military, and I believe that due weight should be given to this circumstance. Argentina has not, of course, been a recipient of any large measure of military cooperation from the United States because of past political considerations and the absence of a bilateral military agreement. Negotiation of such an agreement continues to be politically difficult for Argentina, and might in part be embarrassing to us, too, from the financial point of view, at this time. The sale of a reasonable amount of military equipment on easy terms is a practical alternative. The amount sought by Argentina is quite modern in terms of that nation's comparative importance and the extent of our cooperation in the military field with other nations, including Latin American nations.

You are aware of the resounding success which attended President Frondizi's recent visit here. This success should be exploited. The constructive policies adopted by the Frondizi Government have had a substantial impact on Argentina's hitherto statist economic orientation and on the course of U.S.-Argentine relations. The realistic approach to solution of present economic difficulties in Argentina taken by the Frondizi Administration has not only provided a basis for close and practical cooperation between the two Governments, but has also provided the United States with an example which it can fruitfully use in supporting the thesis of national self-help in its economic dealings with the other nations of Latin America. The favorable publicity ob-

tained by Frondizi and his administration during the course of his recent highly successful visit here enhances this opportunity. The United States has a hemispheric as well as bilateral stake in contributing to the success of the present Government in Argentina. Insofar as provision of reasonable military assistance on terms within Argentina's capabilities advances this, it would appear to be clearly in U.S. interest to provide that assistance.

*Recommendation:*

It is requested that you take the foregoing considerations into account in giving approval in principle to the proposal to make approximately \$10 million in equipment available on special three-year credit terms to the Argentine Army and Air Force. Given such approval, further discussions would be held with Argentine officials to iron out details preparatory to the making of a formal request by the Frondizi Government for the equipment sought.<sup>5</sup>

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<sup>5</sup> In a February 9 memorandum attached to the source text, Charles S. Whitehouse wrote to Bernbaum:

"I am returning this memorandum on military equipment for the Argentine. You will recall that I told you on the telephone Saturday that Mr. Dillon did not think this justification was adequate and urged that you discuss this problem with W/MSC, Mr. Bell, in order to ascertain what would have to be done to have such a program." (Department of State, Central Files, 735.5-MSP/2-459)

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**170. Memorandum of a Conversation Between the Director of the Office of East Coast Affairs (Bernbaum) and the Argentine Ambassador (Barros Hurtado), Department of State, Washington, February 17, 1959<sup>1</sup>**

SUBJECT

President Frondizi's Request for Military Items on Credit

Ambassador Barros raised the subject while we were waiting for a meeting with Mr. Rubottom.<sup>2</sup> He stated that he had been asked by President Frondizi immediately prior to the latter's departure from Miami to follow up on the President's request of President Eisenhower and Secretary Dulles for U.S. assistance in the acquisition of arms for the Argentine armed services. The Ambassador had expected to re-

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<sup>1</sup> Source: Department of State, Central Files, 735.56/2-1759. Confidential. Drafted by Bernbaum.

<sup>2</sup> No memorandum of this meeting has been found in Department of State files.

ceive a letter from the President on this subject prior to this meeting but that it had not appeared. Pending the receipt of this letter he wanted us to know that he and the President looked upon this as a problem of the highest priority and were hopeful of a decision by the U.S. Government in the very near future.

I told the Ambassador that the Department had been working intensively on this matter. Everybody concerned was very well aware of President Frondizi's interest and accordingly desirous of expediting matters to the extent possible. Our great problem was the very serious budgetary stringency for military equipment. As it looked today, there was no money available for credit sales during the current fiscal year ending in June. It might be possible to squeeze out a limited amount of money for the following fiscal year commencing July 1, but it was not at all certain that this could be done. We were working on the matter and would inform him as soon as some kind of decision could be reached.

I referred to a conversation with Admiral Robbio regarding the rehabilitation of the two submarines and one destroyer allocated to Argentina under the ship loan bill.<sup>3</sup> I stated that I wanted to rectify some of the information I had given to Admiral Robbio regarding the remote possibility of grant aid for the rehabilitation of the vessels. Although it had been found possible to include Argentina in the ship loan bill despite the absence of a bilateral military pact, it would not be possible to include Argentina in grant aid for rehabilitation because of the absence of such a pact. It was therefore all the more desirable for us to seek ways and means of minimizing the cost of rehabilitation to the Argentine Government. The most promising method already discussed with Admiral Robbio involved minimum rehabilitation sufficient for the vessels to get to Argentina under their own power where rehabilitation could be completed. This, in the case of the two submarines, would cost about \$1,200,000 as compared with complete rehabilitation at a cost of \$4,600,000. I stated that Admiral Briggs was in the process of consulting with members of the Congressional committees which had passed on the bill to make certain that such minimum rehabilitation would not be in violation of the enabling legislation.

Ambassador Barros had already been informed by Admiral Robbio of this matter and expressed the hope that it would be possible to work out minimum rehabilitation. He also expressed the hope that credit facilities could be made available for this as well as air force and army equipment. He expressed understanding of the possible necessity for waiting until fiscal year 1960 but emphasized the great impor-

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<sup>3</sup> Apparent reference to the Ship Loan Act (P.L. 85-532), approved July 18, 1958, authorizing the transfer of naval vessels to friendly foreign countries; for text, see 72 Stat. 376.

tance of informing him at the earliest possible moment of our decision in principle that the arms could be furnished on credit at a later date. He hoped that this could be done prior to March 2 when he is to depart on visits to Brazil and Argentina. He emphasized that he was under constant pressure from the President who was in turn under constant pressure from the leaders of the armed services. He remarked that the President had very deliberately minimized the request made of the United States for two reasons: (1) to make it easier for us to extend the assistance and (2) to avoid charges in Argentina that the Government was wasting money for military equipment at a time when it needed the money for economic purposes. I told him that restriction of the aid level requested by President Frondizi had been most helpful to us since a greater request for credit would have far less chance of success than the one already presented.

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**171. Letter From the Under Secretary of State for Economic Affairs (Dillon) to the Assistant Secretary of Defense for International Security Affairs (Irwin)<sup>1</sup>**

*Washington, March 6, 1959.*

DEAR MR. IRWIN: The enclosed memorandum<sup>2</sup> indicates my general concurrence in a military assistance program for Argentina, which has been recommended to me by Assistant Secretary Rubottom.

As you know, discussions have taken place between Argentina officials and our Departments concerning Argentina's desire to make military purchases on credit from the United States. Notably, the subject was raised with President Eisenhower by President Frondizi during his recent visit.

I have concluded that a modest military assistance program for Argentina is required to meet the following objectives:

1. To lend support to President Frondizi and the policies which he is pursuing;
2. To assist in meeting the needs of the Argentine armed forces, whose backing is an important factor in the degree of success which the present government's programs are likely to achieve; and

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<sup>1</sup> Source: Department of State, Central Files, 735.5–MSP/3–659. Secret. Drafted on March 4 by Robert L. Burns and Seymour Weiss, Office of the Special Assistant for Mutual Security Coordination, and cleared by Bell.

<sup>2</sup> The memorandum from Dillon to Rubottom was not found attached and has not been found in Department of State files.

3. To preclude Argentina from procuring arms from other sources in amounts which might be substantially greater than we are prepared to supply and therefore more likely to be disruptive of the economic program of the country to which the U.S. is contributing large resources.

This last objective, coupled with the limitation on our aid availabilities, makes it necessary that in proceeding with any assistance program both the Argentines and ourselves have clearly in mind the limited metes and bounds of U.S. aid which the achievement of our over-all objectives in Argentina require. In light of the fact that this limited program will clearly not satisfy the desires of Argentine military authorities every effort must be made by all U.S. representatives to discourage any further program and any more ambitious military planning beyond that implicit in the U.S. credit program.

It is highly desirable that some deliveries be made in FY 1960 to all three Argentine services. I believe that this requirement could be accomplished by programming FY 1959 credit funds limited to repair and rehabilitation costs with the remainder of the requirement being funded in FY 1960.

I would appreciate receiving your comments and views with regard to the foregoing proposal. I would hope, however, that we could move forward rapidly to implement the limited program described and therefore request the preparation of a specific military assistance program by the Department of Defense consistent with the achievement of the foregoing objectives. I am prepared to arrange for the necessary 1550 Determination<sup>3</sup> and National Advisory Council advice upon receiving your program proposals.

Sincerely yours,<sup>4</sup>

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<sup>3</sup> Reference is to the Presidential determination required before the United States entered into any promise or commitment involving future expenditures of U.S. funds for foreign assistance.

<sup>4</sup> Printed from an unsigned copy.



**172. Telegram From the Department of State to the Embassy in Argentina<sup>1</sup>**

*Washington, March 13, 1959—6:08 p.m.*

1077. 1. Following discussion in principle to accede to Argentine request for extension of credit for purchases of military equipment, Department has requested preparation by Defense of military assistance program which meets, inter alia, following criteria:

- a. entire program on credit basis;
- b. total program not to exceed \$10 million and to extend over period FY 59 and FY 60.

2. FYI. This limited program being formulated with clear understanding that over-all objectives of U.S. in Argentina, particularly in economic sphere where U.S. already contributing large resources, coupled with U.S. aid stringencies, will require that every effort be made by all U.S. representatives to discourage any additional program or more ambitious military planning beyond that implicit in U.S. credit program, which is premised primarily on meeting political and economic objectives rather than being based on meeting recognized military requirements. End FYI.

3. Washington interagency agreement of details of U.S. offer now in process of being coordinated with NAC, Defense, etc. While Department orally informed Barros Hurtado that it prepared to accede to Argentine request, until specific instructions are forwarded confirming full interagency coordination and details are provided covering timing and conditions of repayment schedule, you should restrict your discussions to basic points noted in paragraph 1 above. At your discretion you may also suggest to Foreign Ministry that Argentina should review their requirements for Army, Navy and Air Force equipment in anticipation of subsequent discussions and specifically with view to tailoring programs either previously requested or discussed with U.S. officials to \$10 million availability.<sup>2</sup>

**Herter**

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<sup>1</sup> Source: Department of State, Central Files, 735.5–MSP/3–1359. Secret; Limited Distribution. Drafted by Burns and initialed by Bernbaum.

<sup>2</sup> On April 2, Beaulac informed the Department that he had spoken with the Argentine Foreign Minister about the \$10 million program. According to Beaulac, the Foreign Minister indicated that he had received similar information from the Argentine Ambassador in Washington. (Telegram 1404 from Buenos Aires, April 2; *ibid.*, 735.5–MSP/4–259)

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**173. Memorandum of a Conversation, Department of State,  
Washington, March 30, 1959<sup>1</sup>**

## SUBJECT

- 1) Military Equipment
- 2) Public Law 480

## PARTICIPANTS

Argentine Ambassador Barros Hurtado  
Assistant Secretary Rubottom  
Clarence A. Boonstra, Director, EST  
James F. O'Connor, Jr., EST/A

Ambassador Barros monopolized the conversation. He first expressed concern over the situation which had developed in connection with the desire of the three Argentine armed services to obtain military equipment and services at reduced prices and on special credit terms. He referred to the fact that he had been told by former EST Director Bernbaum just prior to his (Barros') departure from Washington at the beginning of March that the meeting of Argentine military desires in these regards had been approved in principle, and that he had so reported during consultation discussions in Buenos Aires. He had at the time of his departure, he continued, known the details of the assistance requested by the Argentine Navy and the Argentine Air Force, but had been in ignorance of the proposal made by the Argentine Army, since this had been handled by special emissaries. The approval in principle had not been stated to him in terms of any specific financial limitation, and he had conveyed this approval in Buenos Aires in general terms. He was now distressed to learn that there was apparently an overall ceiling of approximately \$10 million on U.S. assistance for all three Argentine services, since the assumptions of the three arms totalled twice this figure. According to his information, the Argentine Army expected assistance in the neighborhood of \$10 million and the Argentine Air Force was thinking in terms of about \$9 million, while the Argentine Navy's interest in basic rehabilitation of two submarines involved the comparatively modest sum of \$1.2 million.

Ambassador Barros commented that the Navy situation was uncomplicated and appeared to present no real problems. There was agreement with this. The Ambassador then went on to discuss the cases of the two other services.

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<sup>1</sup> Source: Department of State, Central Files, 735.56/3-3059. Confidential. Drafted by O'Connor.

He reiterated that he had been by-passed in the case of the Argentine Army approach for assistance made here during the Frondizi visit by the Vice Chief of the Army General Staff, Colonel Rosas, and the head of the North and Central American section of the Foreign Office, Ambassador Gallac. He said that he had raised with Frondizi the question of the mission of these two emissaries, that Frondizi had offered to send them back to Buenos Aires if he found their presence inconvenient, but that he had not insisted on this. (Note: On an earlier occasion Barros stated to a Department officer that Frondizi had told him that Rosas and Gallac had been added to the group traveling to Washington with him after they had persuaded him at virtually the last minute to authorize their special mission.) Barros said that the former Argentine Army Attaché here, General Bonnacarrere, had likewise been by-passed, but that his successor, Colonel Uriburu, recently arrived in Washington with a detailed list of equipment which the Argentine Army hoped to obtain which in itself approached \$10 million.

Mr. Rubottom indicated appreciation of the problem created by the independent Argentine Army approach, but went on to say that the Department had no real choice but to receive the confidential emissaries following President Frondizi's appeal for assistance for the Argentine Army in his conversations with the Secretary and President Eisenhower, Ambassador Barros replied that he had been present and that Frondizi had couched his approach for military assistance in terms of the Argentine armed forces as a whole, and not specifically of the Army. There was some inconclusive discussion of this point.

In turning to the case of the Air Force, Ambassador Barros emphasized that its need for assistance was critical. He referred to the fact that Air Force needs and desires had been the subject of formal approaches to the Department in diplomatic notes. He said that the basic Air Force request has been for 28 F-86 planes with spare parts sufficient for five years, and that he could not but interpret the approval in principle to satisfy Air Force aspirations as based on this five-year requirement, which could not be met within the overall ceiling now revealed for the three services. The nature of the letter of offer in the amount of approximately \$4.4 million made to the Argentine Air Attaché by the Department of Defense on January 15 was discussed. The Ambassador maintained that this included spare parts for one year only, but that the U.S. commitment for assistance must be taken to cover the provision of spare parts for five years, since that was what had been requested and what the Argentine Air Force found necessary.

The Ambassador came back again to the fact he had reported U.S. approval in principle of Argentine military assistance desires in Buenos Aires without knowledge of any financial ceiling for all three

services and without knowledge of the specific Argentine Army proposal. He referred to the unfavorable effect which knowledge of U.S. retreat from what he considered to be our commitment could have within Argentine military circles.

Mr. Rubottom stated that we had been doing our very best to satisfy the Argentine request for quite special consideration in the military field, that we had given priority and concentrated attention to this subject, and indicated that we might have grounds on our part for dissatisfaction if these efforts were now thus received. He pointed out to the Ambassador that there was need for overall Argentine Government consideration of the problem if available U.S. funds would not satisfy the needs of all three Argentine services. He asked the Ambassador if he could not discuss this situation jointly with his three service attachés. The Ambassador replied that the service attachés would not be amenable to any such joint discussion of their individual needs.

There was agreement that the factual background of this matter had to be checked as a prerequisite to any further consideration, and Mr. O'Connor undertook to do this.

Ambassador Barros then turned to the matter of the exploratory approach being made to the Department of Agriculture by an official of the Argentine Secretariat (Ministry) of Agriculture, Ing. Roberto Risso Patron, to obtain surplus agricultural commodities under Public Law 480. He repeated what he had told Mr. Rubottom over the telephone the previous day: that he had received a long-distance telephone call from President Frondizi on March 27 in which Frondizi had expressed disappointment with the limited degree of acceptance accorded Risso Patron's presentation in the face of the importance of this matter to the Argentine Government in meeting the problems posed by its stabilization program. Mr. Rubottom said that was an unexpected development, since our Embassy in Buenos Aires had been careful to point out to Argentine officials that no assurances whatsoever could be given as to the outcome of Risso Patron's trip. He added that he himself had been pessimistic as to what might be accomplished by the mission and as to the advisability of its being undertaken in this fashion, since there were legislative limitations on operation of the Public Law 480 program. There was discussion of the present status of Risso Patron's talks and the prospects for PL 480 acquisitions by Argentina. It was pointed out that there was a distinct obstacle in the form of the price differential in the case of wheat and corn, but that there was a possibility of working something out in the case of edible oils, rice, and forage seeds. Mr. Boonstra pointed out that one complication was that Risso Patron's presentation had been a quite abstract one and that the Department of Agriculture needed concrete figures and propositions to enable it to give consideration to Argentine desires.

Ambassador Barros said that he would like to bring Risso Patron in to explain his ideas to Mr. Rubottom later in the week. Mr. O'Connor said that we had a copy of the written presentation which Risso Patron had brought with him. The Ambassador indicated that this was not to be taken as a definitive document and that there was more to be said.

In leaving, the Ambassador said that Frondizi had indicated annoyance to him over the expression of surprise by U.S. officials to Risso Patron that Argentina should have undertaken to lend 100,000 tons of wheat to Uruguay concurrently with its approach for PL 480 assistance. Barros reported Frondizi as having said that this was a necessary political gesture to Uruguay which should not affect its approach to the U.S.

In accompanying the Ambassador out of the Department, Mr. Boonstra emphasized to him importance of Risso Patron's having concrete information and proposals to present in future discussions. As he left the building Barros commented once again to Mr. O'Connor that he had been embarrassed by carrying to Buenos Aires the U.S. agreement in principle to assist Argentina in obtaining military equipment without knowledge of the overall financial limitation involved.

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**174. Memorandum From the Officer in Charge of Argentine Affairs (O'Connor) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, April 6, 1959.*

SUBJECT

Argentine Over-Expectations of Military Assistance

*Discussion:*

Summaries of my discussions with the three Argentine service attachés on their respective arms' military assistance expectations are contained in the attached memorandum.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 735.5-MSP/4-659. Confidential. Sent through Boonstra.

<sup>2</sup> Not found attached; a copy is *ibid.*, 735.5-MSP/4-359.

The Argentine Navy has pretty much stuck to its guns in maintaining its request for \$1.2 million credit for basic rehabilitation of two submarines under the Ship Loan Bill without insisting on more—although it would, as is only natural, welcome additional assistance.

The Argentine Air Force wants 28 jet planes with equipment and spare parts for *five* years, estimated cost approximately \$8 million, plus, as a new and additional item, bombs and rockets to the value of \$1 million more—total \$9 million. They have been offered 28 planes with equipment and spare parts for *one* year, estimated cost \$4.4 million. We used the latter figure in working out a bare-bones program on the expedited basis sought by Barros Hurtado. There appear to be grounds for a legitimate misunderstanding as to how many years' spare parts were included within the approval in principle of satisfaction of AAF desires. The Air Attaché himself has contributed to this by attempting to accept conditionally the offer including one year's parts without firm specification to Defense of the insistence upon five years' parts which is now being made to us. His explanation is that he interpreted the precise number of years so spare parts to be obtained as subject to routine military negotiation during which the necessity of operational planning over a five-year period would be obvious and recognized. Without any imputation of bad faith, my judgment is that the AAF has used the tactic of indicating acceptance of what it could clearly obtain, with the intention of going on from there to urge a logical expansion to permit greater forward planning. The \$1 million worth of bombs and rockets are clearly outside of any commitment of ours, however. Since I was attempting to avoid substantive discussions of the merits of Argentine military desires, I did not ask for any explanation of this addition during my talk with the Air Attaché. One clue may be provided by his statement that he thought the \$10 million ceiling figure was for the Navy and the Air Force. Since the Navy request was a modest \$1.2 million, the Air Force may have decided to attempt to fill a financial void by raising its own sights to the approximate \$9 million which it thought it might obtain.

The Argentine Army appears simply to have increased its appetite, perhaps because it was genuinely unable to come up with a real list of necessities on short notice at the outset, or perhaps because it now thinks that it just agreed to too little at the time. The initial fantastic Argentine Army desires were trimmed to a sensible \$5 million, intended to be primarily for surplus tanks and trucks to enable the Army to gain increased mobility for flash anti-subversive action. According to Gallac's inquiry at the time, Frondizi indicated the acceptability of this level of assistance. The Argentine Army now wants 1,000 trucks (seemingly an extreme number for shock-troop use) but no tanks, truck maintenance equipment (logical), artillery shells (not anti-subversive material), and equipment for a parachute company

(squarely in the shock-troop field, provided planes are also available). If prices are reduced, the Army would also like to include communications equipment (anti-subversive) and engineer equipment (clearly not anti-subversive). My analysis is that the spread of desired equipment has been dictated by the demands of individual branches within the Argentine Army once it appeared that some U.S. assistance was forthcoming. Whether the initial intimate pitch to us on anti-subversion control was sincere and intra-service wrangling thereafter caused changes, or whether that pitch was designed merely as the best means of getting a foot in the military-assistance door, I cannot of course say. In any case it could be deduced that the Army has not played quite fair with us.

"Morally," then, the Argentine services would appear to deserve ranking in this matter in the following descending order: Navy, Air Force, Army.

It is my impression that the Joint Chiefs of Staff would rate them, from the point of view of potential contribution to U.S. hemisphere defense plans and objectives, in this order: Navy, Air Force, Army.

On the other hand, I would judge that current political and disorder-control importance in Argentina to be just the reverse: Army, Air Force, Navy.

I furnish the preceding ranking estimates as of background interest only, since I do not think that the U.S. is in a position to apply them to any attempted solution of the problem presented by present Argentine overexpectations in the military assistance field. We should not be placed in the sensitive position of doing any choosing between and among the Argentine armed services, particularly since the non-availability of funds to meet all their desires is known to each of them. Service rivalries for shares of the U.S. military assistance dollar is something for the Argentine Government to solve, with our participation limited to passing on the military practicability of specifically-proposed programs of assistance.

*Recommendation:*

I would accordingly recommend that either you or, if you do not have time, Mr. Snow and/or Mr. Boonstra call in Barros Hurtado in the next day or so to explain the situation to him in the light of the information contained in this memorandum and its attachment, and to plant the idea that this problem is one to which the Argentines themselves hold the solution. Barros would almost certainly resist the direct suggestion that he straighten matters out by sitting down with his service attachés, afraid as he is of antagonizing them in any way. However, informing him that we cannot move further on the military

assistance "package" until Argentine expanded desires are squared with good-faith U.S. financial availabilities should serve the same purpose.

In developing the discussion with Barros, reference to the following might be made:

U.S. military assistance funds are limited.

We made special effort to be helpful to Argentina, even though there are economic arguments against aiding military purchases at this time.

This included cutting corners, expediting, doing things informally in order to meet Barros' request for decision to take back to Buenos Aires. Only one service (Air Force) has yet put request on paper in line with standard procedure.

Now we find ourselves subjected to pressure on alleged commitments for assistance which Argentine services have been loath to request directly. This is unfair. Hazinez in situation is attributable to Argentines' own method of approach.

Beyond question of difference in interpretation in case of number of years' spare parts to be furnished to Air Force with jet planes (on which Air Attaché has failed to take clear-cut stand with Defense), Air Force is now including in desires bombs and rockets clearly not within purview of basic request, and Army has simply increased its sights with apparent shift to ground on which initial approach made.

Under these circumstances, there are grounds for wondering if advantage is not being taken of our good faith.

We realize sensitivity of Argentine Government's deciding which service can have what, but it is clearly more their problem to solve than ours. Ambassador Beaulac has already indicated to Foreign Minister Florit that some scaling down of requests is indicated.

The sooner some agreed Argentine position is reached, the sooner the matter of implementing the agreement in principle can proceed. We obviously cannot proceed to deal with any one Argentine service under present circumstances.

We would like to have an omnibus note covering all Argentine military aspirations within our current financial limitations as soon as possible.

We could of course scrap the current approval in principle and begin all over again, but there is little likelihood that Argentina could expect any more assistance under present conditions, and further time would be consumed.



**175. Memorandum of a Conversation, Department of State,  
Washington, April 7, 1959<sup>1</sup>**

SUBJECT

Argentine Military Assistance Desires

PARTICIPANTS:

Argentine Ambassador César Barros Hurtado

Assistant Secretary Rubottom

Mr. Clarence A. Boonstra, Director, Office of East Coast Affairs

Mr. James F. O'Connor, Jr., Officer in Charge, Argentine Affairs

Mr. Rubottom began by saying that he thought some progress had been made toward clarification of military assistance situation. Mr. O'Connor had interviewed all three Argentine service attachés. This had revealed that the Argentine Navy remained consistent in its aspirations, but there was an indication that the Argentine Air Force was shifting its ground somewhat. The Argentine Army now had an expanded list of requirements. With regard to the reception of the special emissaries for Army assistance, the Ambassador would appreciate that President Frondizi had indicated an interest in his talk with the Secretary in Army assistance and that the Department consequently had no choice but to receive them. (Barros indicated his understanding on this point.) We wanted to be as helpful as possible in meeting Argentina's military needs, but required help in turn from the Argentine Government. The fact was that at this point there were no funds potentially available beyond the Argentine armed forces in some measure, but the proposal of military assistance on top of the financial assistance given Argentina had posed distinct problems. Mr. Rubottom had had to go to Under Secretary Dillon to achieve what had been achieved, and Mr. Dillon was not now available in Washington for any further approach. What appeared to be needed was Argentine internal agreement on military needs, and we would hope to receive a note tying everything together.

Ambassador Barros indicated that he had been placed in a very difficult position. He had gone to Buenos Aires and told the President and Cabinet ministers that Mr. Rubottom had assured him that the meeting of Argentine military desires had been approved in principle. He took this to include the basic rehabilitation of two submarines available on loan to the Argentine Navy, and the sale of 28 jet planes with spare parts for five years to the Air Force, plus whatever program had been agreed upon between the special emissaries and US officials in the case of the Army, about which he was uninformed. In the case

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<sup>1</sup> Source: Department of State, Central Files, 735.5–MSP/4–759. Confidential. Drafted by O'Connor.

of the Navy and the Air Force, Barros continued, he could not support more or less than the programs which had formed the basis of discussions. This meant \$1.2 million which was a reduction from a \$2 million figure proposed to him by the Argentine Naval Attaché, in the case of the Navy; plus what was required to obtain the 28 planes with five years' spare parts in the case of the Air Force. He did not support the current desire of the Argentine Air Force for other items [bombs and rockets],<sup>2</sup> since these had not been included in previous discussions. All that he knew about the protective Army program was that the new Army Attaché, Col. Uriburu had brought an exhaustive list of desired equipment with him, which would cost approximately \$10 million. The Colonel had shown him the list, but he had not had time to examine it in any detail. The Ambassador returned to the theme that Air Force desires had been couched in terms of 28 planes and spare parts for five years from the very outset.

Mr. Boonstra said that one difficulty was that the discussions between the Argentine Air Attaché and officials in the Pentagon had been left subject to further negotiations as to the quantity of spare parts involved. The Ambassador insisted that he was fully informed and that the Argentine desire for spare parts sufficient for five years' operations had been clear and unvarying from the start. Mr. O'Connor pointed out that the Air Attaché had failed to state continuing interest in five years' spare parts in making an attempted written acceptance of Defense's offer of the planes with one year's spare parts, subject to the establishment of satisfactory credit arrangements, and that this had contributed to the confusion.

Mr. Rubottom said that we had operated in good faith in attempting to meet Argentine military aspirations. We had worked out at considerable effort a program amounting to \$10 million, broken down into \$1.2 million for the Navy, \$4.4 million for the Air Force, and approximately \$5 million for the Army. The Ambassador insisted that no figure of \$10 million had ever been specified to him. If it had, he could have used it in making his report in Buenos Aires and so discharged his responsibilities. As it was, he has been placed in the position of making an erroneous report to his Government. Mr. Rubottom explained that it had been impossible to give the Ambassador the specific figure of \$10 million at that time, since the internal details as to availabilities of funds were still being worked out within the U.S. Government, and that he had had, therefore, to restrict himself to expressing the general approval in principle.

The Ambassador said that subtracting the clear Navy and Air Force aspirations from the \$10 million figure left very little for the Army. He could not now go to the Army and tell them that there was

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<sup>2</sup> All brackets are in the source text.

not enough money left for them, because that would cause displeasure (*disgusto*). The solution to the problem might be, as he saw it, to provide assistance in the amount of \$1.2 million for the Navy and \$6.3 million [see Note below] for the Air Force, and then make available to the Army assistance in the amount of \$6.3 million to match the Air Force figure.

Mr. Rubottom referred once again to US complete good faith in this matter and to the fact that there had obviously been an unfortunate misunderstanding. He asked Ambassador Barros if he thought the whole matter should consequently be dropped. The Ambassador replied that that was up to us. He went on to say that there appeared to be two alternatives. He could inform his Government that there had been a misunderstanding and that the matter of military assistance was therefore being dropped. Such a report would necessarily be accompanied by his irrevocable resignation as Argentine Ambassador to the United States. He would have no alternative, since this would be an admission of his having made a mistake in the conduct of this matter and he would have to pay the price by resigning. The alternative would be for Mr. Rubottom to re-explore the level of possible US assistance to Argentina with Under Secretary Dillon when the latter was available.

Mr. Rubottom expressed the hope that the Ambassador would not resign under such circumstances. He indicated that there would of course be profit in exploring this matter as thoroughly as possible and that he would continue to try to find some solution to the problem.

In a final exchange, Mr. Rubottom deplored the complications which were caused by approaches out of established channels. Barros agreed. Mr. O'Connor referred to the long history of individualized activities in the military assistance field by the several Argentine armed forces. In bidding the Ambassador good-bye, Mr. Rubottom urged him to relax and enjoy the brief trip to New York City which he was making the following day.

[*Note:* Ambassador Barros has not been consistent in his use of figures in discussing this military assistance matter. The Argentine Air Attaché, Col. McLoughlin, has added a personal estimate of \$3.5 million for four additional years' spare parts to the Defense offer of the 28 jet planes with one year's spare parts for \$4.4 million—for a total of approximately \$8 million. While insisting on the necessity of having five years' spare parts for operational planning, Col. McLoughlin has also referred to the possibility of trimming Argentine Air Force needs through the elimination of items not completely essential. It is believed that this \$6.3 million figure represents the basic minimum to which the Argentine Air Force thinks its request might be reduced.]

176. **Letter From the Deputy Assistant Secretary of Defense's Special Assistant (Leffingwell) to the Under Secretary of State for Economic Affairs (Dillon)**<sup>1</sup>

*Washington, April 15, 1959.*

DEAR MR. DILLON: In reply to your letter of March 6th<sup>2</sup> concerning military assistance to Argentina on a credit sales basis, the Department of Defense would not object to a program of the nature and scope proposed, provided some means is found for its financing other than by deferral of programs now planned to meet priority military requirements. As you know, no provision has been made for this program in either the FY 1959 or FY 1960 Military Assistance Program, and it appears necessary that funds be obtained either by transfer from the President's Contingency fund, or by deferral of other programs which have been planned primarily to fulfill political objectives.

The preparation of a specific military assistance program to meet the objectives stated in your letter requires that full consideration be given to the desires of the Argentine Government. As you are aware the Government of Argentina has submitted requests in excess of \$10 million for F86 aircraft, army equipment, and the ships included in the shiploan program. Therefore, the preparation of a military assistance program to meet the stated objectives will require the resubmission by the Government of Argentina of requests tailored to fit within the amount or credit which the United States proposes to provide. It is recommended that the Argentine Government be advised that the United States is considering a limited credit program and request that they submit a list of requirements to meet their most critical needs in consideration of outstanding requests already submitted.

Sincerely yours,

**Wm. M. Leffingwell**<sup>3</sup>

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 386, Sale of Arms & Munitions January-June 1959. Secret. No drafting information appears on the source text.

<sup>2</sup> Document 171.

<sup>3</sup> Printed from a copy that bears this stamped signature.

177. **Letter From the Ambassador in Argentina (Beaulac) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)**<sup>1</sup>

*Buenos Aires, April 17, 1959.*

DEAR DICK: A number of communications<sup>2</sup> I have had from Jim O'Connor indicates a certain amount of annoyance and displeasure over the action of the Argentine military in upping their figure for military credits after the Department had obtained approval, in principle, of a credit of \$10 million. There has even been a suggestion that the Argentines may not have been acting in good faith.

I do not think that good faith is involved here. I think it is more likely a case of clumsy handling and of lack of coordination among the Armed Forces. This Government, as you know, is not a highly institutionalized government and perfect coordination does not exist. Furthermore, the Armed Forces, at least some of their representatives, may not have known that we had frozen our position at a \$10-million level while the Argentines were still considering what their needs are.

I agree that Argentina has very heavy foreign exchange needs at the present time and few means to meet them immediately, and it is therefore desirable that no unnecessary foreign exchange obligations be incurred. At the same time, I think we should bear in mind that the Argentine Government is taking the steps needed to solve its foreign exchange problem and that if the Government continues on the present road that problem will be solved in a few years.

Meanwhile, support of this program by the Armed Forces is essential, and happily the Armed Forces are giving the program their support. At the same time, the enemies of the regime are always on the lookout for ways of turning the Armed Forces against the regime.

I think we should bear in mind, at the same time, that the Armed Forces do have legitimate needs which can only be met through the expenditure of foreign exchange and it occurs to us down here that \$15 million at this time is not too high a percentage of total Government obligations.

In this connection, we are informed by a reliable source that President Frondizi, a month or so ago, in response to Armed Forces' petitions for pay increases and funds for acquiring matériel, said that he would consider pay increases after six months and approved the expenditure of 1 billion pesos for matériel. At the then rate this was approximately \$15 million; it is now closer to \$13 million. If the 1

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 386, Military Cooperation 1959. Secret; Official-Informal. No drafting information appears on the source text.

<sup>2</sup> On April 10, for example, O'Connor wrote to Beaulac outlining the problem with the Argentine military. (*Ibid.*, Sale of Arms & Munitions January-June 1959)

billion pesos represents substantially the total of military expenditures at this time, it is evident that all would be spent in the United States and our purposes of standardization would be satisfied.

Apropos of all this, I am sure you will be encouraged to hear that the American packers, who were in the Embassy this morning, predict that if Argentina continues along the present road it can increase its exports of meat and meat products by 100 percent within five years, which should mean an additional foreign exchange income of \$500 million a year. If, at the same time, Argentina should eliminate its petroleum imports, and I think there is a good chance it will do this, these two factors (modified up and down by other considerations, of course) would mean a \$750 million annual difference in its foreign exchange balance.

Perhaps you would like me to talk to the President about this. In that event, I think our Government should keep an open mind on possibly increasing the level of military assistance from \$10 million to, say, \$15 million.

With best personal regards,  
Sincerely yours,

**Willard L. Beaulac**<sup>3</sup>

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<sup>3</sup> Printed from a copy that bears this typed signature.

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**178. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Under Secretary of State for Economic Affairs (Dillon)**<sup>1</sup>

*Washington, April 23, 1959.*

SUBJECT

Argentine Military Assistance

Continued support of Frondizi by the Argentine military services is vital to the carrying through of his economic program in the face of expectable public restiveness and frontal opposition by Peronista-dominated labor with an assist by the Communists. This was a determining factor in our support of special credit terms designed to aid the equipment-starved Argentine Armed Forces in moderate purchases of

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<sup>1</sup> Source: Department of State, Central Files, 735.5-MSP/4-2959. Confidential. No drafting information appears on the source text. A copy was also sent to Bell.

aircraft and Army vehicles and in the securing of naval rehabilitation services. Your letter of March 6<sup>2</sup> to Assistant Secretary of Defense Irwin stated approval of a program totalling approximately \$10 million.

Because of poor coordination among the Argentine Armed Forces, and the Frondizi Government's difficulties in setting firm limits as to what each service may have vis-à-vis the others, there have been misunderstandings on the Argentine side as to what we are prepared to do in principle. Consequently we find now that current Argentine military aspirations exceed the \$10 million level to which you have given approval.

As a result of several frank talks which I have had with the Argentine Ambassador, who is extremely disturbed about the situation, he has stated his willingness to try to pull the requests of all three services together. He is urging, however, that he needs some financial room for maneuver if he is to succeed. Although present desires of the three Argentine services total some \$20 million, the Ambassador believes that he can negotiate an acceptable program if a \$13 million credit can be considered in place of the \$10 million. Apparently this would involve a credit of \$1.2 million for the basic rehabilitation of two submarines available to Argentina under the Ship Loan Bill; possibly \$5.9 million for a reduced number of F-86 jet planes with five years' spare parts for the Argentine Air Force; and a matching \$5.9 million for equipment, principally trucks, for the Argentine Army. The special credit terms envisaged would cover three years, with no, or purely nominal, payments during the first two years, and the bulk of the payment in the third and final year.

The additional \$3 million which it appears will result in general satisfaction of Argentine military desires represents a comparatively limited increase which might almost be brought within the original financial approximation if given liberal interpretation. The advantages to be derived from satisfaction of Argentine military aspirations, in terms of support for the Frondizi Government against strong efforts to undermine it, are significant ones. I have just received a communication from Ambassador Beaulac urging our accommodation of these aspirations.<sup>3</sup> We have a distinct stake in the outcome of Frondizi's efforts; if they fail, current Argentine support of economic freedom will be discredited; if they succeed, we have a powerful example to use in our economic dealings with other Latin American nations.

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<sup>2</sup> Document 171.

<sup>3</sup> No such "communication" has not been found in Department of State files, but this may possibly be a reference to Ambassador Beaulac's letter of April 17, *supra*.

*Recommendation:*

That you approve in principle an Argentine program whose cost may exceed the \$10 million previously estimated, provided that every effort is made to hold expenditures as close as possible to \$10 million, and that \$13 million is not exceeded in any case.<sup>4</sup>

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<sup>4</sup>In an April 29 memorandum to Snow attached to the source text, Dillon responded to Rubottom's recommendation. The memorandum reads:

"In response to Mr. Rubottom's recommendation of April 23 on this matter, ARA may proceed in negotiations with the Argentine Ambassador looking toward an Argentine submission of a priority listing of military items. Such a list would constitute a formal, coordinated Argentine request to purchase equipment and services on a credit basis, and would be prepared on the understanding that the items might cost a total of more than \$10 million, but no more than \$13 million.

"This authorization is based on the assumption, as set forth in Mr. Rubottom's memorandum of April 23, that within the above limits a credit sales program can be agreed upon which satisfies Argentine aspirations and meets U.S. objectives.

"It should be understood that the financing of this program may require the diversion of a substantial portion of the funds required therefor from other Western Hemisphere military assistance programs. The Department of Defense has clearly indicated the funding problems which such a program would create for the already strained MAP budget."

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**179. Memorandum of a Conversation, President Frondizi's Residence, Olivos, April 29, 1959<sup>1</sup>**

**PARTICIPANTS**

His Excellency The President of the Argentine Nation, Dr. Arturo Frondizi  
 Assistant Secretary Thomas C. Mann  
 Assistant Secretary R. R. Rubottom, Jr.

The President and Mrs. Frondizi received us at their residence at Olivos following which the President conducted us into his office for a pre-luncheon discussion, Mrs. Frondizi retiring to her quarters. I expressed to the President our pleasure at being in Argentina. Referring to his recent visit to the United States, I said that it had left an indelible, favorable impression and that from every side, the Government, the press, and the public at large, he had received resounding

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 386, US-Argentine Relations, General January-June 1959. Confidential. Drafted by Rubottom. Mann and Rubottom were part of the U.S. Delegation representing the United States on the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation (Committee of 21) which convened at Buenos Aires on April 27.



applause for the forthright positions he had taken on the major economic and political issues confronting Argentina and the rest of the free world.

The President recalled his trip with pleasure and expressed gratitude for the treatment he had been accorded.

The President did not seem disposed to press any particular subject and, as the following will reveal, we took the initiative in raising most of the important matters pending between the Governments of the United States and Argentina.

The President stressed the difficulties which he and his Government were facing but indicated an unfaltering determination to carry through with the programs he had espoused in searching for solutions to Argentina's problems. He said Argentina had always had so much that it was difficult for the people to accustom themselves to an austerity program. The pinch was being felt everywhere. He said that the PL 480 program now being contemplated would be of great assistance. I told him of the word from Washington that consideration was now being given to approximately 75,000 tons of edible oil and 35,000 tons of rice. Mr. Mann said that the matter of price was a serious deterrent to any possible purchase program for wheat and/or corn, but that we would do everything within the limits of our laws to assist.

The President said that he was extremely grateful for the practical assistance which we were already giving Argentina. It had strengthened his hand and he need more if such were possible. Argentina wants nothing in the way of gifts, he said, but is prepared to repay the United States in the future for the help given now when it is so badly needed.

I told the President that we had received Dr. Frigerio and gave him ample opportunity to talk about the Argentine situation. He expressed approval and said that that was exactly what he had wanted. I mentioned the small luncheon given Dr. Frigerio by Mr. Mann and myself and said that Ambassador Barros Hurtado had been good enough to show me the copies of the letters, which he, the President, had given to Dr. Frigerio.

Next, I raised the matter of military equipment, recounting all of [the] discussions I had had with Ambassador Barros Hurtado and our first conversations when the President visited Washington last January.

At this point the three of us went into the dining room for lunch.

I said that I felt personally responsible for having authorized Ambassador Barros Hurtado to tell the President of our agreement "in principle" to furnish an unspecified amount of military equipment to the Argentine Armed Forces. This undertaking had perhaps raised the hopes of the Armed Forces to obtain more equipment than was possible for the present. I referred to the problem that had been created by

the late entry of the Army into our consideration of the Argentine request; there was stressed also the need for Argentina to coordinate the request of its three services in such a way as to permit the Ambassador to speak for the entire defense establishment of the Government. The President nodded understanding of the situation and said that he had recently talked to Ambassador Barros Hurtado by telephone and that he, personally, would undertake to settle any future questions between the three services. He was hopeful that Argentina would be able to obtain approximately \$13 million of equipment which was vitally needed to maintain the morale of the services to assure their continued loyalty, and to support minimum measures of internal security against the threat of subversion. I told the President that I had discussed this matter with Under Secretary Dillon just before leaving Washington and that I could not give him absolute assurance that the \$13 million request would be approved.<sup>2</sup> I wished to avoid making any firm commitment. Nevertheless, I was hopeful. Mr. Mann expressed his intention to support the request if the funds could be found anywhere.

The President pointed out the difficulty in explaining to economic sectors and the people at large that their stake in the success of the Economic Stabilization Program is just as great as that of the Government itself. He chose this way of saying that Dr. Frigerio would probably assume the task of explaining the Program to the public at large. He traced Dr. Frigerio's association with him—first, as a close friend and official adviser; second, as completely unofficial adviser but still known to be close to the President; and third and last, he would "go out on the street" completely apart from the Government in order to explain the meaning of the Economic Stabilization Program to the people. I interpreted this as a confirmation of the President's oft-reported intention to downgrade Frigerio. He gave no reason other than that stated above and spoke in the friendliest terms about Frigerio.

We talked for a while of the impending Castro visit.<sup>3</sup> The President showed no concern, but in this context mentioned the clamp-down on all activities of the Communist Party. I said that Castro and his group had behaved relatively well in the United States; that, while he had given satisfactory and rather categorical statements on most of the questions asked him, he had been evasive on the Communist question; that he had satisfied nobody with his explanations of the reasons for postponing elections to some four years hence because of

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<sup>2</sup> At 9:12 p.m., the Department informed Rubottom in Buenos Aires that he had authorization to proceed with the negotiations of the Argentine military credit program which was not to exceed \$13 million. (Telegram 1345 to Buenos Aires, April 29; *ibid.*, Central Files, 735.5-MSP/4-2959)

<sup>3</sup> Fidel Castro visited Argentina May 2-4.

the demands of "the people". The President, himself, then phrased the question, "He is still an unknown quantity?", to which I replied affirmatively. The President certainly revealed no enthusiasm over the prospects of seeing Castro.

Next, I turned to the Chocón project, outlining our conversations in Washington with Frigerio and then my own conversations later with Ambassador Barros Hurtado, Burk Knapp and Eugene Black. I stressed our hope that Argentina would consider carefully this project and any other of such magnitude that might have a serious impact on the country's capacity to borrow, and on the stabilization program itself. He expressed understanding of this point of view and said that he had already communicated to the World Bank Argentina's agreement with the position taken by the Bank, i.e., no contracts should be signed until the electric power study being conducted by the Bank had been concluded. The President said that the Italian Ambassador had called to protest this decision. He had replied to the Ambassador that Italy was a member of the World Bank and that Italian suppliers would have a chance to bid on the equipment for the Chocón project later.

I told President Frondizi that the Department was following very closely the discussions with his Government on the subject of Civil Aviation: that I had noted that the Government's approach so far to this sector seemed less liberal than its approach to other economic matters. He acknowledged that Civil Aviation was so far an unresolved problem, as much for him as it was for the United States. He said that he would continue working on it, referring to the importance which a satisfactory solution had for Argentina's well-being. He said that Argentina needed to strengthen its Civil Aviation, both from the standpoint of its own vast requirements in a country of such great dimensions and because of the tremendous returns from tourism that this would bring.

We discussed the problem created by his efforts to have recognized diplomas from private universities. He said he would win this issue but acknowledged that it had led to a break with his brother, Rector of the University of Buenos Aires, with whom he had not spoken in six months.

Mr. Mann and I thanked the President for his hospitality and excused ourselves at about 2:45 p.m.

**180. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, May 5, 1959—4 p.m.*

1661. On April 20 [*less than 1 line of source text not declassified*] (who is close to military), referred in conversation with me to military criticism of government, justifying it on ground it served as constructive opposition, and predicted some high level changes in government.

Recently Army Secretary Solanas Pacheco gave talks to military personnel in various parts of country. He said among other things that there were persons of doubtful antecedents in government and that some charges of corruption had not been sufficiently clarified. He implied that some changes within government had been brought about through army pressure or influence. At same time, he cautioned army against acting other than democratically.

Later, Air Force Secretary Abraham made similar statement to Air Force.

Navy Secretary Estevez has made no such statement to Navy [*less than 1 line of source text not declassified*] report from Navy officer who said he is one of a group which is plotting to overthrow government and that there is a strong desire in Navy to do this. Available information indicated Estevez supports constitutionality.

President Frondizi in his May 1 address to Congress indicated clearly armed forces have no political role in country and that he will carry out all his constitutional obligations. He warned against trying to change government by violence, saying elections were available means. He was strongly applauded because of these statements.

During last several weeks there have been rumors concerning (1) possible military coup d'état, and (2) impending Cabinet changes. Cabinet members slated to be replaced according to such rumors are Florit, Tedin and Orfila, although others also mentioned at times.

Foregoing indicates there is sufficient criticism of government within armed forces to cause Army Secretary and Air Force Secretary to make statements referred to above and for President to take cognizance in his inaugural address of possible attempt to change government by violence.

Of course, plotting within armed forces against government is traditional in Argentina, and it would be surprising if none existed at present time. Whether plotting is substantial enough to threaten stability of regime or whether its worst effect will be to keep public opinion upset and lessen confidence in government which government sorely needs, Embassy cannot tell.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/5-559. Secret.

Embassy is not aware of any important plot to overthrow government and considers present economic and political situation in Argentina, including state of public opinion (and this despite austerity program), does not justify any belief by substantial number military elements that they could successfully or profitably replace regime by use of force.

Beaulac

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**181. Memorandum of a Conversation, Department of State,  
Washington, May 20, 1959<sup>1</sup>**

SUBJECT

1. Argentine Financial Needs
2. United States Ban on Salt-Cured Meats

PARTICIPANTS

Argentine Ambassador César Barros Hurtado  
Assistant Secretary Rubottom  
Assistant Secretary Mann  
James F. O'Connor, Jr., EST/A

[Ambassador Barros Hurtado returned to Washington from consultation in Buenos Aires on May 19. He had left Washington hurriedly, statedly on urgent instructions from President Frondizi, on May 6.]<sup>2</sup>

The Ambassador first said that he wanted to express President Frondizi's appreciation for the sympathetic reception given former presidential advisor Rogelio Frigerio during the latter's recent visit to the United States. Frondizi was particularly grateful for this because Frigerio was actually his special representative, [*remainder of paragraph (2 lines of source text) not declassified*]

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<sup>1</sup> Source: Department of State, Central Files, 835.10/5–2059. Confidential. Drafted by O'Connor.

<sup>2</sup> Brackets in the source text. On May 6, O'Connor presented Barros Hurtado with an aide-mémoire summarizing the status of the military aid question and advising the Argentine Government to submit a diplomatic note indicating the essential equipment and service requirements of all three branches of the Argentine services. Text of the aide-mémoire was transmitted to Buenos Aires that same day. (Telegram 1399; *ibid.*, 735.5–MSP/5–659)

Barros commented that he and Frigerio shared the same economic views. Both had been instrumental in planning Frondizi's liberal economic policy. Barros did not, however, share Frigerio's political orientation. [remainder of paragraph (3 lines of source text) not declassified]

The Ambassador also made brief reference to the status of the Foreign Ministry in the recent Cabinet shuffle in Argentina.<sup>3</sup> He said that President Frondizi had discussed with him his becoming Foreign Minister, with now resigned Foreign Minister Florit coming to Washington. He considered, however, that he could be more useful by continuing as Ambassador here at this time. When he left Buenos Aires it was in the belief that Florit would continue as Foreign Minister, but that he and Florit might trade jobs in a few months time. He had been in Rio de Janeiro when Florit's replacement [by Diógenes Taboada]<sup>4</sup> had occurred. From discussion with President Frondizi Barros thought that it was still possible that he might be taking over the Foreign Ministry and Florit coming to Washington as Ambassador after some time had passed.

Coming to what was obviously the principal reason for his call, Ambassador Barros referred to the discussion on Argentina's economic situation which President Frondizi had had with Assistant Secretary Mann during the Operation Pan America meeting in Buenos Aires, at which Embassy Chargé Bernbaum and Frigerio had also been present.<sup>5</sup> He himself had not been present, said Barros, because he had had an engagement with an important general at the same time. Frondizi was in a difficult position because of the reaction against the austerity effects of his economic policies. He was at this point the most unpopular man in Argentina. He needed further United States assistance to see his program through. Prior to Barros' departure from Buenos Aires, Frondizi had instructed him to seek an interview with President Eisenhower upon his return to Washington to explain the critical situation of the Argentine Government. Following discussion, however, this matter had been left to Barros' discretion. He was to explore the possibility of further financial assistance with principal U.S. economic officials before deciding whether this matter should be brought to President Eisenhower's attention. Barros had asked Frondizi whether he was satisfied with Barros' work as Ambassador and with the state of economic cooperation between the United States and Argentina. Frondizi had assured him that he was. It was just that matters had now reached a critical pass.

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<sup>3</sup> It was announced on May 13-14 in Buenos Aires that changes would be made in two Ministries and three Secretariats. Diógenes Taboada replaced Florit as Foreign Minister. Angel Modesto Lagomarsino replaced Bernardino C. Horne as Minister of Agriculture.

<sup>4</sup> Brackets in the source text.

<sup>5</sup> Not further identified.

The Ambassador said that the Frondizi Government's situation had important implications for the United States. When he had been in Rio de Janeiro en route back to Washington he had talked to Brazilian economic representative Schmidt. Schmidt had told him that Argentina had gone about its economic relations with the United States in the wrong way and that he, Barros, should resign. Argentina was in fact, continued Barros, the only nation in Latin America which kept its word and did what it said it was going to do. Frondizi had taken difficult action on matters like petroleum, the American and Foreign Power situation, the DINIE case,<sup>6</sup> and other problems. He now needed continued United States cooperation.

Frondizi had given him an outline memorandum of Argentine needs. He ran through its contents briefly and then gave Messrs. Rubottom and Mann each a copy (attached),<sup>7</sup> commenting that he was not, however, specifically authorized to do so. The Ambassador said that he hoped the Argentine needs could be carefully studied in appropriate quarters and some conclusions reached. He himself would be glad to discuss this further when U.S. officials found it possible to do so. The Ambassador was assured of U.S. interest in this matter.

Dr. Barros then turned to the subject of the ban recently imposed on the entry of salt-cured meats into the United States. He said that this was a difficult blow for Argentina to receive at this time. The trade in this meat was worth 30 million scarce dollars a year. There had been a strongly adverse reaction in affected trade circles in Argentina. It served to discredit the Frondizi Government's policy of cooperation with the United States. The fact that the ban had been imposed on the basis of laboratory findings only was extremely unfortunate. This would serve to confirm once and for all the view widely held in Argentina that U.S. foot-and-mouth disease restrictions were political in nature. He had a ranch and he depreciated the charge leveled against the existence of foot-and-mouth disease in Argentina. He would have preferred to have had foot-and-mouth virus actually found in a shipment of Argentine meat. In that case the situation would be a concrete one and he could have told his government that there was a clear necessity for U.S. action. As it was the U.S. ban had been imposed suddenly, without notice or consultation. It was an unfriendly act. Mr. Rubottom reminded him that the United States did not engage in unfriendly actions against friendly nations like Argentina. The Ambassador said that it would be highly useful if the United States could take some step to counteract the effect of the ban in Argentina.

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<sup>6</sup> Reference is to a collection of confiscated German enterprises which the Argentine Government was preparing to dispose of by auction.

<sup>7</sup> Not printed. The memorandum, untitled and undated, dealt with the subjects of petroleum and general credits.

The Ambassador said that Agriculture Minister Horne had telephoned him in Rio de Janeiro and suggested that the President of the Meat Board, Marcos Monsalve, should come to Washington to discuss the ban. Barros said that he told Horne he did not want any more special emissaries. He as Ambassador could handle things. He suggested that some scientific consultation on this problem—perhaps a visit by appropriate U.S. officials in Argentina—might be arranged and publicized. Mr. Rubottom said that he had been in contact with Under Secretary Morse to discuss what might be done to reduce the impact of the ban, and that Assistant Secretary of Agriculture Peterson had telephoned only a short time before the Ambassador's visit to indicate that the Department of Agriculture would cooperate in scientific consultation on the problem.

During an absence by Mr. Rubottom caused by Ambassador Barros' having overstayed his appointment, Mr. Mann cited instances of the havoc wrought by foot-and-mouth disease when it suddenly struck. Mr. Mann also suggested to Mr. O'Connor that Mr. Turnage of OFD was the individual in the E area indicated to look into the matter of Argentina's interest in additional financial assistance, following his return to the Department from Panama. He asked Mr. O'Connor to have his office coordinate with Mr. Turnage on checking with other appropriate U.S. agencies on this when Mr. Turnage returned.

The meeting concluded on a general note of mutual desire for cooperation following Mr. Rubottom's return to the meeting.

As they waited for the elevator Ambassador Barros re-explained to Mr. O'Connor his position with regard to requesting an appointment to see President Eisenhower. He would not necessarily make such a request. He was happy to try to work out Argentina's current problem with Mr. Rubottom, Mr. Mann and those other officials in the United States Government with whom he had had such satisfactory and understanding relations. Mr. O'Connor said that he understood the situation perfectly and that he was sure it was clear to Mr. Rubottom and Mr. Mann also.



**182. Letter From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Ambassador in Argentina (Beaulac)<sup>1</sup>**

*Washington, May 30, 1959.*

DEAR WILLARD: The approach for a new round of assistance which was made last week by Barros Hurtado here, and paralleled in some measure by Frigerio in Buenos Aires, obviously adds a new and significant dimension to relations. While it could not have been unforeseen under the circumstances, I must admit to some disappointment that our Argentine friends came around again so very soon. It shoots a couple of holes in the very useful picture of Frondizi's Argentina which we have had for exhibition to the rest of the hemisphere as the nation determined to stand on its very own two feet. In making this comment I do not overlook the very considerable courage which Frondizi has displayed and is displaying, the mountains of problems which face him, or our own interest in the success of his administration as it is presently oriented. From here it appears that things have taken a substantial turn for the worse, with the pressures against Frondizi's economic program mounting in terms of genuine public reaction to austerity in addition to standard political opposition.

This all adds up to the fact that we will all of us have to do some solid thinking and consulting on just what it may be possible and sensible to do to meet the new Argentine request. It goes without saying that we will do all we can to help, but it clearly is not a question of accepting their own judgment as to what they want and what they think best for themselves. The IMF position in the stabilization picture has to be taken into account, and the developmental interests pushed by Frigerio do not precisely square with the realities of stabilization. Hotel and airport projects, for example, convey some sense of unreality in the economic context in which the matter of further assistance has to be approached whatever may be the political and labor factors involved.

I would guess that Frigerio himself was the author of the unofficial memorandum which Barros left here when he called on Tom Mann and me, a copy of which I understand has been transmitted to you. It is of course no more than a generalized shopping list. Barros took the tack of asking us to look into what could be done for his government and of offering to come in and discuss things further when we had our ideas straightened out. We will naturally want to

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 386, US-Argentine Relations, January–June 1959. Secret; Official–Informal. Drafted by O'Connor.

turn that around at an appropriate point and ask the Argentines to make really specific proposals for consideration as the practical way of coming to grips with the problem.

As Vance Brand has cabled you, the question of his making a trip down at this time will be taken up next week when Sam Waugh returns from Europe.<sup>2</sup> Such a visit would in itself have obvious substantive implications, no matter what formula of public explanation were devised. It could also serve to impel the Argentines to sharpen both their thinking and their lines of authority and channels. You know our views and reservations here about these latter. It is difficult and somewhat confusing to have official and unofficial, open and confidential, lines of communication, particularly when there are differences of emphasis, if not of actual points of view, involved; and Frigerio's contacting you to talk like a continuing spokesman for Frondizi so soon after their public cutting of ties suggests that this dualism may continue. [1 sentence (3 lines of source text) not declassified] What is cause for some concern is that we are involved by them to some extent in these domestic politics by being asked—with some lack of consideration, it seems to me—to accommodate ourselves to dealing in the top reaches of our relations on an irregular basis and with a highly controversial individual. I understand the political realities involved, of course, but it is the same appreciation of political realities which makes me feel that we are perhaps not fully covered in so doing. That is particularly true at this point, when Frigerio appears to be moving out of the role of an economic technician, in which he has accomplished about all he could, and into the role of an operating politician. Perhaps this is the time for disengagement.

I recognize Frigerio's contributions to the Frondizi economic program and, indirectly, to the advancement of US interests, and I do not question his value as a shrewd individual who can get things done unencumbered by bureaucracy. Against this I balance such considerations as the following: in the wake of Frigerio's US trip we have a situation in which "commitments" can be quoted to us by a prima facie free agent whose principal, Frondizi, refrained from giving his mission public endorsement and has now, insofar as the public and the record is concerned, cut the links between the two men in definitive fashion. That is a one-sided arrangement which places a premium

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<sup>2</sup> Telegram 1524 to Buenos Aires, May 26. (*Ibid.*, Central Files, 835.10/5-2159) On May 26, Beaulac recommended that if the Export-Import Bank and the Department agreed, it might be a good ideal to have Vance Brand visit Argentina in the near future. The Brand trip, the Ambassador noted, would provide support to those determined to implement the stabilization program and might lend prestige to the Frondizi regime. In order to avoid public speculation that the Bank was in the process of considering new loans, Beaulac added, Brand might indicate that the purpose of his trip was to discuss the utilization of old credits and not the consideration of new ones. (Telegram 1789 from Buenos Aires, May 21; *ibid.*)

on the most complete good faith. I have no specific reason to doubt Frigerio's good faith toward us, but the manner in which his visit was staged and managed on the ground here could fairly be described as not absolutely straightforward.

Incidentally, Frigerio's statement to you during his May 21 conversation<sup>3</sup> that the Government's plans to drop 120,000 employees on a continuing salary basis had been "approved" here in Washington is startling and perhaps illustrative of the dangers we may run in this sort of relationship. This matter was never discussed with me, and I cannot conceive that any responsible individual here would have committed himself on such an issue. Frigerio's view that we did is an explosive idea.

Frigerio was apparently very happy with his US trip (except perhaps for having the aftosa ban tread on the heels of his departure) and Barros reported Frondizi as grateful, too. I consequently wonder if this is not the time for the disengagement from Frigerio which I have already mentioned. The move into a new phase of relations with the Frondizi Government which the approach for additional assistance provides, coupled with Frigerio's own change of status, would seem to offer an ideal line-drawing point. I do not mean that contact with Frigerio should be abandoned, but rather that he should no longer be accepted as an agent of Frondizi for discussions of policy and negotiations. I am not sure that Vance's trip would be really productive unless there were some squaring-away beforehand on the question of who would speak authoritatively for Argentina during his visit. I myself do not think that Frigerio should be in the picture, since his presence in addition to that of official figures would only serve to perpetuate the lack of clarity which we have seen in some other recent Argentine approaches, to their own damage. Whether disengagement is practical at this time and how it could be accomplished is a matter which you would be best qualified to decide. I realize that I speak at long distance, but I do not rule out the advisability of a frank talk with Frondizi, who has himself indicated a preference for frank relations.

With warm personal regards,

Sincerely,

**R.R. Rubottom, Jr.**<sup>4</sup>

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<sup>3</sup> The complete text of Frigerio's conversation with Beaulac on May 21 was transmitted in despatch 1745 from Buenos Aires, May 27. (*Ibid.*, 835.2553/5-2759)

<sup>4</sup> Printed from a copy that bears this typed signature.

### 183. Editorial Note

On June 2, at the Secretary's Staff Meeting, Rubottom raised the subject of Argentina. The notes of the meeting read as follows:

"Mr. Rubottom said the crisis in Argentina, although perhaps not as bad as portrayed in the press, was clearly not yet over. Basically it represented a major effort by the armed forces to rid the Government of all persons with Peronista and Communist connections. President Frondizi has tried to absorb the Peronistas into the general political and social framework but will probably now have to take a strong stand against them if he is going to maintain his position." (Department of State, Secretary's Staff Meetings: Lot 63 D 75)

On June 3 at the Acting Secretary's Staff Meeting, Rubottom again mentioned developments in Argentine. The notes of this meeting read as follows:

"Mr. Rubottom felt that the current financial crisis was anticipated and believed that the present delicate situation there will continue. Subsequently Mr. Mann expressed strong views about the danger of losing Argentina. He said the economic and financial situation was deteriorating rapidly and no stabilization program in Latin America could succeed if Argentina collapsed. Mr. Dillon said that Secretary Anderson had assured him of sympathetic support for programs designed to bolster the Argentine stabilization program." (*Ibid.*)

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### 184. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>

*Buenos Aires, June 5, 1959—6 p.m.*

1914. Reference: Deptel 1579, June 4;<sup>2</sup> Embtels 1911<sup>3</sup> and 1912<sup>4</sup> June 5. When I suggested Brand's visit I had in mind it might have two

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<sup>1</sup> Source: Department of State, Central Files, 835.10/6-559. Confidential.

<sup>2</sup> In telegram 1579 to Buenos Aires, June 4, Brand and Rubottom informed Beaulac, in part, that Waugh was agreeable to his suggestion of an Export-Import Bank visit to Argentina in the latter part of June or early July. Beaulac was instructed not to discuss the decision until so advised. (*Ibid.*, 835.10/6-459)

<sup>3</sup> Telegram 1911 from Buenos Aires, June 5, reported that representatives of the official banks had announced an end to the bank strikes. (*Ibid.*, 835.062/6-559)

<sup>4</sup> In telegram 1912 from Buenos Aires, June 5, the Embassy noted, among other things, that it was proceeding on the basis at this stage that the Argentine Government had made no additional loan request to the United States. (*Ibid.*, 835.10/6-559)

principal results: (1) bolster Frondizi; (2) give support to Del Carril who trying cooperate fully with IMF in carrying our stabilization program.

Frondizi's position recently and Del Carril and his technical team seem to be gaining in authority within government; especially since Frigerio's disengagement.

I still believe Brand's visit will be useful so long as it does not lead to false impression new loans are in offing. Possible presence in group of advisory committee members would have to be evaluated from this standpoint.

Suggest Bank include in its statement announcing Brand trip reference to circumstance that Argentina has not requested new credits (which is true) and that he is going to discuss use of credits already extended and not yet utilized. Suggest, also, that before public announcement, Embassy be instructed to check informally with Del Carril to make sure government willing Brand visit Argentina to discuss use of existing credits.

**Beaulac**

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**185. Memorandum of a Conversation Between the Ambassador in Argentina (Beaulac) and President Frondizi, Buenos Aires, June 10, 1959<sup>1</sup>**

I congratulated the President on the press report of the Cabinet meeting on June 3,<sup>2</sup> and especially on his own remarks. I said that if the Government persisted in the policies enunciated there would be no doubt of its success.

The President said the Government would persist. He said there were two serious problems: 1) the budgetary deficit and 2) wages.

With reference to the budgetary deficit, he said that the railroad problem was the toughest. He was appointing General Lambardi, who is in charge of the mobilization, to be intervenor of the railroads. With the help of military men in active service he will reorganize the railroads drastically. The object will be to improve service and lower

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<sup>1</sup> Source: Department of State, Central Files, 835.00/6-1259. Confidential. Transmitted in despatch 1842 from Buenos Aires, June 12.

<sup>2</sup> Telegram 1888 from Buenos Aires, June 4, transmitted a summary of press accounts of the June 3 cabinet meeting. (*Ibid.*, 835.00/6-459)

costs. I asked if this meant that persons would be discharged. He said it did. Secretary Constantini's comments in this connection had been misinterpreted in the press.

The President also said that regulations under Article 13 of Law 14,794 would be issued very soon and discharges in the regular Government services would begin immediately thereafter.

With reference to wages, the principal problem was the provision for automatic wage increases in some contracts based on living costs. The bank strike had been won by the Government. This was an important victory. Perón had been unable to defeat the bank employees. The Provisional Government had been unable to win over them. When the bank employees' strike under the Provisional Government had ended, the troops were made to give honors to the jailed employees when they were released.

The Government now will have to face a strike of the light and power employees. Like the bank employees, these employees have a provision for automatic wage increases in their contract and they will fight to retain it. However the Government will insist on its elimination. It will offer the employees a small increase such as the 800 pesos granted to the bank employees. I asked whether the Armed Forces could keep the power plants going. The President said that they could keep some going but not all.

The President said that the social problem was serious and the Government would need support. He referred to the conversation he had had with Messrs. Rubottom and Mann;<sup>3</sup> to the conversations Ambassador Barros had had in the State Department,<sup>4</sup> and to the conversation that I had had with Minister of Economy Del Carril.<sup>5</sup> He said he would be grateful for what support we could give him.

I said I was glad he had mentioned this subject because I wanted to talk to him about it. I said the State Department and other agencies of my Government, as he knew, were very anxious to give all possible support to the Argentine Government. With that in mind, the Department is doing everything possible to inform itself concerning the situation here; through the Embassy, through the Monetary Fund, and through the banks.

My interpretation of the conversations he had referred to was that they did not constitute loan requests. Rather, they were conversations looking to possible future cooperation in ways that might be possible and appropriate. I referred to the suggestion that the Export-Import Bank might finance the drilling contract with Kerr-McGee. I said this

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<sup>3</sup> Document 179.

<sup>4</sup> Document 181.

<sup>5</sup> Reference is presumably to a conversation between Beaulac and Del Carril on June 15 concerning the stabilization program reported in telegram 1977 from Buenos Aires, June 15. (Department of State, Central Files, 835.10/6-1559)

was an example of a difficult operation for the Export-Import Bank to engage in. I doubted that the Export-Import Bank had the authority to engage in this kind of operation.

The President said that my interpretation of the conversations was correct. They did not constitute requests for new loans or credits.

I said I thought it was important that Argentina maintain this technical position of not having requested loans. I said, in addition, that if I were in his position I would not ask for further loans or credits until I had 1) arranged for utilization of existing loans, including the 1956 loan which had not yet been fully utilized, 2) taken steps to eliminate or at least greatly reduce the fiscal deficit, 3) arranged for YPF not to obligate itself to pay dollars it does not have and will not have in the near future. I said that this meant making great use of the private companies.

The President said that this sounded fair enough to him. As far as petroleum was concerned, he wanted private companies to build the pipelines and refineries. They, of course, would want the tariff paid in dollars so that they could cover their investment. He would like it paid in pesos, if possible. He does not care whether YPF ever acquires these installations. He would be content to leave them in private hands.

With reference to oil production, he said that the trouble with the kind of contract Argentina has at the present time is that Argentina has to pay for petroleum in dollars, so that although there is a dollar saving there are still heavy dollar costs which the Government is having a hard time to meet. To that extent, therefore, there was not a great difference between the drilling contracts and such contracts as Loeb, Rhoades', for example. He said the kind of contract the Government likes is with Standard and Shell. Since these companies have their own processing and distribution systems there is no immediate dollar cost to the Government involved in their activities.

I asked whether the answer was not to induce Standard and Shell to increase their activities. He said he would be happy if they would.

The President said that the Government plans to open up the central area of the country to exploration and exploitation. He has no doubt that from the Argentine point of view it is better to purchase petroleum produced in Argentina than petroleum produced abroad, but if the petroleum produced in Argentina still has to be paid for in dollars there remained a dollar problem for the Government.

**186. Telegram From the Department of State to the Embassy in Argentina<sup>1</sup>**

Washington, June 12, 1959—5:45 p.m.

1647. Embtels 1912<sup>2</sup> and 1949<sup>3</sup> indicate that informal memorandum or "shopping list" re additional financial assistance presented Rubottom and Mann by Barros Hurtado May 20<sup>4</sup> has been overtaken by shift to more limited and realistic Argentine aspirations following departure Frigerio and enhancement influence Del Carril and his group. However Barros during informal conversation with Rubottom June 11<sup>5</sup> referred directly to May 20 approach and stated disappointment over lack Dept response to date. Barros again stated direct Frondizi interest this matter.

As previously reported Barros also sponsored Aguirre Legarreta in June 1 discussions Department and Eximbank re YPF proposals SARGO pipeline and drilling program which contained May 20 memorandum.

Our judgment Barros attitude is that he continues to expect our counsel in selecting specific projects from May 20 memorandum for financing. Basis your reports we regard May 20 list as inappropriate starting point for Argentine as well as US Government but likely Barros would misunderstand or protest our presentation such views.

Your comments and if possible your action desired toward establishing means for harmonizing Barros attitude with current views of Frondizi and Del Carril. Most suitable development from Department viewpoint would be Barros overture toward disregarding May 20 shopping list, or simply shelving consideration. He could justify this on grounds present Del Carril effort establish orderly procedures and more precise evaluation Argentine economic needs.

**Dillon**

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<sup>1</sup> Source: Department of State, Central Files, 835.00/6-1159. Confidential. Drafted by O'Connor and Boonstra and initialed by Rubottom.

<sup>2</sup> See footnote 4, Document 184.

<sup>3</sup> Telegram 1949 from Buenos Aires, June 11, contained a summary of Beaulac's conversation with Frondizi on June 10 (see *supra*). (Department of State, Central Files, 835.10/6-1159)

<sup>4</sup> See footnote 7, Document 181.

<sup>5</sup> No record of this conversation has been found in Department of State files.



**187. Editorial Note**

On June 12, the U.S. Government concluded an agreement with the Government of Argentina for the sale of \$33 million worth of edible oils and rice under the provisions of Title I, Public Law 480, the Agricultural Trade Development and Assistance Act. For text of the agreement, see 10 UST 1068. Additional information on the agreement is in Department of State *Bulletin*, June 29, 1959, page 977.

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**188. Editorial Note**

On June 15, a series of incidents involving the Argentina Army resulted in a serious threat to the stability of the Frondizi regime. In response to their alleged criticism of the Argentine Government, two high-ranking Argentine military officers were removed from their posts. Two days later, on June 17, the commander of the Fourth Motorized Division in Córdoba arrived in Buenos Aires with the proposal of his subordinates calling for the removal of the Under Secretary of War, who subsequently submitted his resignation. This shakeup led to additional rumors concerning military uprisings in Córdoba and other areas, the resignation of the Secretary of War, and active plotting by retired Argentine military officers. (Despatch 1896 from Buenos Aires, June 23; Department of State, Central Files, 735.00 (W)/6–2359)

On June 18, at the 410th meeting of the National Security Council, Allen Dulles, in his review of world developments affecting U.S. security, raised the subject of Argentina. The memorandum of discussion reads as follows:

“Mr. Dulles described the Latin American picture as boiling in many places. Frondizi was hanging on by his eye teeth in Argentina. He might pull through. His fate depended on the behavior of the Argentine Army. Mr. Dulles felt that Frondizi had put up a valiant fight against inflation even though he had not been wholly successful. It would be a pity therefore if he collapsed. The opposition to Frondizi was spearheaded by Peronists and Communists. On balance, Mr. Dulles thought that Frondizi would squeak through.” (Eisenhower Library, Whitman File, NSC Records)

189. Letter From the Director of the Office of East Coast Affairs (Boonstra) to the Minister-Counselor of the Embassy in Argentina (Bernbaum)<sup>1</sup>

Washington, June 19, 1959.

DEAR MAURIE: There are so many things going on this afternoon that I am having trouble writing memos of conversation and perhaps it will be more valuable for me to dictate instead this quick note relating to your telephone call to me a couple of hours ago.<sup>2</sup>

Immediately after your call, I spent a considerable time discussing with Dick Rubottom and other concerned ARA personnel the matters which you had brought up. I presented them against the background, which I had derived from your call, that matters had reached a most critical stage in Argentina and that any constructive action within our power should be taken immediately. During the course of our conversations Dick Rubottom talked to Mr. Waugh, and other opinions also were solicited. While we were talking, a message came in from the Export-Import Bank for our clearance in which Brand said that he would have to postpone until mid-July his visit to Argentina because of a sudden and unforeseen need for surgery on Mrs. Brand.

The upshot of all this consideration was that an immediate announcement of Mr. Brand's visit should be made. Almost everybody concerned, however, was strongly of the opinion that (1) we could not make the announcement in a way that would commit us to large future financing, prior to Brand's visit, and (2) that specific promise of large-scale financing related to such things as on the "shopping list" was not likely in any event to be an immediate important influence on the decisions being taken today or tomorrow by the Argentine military leaders.

I am aware that this is contrary to the Ambassador's and your point of view and I myself did my best that your advice was clearly made known. Nobody contested the fact that we should do everything possible to support the Frondizi Government in its present difficult circumstance, but it seemed to be a question of what emergency commitments we could make and also what the real effect of such emergency commitments might be in effecting the immediate decisions being taken in Argentina.

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 386, Internal Political Affairs, General May-June 1959. Secret; Official-Informal. Drafted by Boonstra.

<sup>2</sup> During his telephone conversation with Boonstra and O'Connor, Bernbaum recommended, among other things, that the announcement of the Brand visit be made immediately without the conditions which the Embassy had previously attached. The full text of the conversation is *ibid.*, Central Files, 835.10/6-1959.

As matters now stand, we have sent over to Eximbank for clearance an announcement of the projected visit by Mr. Brand without establishing either limitations or commitments on what may be forthcoming from his visit. We hope at least not to include in this statement any limitations and therefore the press treatment may take the larger view.

We gather that the source which you mention as having just returned from Washington, who mentioned to you his assessment on the more liberal attitude on the part of our agencies, was [*less than 1 line of source text not declassified*]. Actually I don't believe there is any difference between [*less than 1 line of source text not declassified*] and us in our evaluation of the attitude here. Everyone wants to do anything that can be truly helpful. The differences lie in whether or not we are able to announce anything meaningful with respect to future financing which will in fact have a significant impact on what is happening politically at this moment.

With respect to the matter of credit for the Navy, we are having difficulty clearing any message but I am quite sure that we can work out the solution which the Ambassador recommends.<sup>3</sup> There is no disposition to haggle over the credit in the event that it can be demonstrated to have a real influence on political developments.

At this moment we are getting all sorts of reports on the Argentine situation from the newsticker and other sources and find the situation most confused and difficult to evaluate. We are looking forward to your messages to provide the essential clarification.

This has been dictated very hurriedly because I want to get it in the pouch and may not have time to check it over very carefully. For this reason you should not take any of my phrasing too literally as I have been trying only to convey a quick general impression.<sup>4</sup>

Sincerely,

C.A. Boonstra<sup>5</sup>

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<sup>3</sup> During the telephone conversation, in which Beaulac also participated, the Ambassador, referring to credits for military equipment for the Argentine Navy, recommended that the Department not press the issue as to whether the overall credit should be reduced if the Navy planned to use cash for its immediate procurement.

<sup>4</sup> In telegram 1686 to Buenos Aires, June 19, the Department authorized the Embassy to make a public statement indicating that Brand would travel to Argentina in the next few weeks to discuss the Argentine economic program with Frondizi and his economic ministers. (Department of State, Central Files, 835.10/6-1959) On June 20, however, the Department informed the Embassy that Brand had just learned that his wife had to enter the hospital for surgery and would have to delay announcement of the exact date of the trip. (Telegram 1688 to Buenos Aires, June 20; *ibid.*, 835.10/6-2059) On July 8, the Export-Import Bank announced that Brand would arrive in Buenos Aires on July 20 for discussions regarding the Argentine economic program and the use of credits previously agreed upon. For additional information on the announcement, see Department of State *Bulletin*, July 27, 1959, p. 117.

<sup>5</sup> Printed from a copy that bears this typed signature.

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**190. Telegram From the Naval Attaché in Argentina (White) to the Director of Naval Intelligence<sup>1</sup>**

Buenos Aires, June 20, 1959—8:12 a.m.

In interview Argentine DNI stated this afternoon:

1. Argentine Navy firmly supporting government (probably true). *Comment*, failed respond questioning similar loyalty Frondizi.

2. There is no breach within Navy, only Army has problem (unable evaluate). *Comment*, feel this depends on resolution Rial, Favaron, Calderon situation.

3. Navy sent envoys to Cordoba 16 June to inform forces that area, Navy position (very probable). *Comment*, at that time Navy desired no revolutionary action.

4. No changes troop or ship disposition (unable evaluate).

5. No Gorial arrest orders issued. Rial, Favaron, etc. to present views Estevez this afternoon (probably true). *Comment*, this statement made with inference that Navy did not know specific desires Gorial leaders and that once known action would be taken.

6. Denied press report various important Navy officers had requested change duty (unable evaluate). *Comment*, report mentioned base commander Puerto Belgrano Adm Moritan Colemand and Captain de Navio Palomeque River Plate flotilla.

*General Comment.* Adm Rojas still unknown factor. Reserves not mobilized. Next 24 hours considered critical from standpoint of Gorial-Estevez situation. Navy seen as not desiring part active revolution but yet unable predict no action forthcoming.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/6-2059. Secret; Niact. Repeated to the Department of State, Central Intelligence Agency, and the Joint Chiefs of Staff. The source text is the copy sent to the Department of State.

**191. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

Buenos Aires, June 22, 1959—4 p.m.

2050. Pass to Army, Air, AFCIN, Navy. Reference: Embassy telegram 2047, June 21.<sup>2</sup> While immediate threat to government's stability passed, military ferment continues to degree not yet clear.

Office of Secretary of War last night issued press communiqués saying that in meeting at War Secretariat evening of June 19 attended by all commanders of units in federal capital and Greater Buenos Aires and presided over by CINC Army, participants confirmed total support Secretariat of War in defense constitutional order. Communiqués said relief Director and Sub-Director Motorized Antiaircraft Artillery School in Mar del Plata due entirely to matters related to military discipline.

In contrast with side statement June 20, *Correo de la Tarde*, which edited by Naval Captain Manrique former chief Aramburu's military household and which customarily criticizes government severely while warning against revolution, summed up political situation as follows:

Tired of being used in repressive role by government which does not inspire confidence so far as concerns really democratic solutions, armed forces (with moral support of other forces) make demands and adopted attitude of passive rebellion.

Government tried to discipline them but obliged to give way on at least one point, resignation Under Secretary War. But it relieved generals who presented demands.

Army units expressed solidarity with their leaders since correctness their position recognized when Under Secretary's resignation accepted. Army withdrew support from government despite solidarity expressed to War Secretary by army commanders Buenos Aires.

Navy maintained position of defense constitutional legality, making clear this independent person who occupies presidency by election or by succession in event post is vacated. Air Force adopted same attitude.

Various military leaders, including some who outstanding in liberating revolution, named as leaders of reaction against government policy.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/6-2259. Official Use Only.

<sup>2</sup> Telegram 2047 from Buenos Aires, June 21, forwarded information on groups of military officers who were involved in the attempt to overturn the Frondizi regime. (*Ibid.*, 735.00/6-2159)

Practically all armed forces in knowledge that principal reason for having reached this unhappy state was government's devious policies, unwilling to accept sacrifice of said eminent leaders as price of maintaining government which does not inspire confidence that it will maintain order and defend democracy in country.

Conviction reached country must be directed along road of pure democracy, without infamous alliances with agents of dictatorship or Communists, but now, without delay. Continuity present government only an accident, desirable out of respect for constitutional order but not at price of abandoning or postponing objective referred to.

Government's claim crisis overcome inexact. Meanwhile, efforts to use labor front against military continue.

Nationalist elements, including General Bengoa, trying to take advantage of situation. Trying to use Peronists through Frigerio. Country can no longer tolerate political Machiavellianism and integrationist infamous alliances.

Only thing government can do is recognize situation, maintain President in office which he has no right to abandon, but reorganizing Cabinet, eliminating extra constitutional advisors, intervene provinces in which republican form of government not respected, and prosecute Machiavellianism and integrationism.

Government must do these things now. If it does not, process will continue inexorably and President will be solely responsible for destruction constitutional republic.

*Comment:* It is not known how large a group in and out of military *Correo de la Tarde* represents. It represents Gorial elements as well as elements affiliated with People's Radical Party and conservative interest (known locally as oligarchs), all of whom support democracy in principle especially if their candidate wins, but insist on excluding Peronists from benefits in contrast to attitude of such persons as Frondizi, Solano Lima and Alsogaray who, while anti-Peron, seek to reabsorb Peronists into political community.

Intemperate language reveals contempt of government. Defense of Rial, Ossorio Arana et al places paper on side of those who plotted overthrow Frondizi.

Meanwhile, certain elements People's Democratic Party as well as leaders Christian Democrats, left-wing Socialists, and President's own party have come out publicly in support constitutional government. Traditional press, in general, has not commented editorially. *La Prensa* this morning, however, came out in support constitutionality.

Meanwhile, government acting cautiously in case of plotters. This may reflect lack of assurance of general support among military.

Alsogaray, who has commented accurately on political and economic situation in past, has referred publicly to two phenomena among military—first, general intransquility in face of conditions in

country and, second, efforts of Golpistas. He says Golpistas do not represent 5 percent of armed forces but intranquility is genuine. He said Golpism practically dead until revived by events which led to resignation of Reimundes.

Alsogaray takes view preoccupations military are genuine and in a sense justified. He supports government program but says government not carrying it out energetically enough and military worried over effect on internal order. He mentioned charges of graft and loss of public support which placed power in hands of unions and armed forces. Alsogaray, like *Correo de la Tarde*, says government must make fundamental decisions promptly if order to be preserved.

De Pablo Pardo, Foreign Office legal advisor who believed connected with nationalist elements in armed forces, Friday told me he believes Frondizi will have to make more changes in government, including Minister Defense, Secretary Energy, and leadership government banks. He also anticipated pressure of Congress to enact legislation providing for succession presidency in case office vacated.

Some persons expect Alsogaray will be named Minister Economy.

**Beaulac**

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**192. Memorandum From the Director of Intelligence and Research (Cumming) to the Secretary of State<sup>1</sup>**

*Washington, June 24, 1959.*

SUBJECT

Intelligence Note: Prospects for Argentine President Frondizi

Despite continuing reports of military ferment, President Frondizi has apparently survived his latest political crisis thanks to the support of moderate military leaders against extremist plotting in the armed forces. The crisis reflects the conditional nature of armed forces support for Frondizi and their perennial suspicion of Peronist influence in the regime. Last week's publication of an alleged pre-electoral pact between Frondizi and Peron, in fact, helped to precipitate military demands for new concessions and guarantees. The Cabinet resignation of June 22 gives Frondizi a free hand to make the changes required to

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 385, Internal Political Affairs May–June 1959. Confidential. Drafted by Elizabeth H. Hyman and John T. Dreyfuss of the Bureau of Intelligence and Research.

maintain military backing.<sup>2</sup> Such changes as may be made are not expected to alter the regime's basic policies on economic stabilization, but Frondizi may perhaps be obliged to take firmer action to discipline government associates suspected of being soft on Peronism.

With the help of loans from the IMF, Export-Import Bank and private U.S. banks the administration in January 1959 embarked upon an austerity program which offers good long-range prospects. Since January, however, there has been a 50% rise in living costs and business interests have also been adversely affected. Determined to control wages in order to prevent a more serious inflation, the government has ruled with military aid under a state of siege since November 1958, and has arrested labor leaders and otherwise disciplined labor. Labor support of Frondizi policies has also been seriously weakened by the government's manipulation of the trade union movement and its failure to implement wage increases already decreed. Recent provincial elections evidence Frondizi's loss of popular support resulting from the austerity program.

It is unlikely that Frondizi will be able to regain his lost labor support in the near future without making economic concessions that will threaten the stabilization program. He consequently will remain dependent upon the military for his survival, and upon the strength of such moderate military officers as Secretary of War Hector Solanas Pacheco and Secretary of the Navy Estévez. In Frondizi's favor is the fact that various plotting groups in the armed forces do not appear to be able to get together to coordinate their actions.

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<sup>2</sup> On June 23, the Embassy in Buenos Aires reported that Cabinet, Bank Presidents, and Presidential Secretaries had all submitted their resignations in order to give President Frondizi a free hand to reorganize the government. (Telegram 2066; *ibid.*, Central Files, 735.00/6-2359)

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### 193. Editorial Note

On June 25, at the 411th meeting of the National Security Council, Vice President Nixon, during Allen Dulles' review of significant world developments affecting U.S. security, raised a question regarding the situation in Argentina. The memorandum of discussion reads as follows:

"The Vice President said he wanted to inquire whether Frondizi was in serious trouble in Argentina. Mr. Dulles replied in the affirmative and said that elements of the Argentine military had turned against Frondizi because they felt that he had permitted too many



Peron and Communist sympathizers to become members of his government. Mr. Dulles estimated that Frondizi had about a fifty-fifty chance to survive, perhaps a little better. The Vice President inquired whether it was Mr. Dulles's opinion that Frondizi had done very well in Argentina. Mr. Dulles replied in the affirmative and added that Frondizi had exhibited exceptional courage." (Eisenhower Library, Whitman File, NSC Records)

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**194. Letter From the Minister-Counselor of the Embassy in Argentina (Bernbaum) to the Director of the Office of East Coast Affairs (Boonstra)<sup>1</sup>**

*Buenos Aires, June 26, 1959.*

DEAR CLARE: We were very glad to get your very helpful letter of June 19,<sup>2</sup> describing the reaction in the Department and in the Export-Import Bank to our telephone call to you last Saturday. The call was made against the background of information [*less than 1 line of source text not declassified*] to the effect that thinking in the Department, and we assumed in the Export-Import Bank as well as in the Treasury Department, was along the lines of fairly substantial additional assistance to Argentina within the near future. Given the crucial political situation existing at the time and the indications that the United States Government was in any case receptive to the idea of large-scale assistance, it seemed to us most desirable that any advantages which might be derived be capitalized upon immediately. Our thought was that this might best be done with a prompt announcement of the Brand visit from which, however, the negative aspects previously recommended by us would be deleted.

We had no idea of going beyond this in the sense of making any advance commitments. We felt that a mere announcement of Brand's visit, without any negative statements restricting the scope of the visit, would in itself be utilized locally as a further indication of U.S. interest and readiness to look into the problem. We anticipated that if any questions were asked, Brand's answer could make it clear that although the specific purpose of the visit was to check into the as yet

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 332, Official Correspondence. Secret; Official-Informal.

<sup>2</sup> Document 189.

undisbursed balance of payments credits, the Bank would, naturally, be interested in any worthwhile and sound projects coming up which might contribute to the Argentine program.

This was to have been the first stage. The second stage would take place at the end of Brand's visit when, depending upon its results, we would be able to look into the possibility of saying something more positive regarding the future.

It seems to us that the attitudes described in your letter are substantially in accordance with those existing here at the Embassy. The same applies to the proposed statement which is to be made at an opportune moment.

The message mentioned by me in our telephone conversation was not set because of your indication that large-scale assistance to Argentina was, in fact, no longer being contemplated and that the information we had received was dated. This plus the rapid political developments culminating in the resignation of the Cabinet made it seem desirable that we await further clarification of the situation before making any announcement.

It seems to us that with the reformation of the Cabinet, in which the dominant role is apparently to be played by Alsogaray, the time has now come for us again to consider a prompt announcement. The Ambassador has under consideration the possibility of discussions in the near future with both the President and with Alsogaray. He is just awaiting an opportune moment. He intends at that time to sound them both out on plans for the stabilization program and to set the stage for an announcement of Vance's visit.

With best regards and renewed thanks for keeping us so well informed,

Sincerely yours,

**Maurie**

195. **Telegram From the Embassy in Argentina to the Department of State**<sup>1</sup>

*Buenos Aires, June 27, 1959—8 p.m.*

2120. In conversation with me last night President described situation as institutional crisis in armed forces principally in Army. Said up to Peron's time leadership in Army depended on rank. During Peron Peronists took over. Since Peron anti-Peronists have been in charge. Said well-known Golpistas tried to subvert armed forces and still trying but he thought would have no success although trouble not over.

Charged Golpistas obtained Peron's cooperation and that alleged Peron-Frondizi pact was taped two days before made public by Radio Rivadavia (which friendly to Golpistas).

Frondizi said government looking for Golpistas but when I suggested not looking very hard he agreed GOA thought best not to force issue (some Golpistas apparently still in touch with troops outside Buenos Aires). Said Admiral Rojas, cautious man now as during revolution against Peron, came in when he thought rebellion about to break out but he guessed wrong.

Frondizi noted no strikes, no bombings or sabotage. Even Peronists did not respond to Peron. Said he proud of Argentine people. Golpistas blind. No conception of country's problems. Moved solely by lust for power but would be quickly swamped by country's problems.

Alsogaray will follow same economic policies as Del Carril who just as good as Alsogaray but latter better public relations wise. Also-garay will want to do something to ease social tensions (press predicting demobilization railroad and other workers).

Del Carril will have high post in GOA but not Cabinet. Wants to save him for later. Confided Del Carril rather than Gomez was his candidate for Vice President but Del Carril declined.

Frondizi said would stand firm on three points: (1) legality; (2) no impositions; (3) stabilization plan will be carried out.

I found Frondizi relaxed and confident.

**Beaulac**

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<sup>1</sup> Source: Department of State, Central Files, 735.00/6-2759. Official Use Only. Repeated to Rio de Janeiro.

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**196. Memorandum of a Conversation, Department of State,  
Washington, June 30, 1959<sup>1</sup>****SUBJECT**

1. Eximbank Mission to Argentina <sup>2</sup>
2. Plans for Visit to Peru

**PARTICIPANTS**

Mr. Vance Brand—Eximbank  
Mr. Roger Williams—Eximbank  
Mr. Charles Shohan  
ARA—Mr. Rubottom  
OSA—Mr. Vaky  
OSA—Mr. Silberstein  
E—Mr. Harold Bratt

1. Mr. Brand said he had finally been able to arrange an appointment with Ambassador Barros, whom he was seeing at four this afternoon.

He said that one of the things he wanted to mention to Ambassador Barros was the great delay in utilizing the loans which have been made to Argentina. Except for the railroads, he said, he does not believe that any equipment has left the US in connection with other projects. He referred specifically to the Celulosa loan and to some 3 to 5 million dollars loaned for highway equipment. Despite a considerable length of time the Argentine recipients had not been able to import the equipment. The delay was due to the excessive red tape and paper work being required by Argentine authorities in connection with the import permits.

He said he wanted to explain this situation to Barros, hoping that Barros would apprise his Government of this information before the mission arrives. The Bank personnel would not then have to start out their visit on this negative note. Brand also said that the Bank had completed action today on other small private loans, and he would so inform the Ambassador. Counting the John Deere project, the \$15 million private sector portion of the 1956 \$100-million line of credit

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<sup>1</sup> Source: Department of State, Central Files, 103.XMB/6-3059. Official Use Only. Drafted by Vaky.

<sup>2</sup> On July 21, an Export-Import Bank Mission, headed by Vance Brand, arrived in Buenos Aires to discuss with the Argentine Government the progress of the Argentine economic program and credits. A complete record of the conversations was transmitted in despatch 151 from Buenos Aires, July 31. (*Ibid.*, 103.02-XMB/7-3159)

has now been slightly exceeded. Brand said that the mission would also investigate during its visit projects for which loan applications have been submitted totaling some \$31 million.

Roger Williams then described a visit he had received from Alejandro Orfila, Public Relations Director of the Pan American Union and nephew of the Argentine Secretary of Commerce. Orfila, who stated he was told to talk to the Bank by Frigerio, inquired about the nature of the mission and its purpose. He expressed some concern that if much publicity was given to it and nothing in the way of sizeable loans resulted there would be a bad reaction. He was relieved, apparently, at Williams' explanation. Brand said that this reopened the whole question about timing as far as he could see, and that was why he wished to speak with Barros.

Mr. Rubottom said that Ambassador Beaulac had brought this point up with him when they talked in Sao Paulo. He speculated that Orfila's reasoning may also have been behind Barros' request that no public statement or announcement be made. After a general discussion it was agreed that some announcement should perhaps be made to explain the exploratory and study nature of the mission, so as to avoid speculation and the raising of hopes. Brand suggested that Barros might himself make some announcement, pointing out the desirability and necessity for the Bank to acquaint itself with the new Argentine financial officials, and that this was an exploratory and brief visit. The Ambassador, he said, could if he wishes announce the small loans concluded today, and mention that the Bank did wish to finalize \$6 million for a Celulosa paper project during his visit. Mr. Brand said he readily recognized that these amounts would appear to the Argentines as peanuts. He was sure, too, that Frondizi would press for some aid in the public sector. In response to Mr. Rubottom's question he said that he had no indication that the IBRD was contemplating anything in Argentina. As regards petroleum he noted that the Murcheson group had virtually concluded that no arrangement was going to be possible. Mr. Rubottom said that Henry Holland was optimistic. He noted that Frondizi seemed to have wanted to be able to announce some accomplishment as regards either oil or ANSEC. Sargent is planning to return to Argentina on July 17 after Brand departs.

Brand mentioned another item which was troublesome—the group of private steel companies who wished to form jointly a company to construct another steel mill. Brand said that he felt this was a great mistake; since the Argentines were having trouble building one, it was foolish to attempt to start a second. He said he may have to speak frankly to Frondizi if asked about this. He noted that Argentines seemed to have their head in the sand and to pretend they needed no help.

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Mr. Rubottom said that he would call Barros and tell him of Brand's visit this afternoon and that he would urge some sort of publicity to eliminate speculation. Brand said that he would speak frankly to Barros and that if no publicity was wanted the mission should not go.

[Here follows discussion of Peru.]

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**197. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, August 5, 1959—2 p.m.*

205. President told me last night Peron continues to send letters, recordings and other messages to Argentina and that Peronist unions under his instructions will join with Communists in fomenting coordinated strikes during coming months which will undoubtedly create serious political and social problem in country. He says his government has made informal representations in Buenos Aires and Ciudad Trujillo without results. He does not plan to bring matter up before Foreign Ministers meeting (I agreed this probably good decision), but Argentine Foreign Minister will discuss problem with Dominican Foreign Minister at that meeting. Argentine Government will continue its representations and will go as far as breaking relations if no relief obtainable.

Fronzidi believes Trujillo convinced Peron may return to Argentina and for that reason is permitting Peron carry on this systematic political activity aimed at subverting Argentine Government.

Fronzidi added that government is considering means of barring Communist Party from participating in elections (having in mind particularly danger Peronist vote may be thrown to Communists as it doubtless was in part during municipal elections in Santa Fe Province). He said executive could not do this and he did not believe legislature would do it, but he believes it could be accomplished through judiciary action within period of some three months.

I told President I would inform Department concerning Peron matter and transmit to him any observations that Department might make. I reminded him that our relations with Trujillo were not good.

**Beaulac**

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<sup>1</sup> Source: Department of State, Central Files, 735.00/8-559. Confidential; Priority. Repeated to Ciudad Trujillo.

198. **Telegram From the Department of State to the Embassy in Argentina**<sup>1</sup>

*Washington, August 7, 1959—7:35 p.m.*

178. Embtels 205<sup>2</sup> and 206<sup>3</sup> rptd Ciudad Trujillo 1 and 2. U.S. Government understands Frondizi concern Peron activities and threat these pose Argentine stability which we desire support all feasible means. However, no basis seen for revision views and policy Peron problem stated December 1958 Deptel 704 rptd 183 Ciudad Trujillo.<sup>4</sup> Present Caribbean tensions and imminence Santiago meeting make U.S. relations GODR delicate and Department considers U.S. should not raise new issues GODR. Concur your view inadvisable raise Peron issue Santiago meeting.

Appears from refrels Frondizi made no direct request U.S. assistance but we assume from your referral this matter here Frondizi may have implied some U.S. help as well as advice welcome.

You consequently authorized your discretion repeat views Deptel 704 Frondizi indicating these conveyed Barros Hurtado last December.

You may also wish point out that under present circumstances GODR might agree control Peron in return strong Argentine support for non-intervention principle at Santiago meeting. Although informal discussion Peron by Argentine and Dominican Foreign Ministers at Santiago might prove useful,<sup>5</sup> pre-Santiago GOA approach Ciudad Trujillo could have advantage of capitalizing on probable GODR uncertainty MFM prospects. GODR could also save face by linking Peron to Communist-Peronist collaboration Argentine internal situation.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/8–559. Confidential; Priority. Drafted by James F. O'Connor and initialed by Snow. Repeated to Ciudad Trujillo.

<sup>2</sup> *Supra*.

<sup>3</sup> In telegram 206 from Buenos Aires, August 5, Beaulac noted the possibility that Trujillo was permitting Perón to carry out his subversive activities against Argentina because of Trujillo's belief that Perón might return to Argentina. The Ambassador suggested that both the Department and the Embassy in Ciudad Trujillo might be of some help in convincing Trujillo that Perón was not going to return to Argentina. (Department of State, Central Files, 735.00/8–559)

<sup>4</sup> In telegram 704 to Buenos Aires, December 20, the Department informed the Embassy that because of U.S. relations with the Dominican Republic any attempt to control Perón's activities was difficult and possibly counterproductive to Argentine interests. The United States, the Department added, was not in a position to take the initiative, but would support Frondizi's present position regarding Perón if the Dominican Republic or other governments sought U.S. views in the matter. (*Ibid.*, 735.00/12–2058)

<sup>5</sup> The Fifth Meeting of Consultation of Ministers of Foreign Affairs of the American States was held at Santiago, Chile, August 12–18. See Documents 79 ff.

FYI Department considers Peron issue bilateral one between GOA and GODR. Past dealings Frondizi emissaries with Peron, of which GODR fully aware, make representations by third parties, including U.S., especially difficult. End FYI.

**Herter**

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**199. Memorandum Prepared by the Ambassador in Argentina (Beaulac)<sup>1</sup>**

*Buenos Aires, August 26, 1959.*

THE SITUATION IN ARGENTINA

*Economic*

In the economic field Argentina is making striking progress. After some thirty years of increasing statism the Frondizi Government has followed the lead of the earlier Provisional Government in the direction of economic freedom, with the difference that it has moved much more rapidly and much more courageously than the Provisional Government did.

To cite a well-known illustration, after Argentina had spent up to \$300 million a year for petroleum imports, because of the failure of the Government monopoly, YPF, to produce enough petroleum to supply the country's needs, the Frondizi administration called in the foreign oil companies and, at the same time, stepped up YPF's efficiency with the result that it seems likely now that the country will be self-sufficient in petroleum by 1962 or even 1961.

Of course, the petroleum program is only a part of the Government's overall stabilization program, aimed at halting the steady deterioration in the country's economic position and bringing about the development which the country is capable of achieving.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/8-2659. Confidential. Drafted by Beaulac and Julian L. Nugent, Jr., Counselor for Political Affairs. Transmitted in despatch 338 from Buenos Aires, August 26. In the covering despatch, Ambassador Beaulac noted, among other things, the following: "I can think of nothing more likely to stimulate real and lasting economic development in Latin America than the continued success of President Frondizi's stabilization program in Argentina. To the extent that we can continue to contribute to the success of that program, we will be helping ourselves and the whole effort in which we are engaged to stimulate and support economic development in the other American Republics."



After the Argentine Government had presented to the International Monetary Fund a stabilization plan which the latter was able to improve, the Fund, together with the Export-Import Bank, the United States Treasury, the Development Loan Fund, and United States private banks, in December 1958, provided credits to Argentina of \$329 million. The Argentine Government is carefully carrying out the terms of its plan with the result that living costs during the last recorded thirty days increased only 3 percent, whereas earlier monthly increases had been much greater, while the peso, for the time being at least, has achieved relative stability.

The principal device for achieving monetary stability and laying the basis for economic development has been the progressive freeing of the Argentine economy from Government intervention and interference. A single, free exchange rate was established. Government subsidies on such consumption products as meat and other foodstuffs were removed. The Government substantially withdrew its controls over the important meat industry. These steps have resulted in a substantial increase in the price of meat to the Argentine consumer and, of course, a substantial increase in the return to the Argentine producer from the sale of cattle. A result of this last phenomenon has been the withholding of cattle from the domestic market in an effort by the producer to build up herds. This effort was stimulated by the expectation of being able to sell greatly increased numbers of steers at higher prices to the packing houses for export abroad. Increase of meat exports, in turn, constitutes Argentina's greatest and quickest means of increasing its foreign exchange income.

The elimination of petroleum imports, on the one hand, and the increase in meat exports, on the other hand (together with other similar measures), are calculated to bring about a reversal in the unfavorable balance of trade which was an important part of the deteriorating economic situation that President Frondizi was faced with when he assumed office on May 1, 1958.

It is encouraging to note that representatives of the Export-Import Bank and of the International Monetary Fund have visited Argentina recently and expressed themselves as well pleased with the efforts of the Argentine Government in the economic field.

It is worth noting, also, that the present Minister of Economy, Ing. Alvaro Alsogaray, who is also Acting Secretary of Labor, and who personally selected the other members of his economic "team", is the person who as a private citizen was most responsible for the change in public and official attitude toward petroleum and other economic matters which helped make it possible for President Frondizi successfully to reverse the Government's earlier attitude toward petroleum and toward many other important matters in the economic field. Although Minister Alsogaray founded and headed a small political party which

has been in opposition to the Frondizi Government, Frondizi did not hesitate to bring him into the Government as Minister of Economy when pressures from various sources and the President's own inclination pointed toward such a step.

The new economic freedom which is characteristic of Argentina today has led to a revival of foreign investment. For example, the American and British meatpackers are adding to their investments in order to permit them to take advantage of the new opportunities resulting from the lifting of Government control of the meat industry. Chrysler, Ford and General Motors are building or have agreed to build plants for the manufacture of trucks. John Deere is building a tractor plant. Koppers is building a petro-chemical plant. Two United States interests are competing for authorization to build a synthetic rubber and carbon black plant. A number of European companies have increased their investments or made new investments. One large American group expects to bid for the construction and operation of a gasline from Comodoro Rivadavia to Buenos Aires. This would cost some \$200 million. An oil and gasline from the northern producing area at Salta to San Lorenzo and Buenos Aires (started for the account of YPF under the Provisional Government) is nearing completion. This will cost an estimated \$200 million. The Government is considering the possibility of turning this line over to private interests. Meanwhile, investments by foreign petroleum companies are expected to reach an estimated one-half billion to \$1 billion within the next few years.

One factor tending to limit new investments is the shortage of pesos which, of course, is a by-product of the Government's determination to limit credits as part of its stabilization program.

In summary, Argentina is setting an example for the rest of the Continent in the sense that it is courageously carrying out, as rapidly as it can in the circumstances, those measures in the economic field best calculated to reverse the downward trend in Argentina's economy and to establish the basis for new healthy development. In undertaking the measures described, Argentina has counted on the support of the Government of the United States and of the International Monetary Fund as well as on the good will of other Governments. However, Argentina earned this support and good will by its willingness to take the steps which would make cooperation from abroad really helpful. It was willing to do its part, in other words. In the economic field, Argentina can accurately be described as a cooperative country.

### *Political*

Argentina still faces grave problems, particularly in the political field, and those problems are, of course, associated with the still difficult economic situation, and particularly with the austerity program which is a necessary part of the stabilization effort.

As already noted, prices of many basic commodities, including foodstuffs, have sharply risen as subsidies and controls have been removed. Meanwhile, the Government is making great effort to keep wages from rising. Labor, therefore, has been caught in a kind of squeeze between rising prices and less rapidly rising wages. This has created a problem for the Argentine Government and the problem is made more difficult by the political heritage of the Frondizi regime, particularly the legacy of Peronism and anti-Peronism which still persists in the country.

The Peronists, who constitute an estimated 20 to 25 percent of the Argentine population (as against more than 50 percent in Perón's time), are particularly strong in the labor field. Peronist labor leaders have, therefore, not only been able to appeal to their followers on the basis that labor is being asked to make a disproportional contribution to economic stabilization, but also on the basis of political loyalty.

The Government is caught in a kind of squeeze between Peronism and anti-Peronism. President Frondizi is known as an "integrationist". In other words, he would like to take steps that would result in "integrating" the Peronist masses into the normal political life of the community. However, the professional anti-Peronists, including many of the military and most of the country's traditional political leaders (at least outside the President's party, the UCRI) will have nothing to do with integration and charge the President with pro-Peronism (as well as pro-Communism) when he makes tentative moves in the direction of integration.

As a result, the Peronists remain an unintegrated group who are, moreover, powerful in the important labor field, as already noted. Since labor peace is important to both economic rehabilitation and to political rehabilitation in the country, it will be seen that the failure so far to integrate the Peronists constitutes a serious obstacle to rehabilitation in both those fields.

Some progress, nevertheless, is being achieved. The mere fact that the Peronists now constitute only 20 to 25 percent of the population rather than more than 50 percent of the population as before, in itself represents progress. Further passage of time may be expected to add to that progress. Also, there is a growing realization that some kind of integration is desirable in the common interest. The tendency manifested during the provincial elections in Santa Fé for Peronists to vote for Communist candidates, and the recent decision of Peronist and Communist-led unions to establish a united front have stimulated thought along those lines.

Basic to Frondizi's political troubles, and related to the explosive issue of Peronism, is the manner in which Frondizi won election as President of Argentina. It will be recalled that Frondizi was the candidate of one of the factions of the Radical Party (the URCI). He early

realized that no party in Argentina could achieve a substantial plurality unless it could attract the Peronist vote. He was able to do that. His political opponents claim that he signed an agreement with Perón under which he offered Perón and the Peronists certain concessions if he were elected. He has denied this and it seems improbable that he would ever have exposed himself by signing such a document. However, there can be little doubt that some one (Rogelio Frigerio is commonly believed to have been the man) made overtures to Perón and to the Peronists on Frondizi's behalf or in his interest. Certainly, Perón made it clear that he wanted his followers to vote for Frondizi and they did so, with the result that he was elected President and his party won all the seats in the Senate and two-thirds of the seats in the Chamber of Deputies. (At the same time, it seems improbable that Perón would have ordered his followers to vote for Frondizi's chief opponents, the Balbinista Radicals, who were supported by the tough-line anti-Peronists Provisional Government, or for the hated Conservatives, and he could not order them to vote for Peronists since the Peronist political groups were substantially outlawed.)

Frondizi's political opponents have never forgiven him for this "trick" of attracting Peronist votes. They say that his "deal" with Perón unfits him morally to be President of Argentina and that he cannot be "trusted". Although Frondizi has carried out an orthodox and courageous economic program the success of which will be a great blow to Communism and its purposes in Argentina and throughout the Continent, his opponents refer to Frondizi as a Marxist and even as a Communist. They refer to "Communists" in the Government (very few of these alleged Communists had ever been named although it must be recognized that Frondizi has exposed himself to criticism by retaining a very few former extremists in the Government longer than prudence indicated. Also, extremists have penetrated some of the UCRI-controlled provincial governments).

Furthermore, the Armed Forces, or large groups within the Armed Forces, likewise have taken up the cry of Peronism and Communism against Frondizi. The military government headed by Provisional President Aramburu carefully planned that the elections should go to the UCRP candidate, Balbín. The fact that Frondizi frustrated this plan by attracting the Peronist vote not only disappointed these military groups, but enraged them.

The fact that Frondizi sponsored and obtained legislation aimed at setting up a single labor confederation which, in the circumstances, might be expected to be led by Peronist or ex-Peronist leaders (and which might constitute a source of political power equal to that of the Armed Forces) also enraged many of the military. Advocacy of such a single confederation doubtless was a mistake on Frondizi's part. He

appears now to be backing away from it. His Minister of Economy, Alsogaray, is following a policy aimed at fragmenting the labor movement.

Resistance to Frondizi by the "gorillas" and other political-minded groups and persons in the military has been evident from the beginning and it has been freely predicted from the beginning that the military would get rid of Frondizi in short order. However, this has not occurred and one result of anti-Frondizi maneuvering, particularly in the Army and Navy, is that those two Armed Services are, themselves, split and President Frondizi, although his austerity program has alienated many voters and although the Peronists as well as a part of the military have turned against him, is not considered to be as vulnerable to military plots as he was at the commencement of his term.

With regard to plots, there is no evidence that any but a minority of military leaders have ever seriously considered ousting the President by force and thereby inheriting not only an impoverished government, but even more problems than those now facing Frondizi. The latter's determination not to back out gracefully in the event of a military take-over (i.e., the coup d'état would not be bloodless), the absence of a person of stature willing to head another revolutionary government, and the inevitable national as well as international opprobrium that would fall on a group guilty of having overridden the Constitution, are added deterrents to a move against Frondizi by any except the foolhardy. Frondizi's main problem with the military has been, and continues to be, the latter's effort to place him under a form of tutelage, to subject him to pressures from time to time, and to weaken his position by "constitutional means" (such as pressuring for the election of a Vice President who could replace Frondizi "constitutionally" if it should be considered desirable and feasible to ease Frondizi out). Frondizi has responded to these pressures, often (it would seem) when it has served his purpose to do so, and has maintained his efforts to make those pressures less effective, the whole process having given rise to a series of highly publicized crises over the past fourteen months.

Linked to the military are the (Balbinista) UCRP which the Provisional Government favored in the last elections, and a considerable group of "oligarchs" typified by persons like Dr. Alberto Gainza Paz, publisher of *La Prensa*. These "oligarchs", with the support of some military elements, are carefully grooming former Provisional President Aramburu as presidential candidate of the Center forces during the next elections. (It may be stated, in passing, that General Aramburu, unlike the Provisional Vice President, Admiral Isaac Rojas, has had a stabilizing influence on the military. He apparently continues to be devoted to constitutionalism and to letting President Frondizi complete his six years of office.)

The "oligarchs" control the traditional press in Argentina and influence some of the new and important opposition papers, such as *Correo de la Tarde*, which is run by retired Navy Captain Francisco Manrique, former Chief of Provisional President Aramburu's Military Household, and which has as one of its principal objectives laying the groundwork for General Aramburu's presidential candidacy in 1964. One characteristic of the traditional press is that whereas it systematically refrained from publishing news unfavorable to the provisional (military) regime, it systematically refrains from publishing, or at least plays down news favorable to the Frondizi regime. On the other hand, it publishes a large quantity of material unfavorable to the regime, including rumors which are known to be untrue.

Meanwhile, however, every day that passes brings closer the day when Frondizi's economic program will show results that the people can see. In Argentina nothing succeeds like success and it is Frondizi's hope, as well as the hope of the UCRI Party and of many persons who believe that Argentina sorely needs political tranquility, that increasing prosperity and increasing opportunities for labor and business to work remuneratively, will in fact add to political stability and, in turn, provide the opportunity for continued economic development.

### *Position of the United States*

Political relations between the United States and Argentina continue to be excellent. They were, in general, excellent during the Provisional Government except that toward the end of that regime there was a tendency within the Government to criticize the United States for not lending more money (we extended to the Provisional Government some \$160 millions in credits, not all of which have yet been utilized) and for insisting stubbornly that the Argentine Government make itself more creditworthy by solving such long-pending problems as the American & Foreign Power Company problem resulting from earlier expropriations and interventions of company-owned power plants.

An index of the generally good relations with the Provisional Government was the signature of the agreement for "Operation Crow-flight" under which some 150 United States Air Force personnel conducted a high altitude air sampling program based at the Buenos Aires civilian airport at Ezeiza. The signature of this agreement and the presence in Argentina of this uniformed United States group marked a sharp break in Argentina's unwillingness to allow foreign soldiers to operate on her territory. It was a major shock to Argentine politicians. However, the Frondizi Government which came into office shortly after the project was signed gave it its support; the United States Air Force personnel departed themselves in an exemplary manner, and

the project has now been completed with the result that the Operation not only ceased to be sensational but made a positive contribution to United States-Argentine relations.

Political relations between the United States and Argentina, good during the term of office of the Provisional Government, have still further improved under the Frondizi regime.

President Frondizi's visit to the United States impressed him deeply and bolstered his prestige locally. As already noted, his Government's excellent attitude in the economic field made it eligible to loans and credits from the United States and international agencies and from private banks. These loans and credits are helping to establish the basis for solid development in the future.

It may safely be said that relations between Argentina and the United States have never been as good as they are today.

One of the instruments which our Government has for influencing the economic and perhaps the political situation in Argentina is our Point IV Program. In agreement with President Frondizi, and in support of the Argentine Government's own ideas, we are setting up a modern, agile Technical Assistance Program aimed at helping to bring about basic and rapid improvement in Argentina's economy. Just as our Banks have helped to supply the monetary deficit in Argentina, our Point IV Program is helping to fill the critical technological deficit. One part of the program is "Operation Beef" which, by helping to improve the meat industry, strikes at the heart of Argentina's agricultural and foreign exchange problems. Programs in industry and management are being worked up, and the possibility of setting up an Argentine research institute with the help of Stanford Research is now under study.

A principal device for carrying out the various projects will be contracts between United States and Argentine universities. Through this device Point IV hopes, also, to influence the Argentine universities and the system under which they operate. As is well known, these universities, especially the large University of Buenos Aires, are strongly influenced by Leftist and Nationalist groups. Those groups (and the system they imposed) have been responsible for much of the political and economic deterioration which has characterized Argentina's recent history. Progress in the field of education is basic to steady social, economic and political progress in Argentina. (In this connection, a major achievement of the Frondizi regime has been the freeing of higher education. For the first time in Argentina's history private universities are now authorized to grant degrees. The timing of our effort along educational lines is, therefore, excellent.)

One of the greatest contributions our Government can make at the present time is to give firm and prompt support to our excellent Point IV Program, which has the capability of strongly influencing economic and political development in Argentina along lines favorable to Argentina and its relations with the United States.

Another contribution, of course, is to continue to extend credits to Argentina, particularly in the field of private enterprise, so long as Argentina continues to make itself eligible for them. Such credits can make an important contribution to economic progress in Argentina and, by example, in other American Republics. They can also make a not unimportant contribution to our own economy.

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**200. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, September 9, 1959—5 p.m.*

402. Pass Air, AFCIN, Army, Navy. Armed revolt led by Toranzo Montero was sparked by and largely owed its origin to refusal of Secretary of War Anaya to approve major changes in command proposed by Toranzo Montero as Commander in Chief of the Army and President Frondizi to support Anaya.<sup>2</sup> Support for Montero by Army commands was prompt and almost unanimous. Montero's haste in proposing command changes probably related to circumstance Army promotion boards will be appointed soon.

As background it should be recalled that provisional (military) government favored election of Balbin to Presidency. Frondizi frustrated provisional government's desire by obtaining Peronist votes. Provisional government's resentment at this development naturally shared by persons placed in command of Armed Forces by provisional government. In presence of this resentment Frondizi when he became President tried to select military leaders who at least were complacent concerning the electoral support he obtained from the Peronists and

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<sup>1</sup> Source: Department of State, Central Files, 735.00/9-959. Confidential.

<sup>2</sup> In telegram 378 from Buenos Aires, September 4, the Embassy reported that General Montero had barricaded himself in the army mechanics school in Buenos Aires on the evening of September 3, notifying the army commands that he had reassumed command of the army. That afternoon it had been announced that General Pedro Castineiras had been installed as Commander in Chief of the Army. Shortly after 5 a.m. on September 4, Montero left the mechanics school to meet with Frondizi. After the conversation, General Montero announced a truce and stated that he was not heading a movement against the government. (*Ibid.*, 735.00/9-459)



who shared or at least did not oppose his efforts to "integrate" Peronist masses. These persons were minority group whose interests political and personal were furthered by Frondizi's favor. Frondizi named three of this group as Armed Forces Secretaries and simultaneously gave them direct command of Armed Forces. Toranzo Montero revolt is culmination of effort made consecutively within Air Force, Navy, Army to remove commanders imposed by Frondizi and restore the kind of commands that existed under provisional government.

Changes proposed by Montero involved removal of persons loyal to deposed War Secretary Solanas Pacheco and to his Under Secretary Colonel Reimundez. Latter officers and their followers "tagged" as nationalist whereas Montero is tagged as "democratic". Whether or not so called nationalist forces wished to control Army with political purposes in mind, there is widespread conviction within Army that this is the case. There is also suspicion of course that Montero and his followers have political purposes in mind although he has been categorical in stating from beginning that movement not aimed at overturning government and so far as is known he made no effort to overturn government although it is possible that at the height of the revolt he had the power to do so.

In the politico-military situation which exists and which is product of many years of military participation in politics it seems clear that on the one hand individual officers and groups within the military aspire to use their positions for political ends. At the same time it is clear also that persons in political life who in theory are opposed to military intervention in politics are trying to use the military or groups within the military for their own political ends.

At present juncture it would appear that for time being Army, Navy and Air Force are more nearly united politically behind their commanders than they have been since Frondizi became President. With the very limited popular support that Frondizi enjoys with the demoralization that still characterizes political life in Argentina and in particular the acts and attitudes of the political opposition in the absence of an institutional tradition and in the light of the strong political role the military has played in recent years it is obvious that the military today has the power if it is willing to assume the consequences to the country and to the military institutions themselves to replace Frondizi. However, they have probably had this power from the beginning although divisions within the Armed Forces greatly limited that power in the past.

It is difficult to allege that Frondizi has come out of the crisis with his position improved. The extent to which he is subject to control by military is clearer than ever. At the same time it would be wrong to assume that any effective majority of the military intends to use power it has in order to remove Frondizi. What is more likely to occur is that

military will continue to exert its influence on Frondizi and that Frondizi will continue to resist that influence in fields where he feels he can. There is in other words an uneasy balance not greatly different from that that has existed since beginning of Frondizi's term.

**Beaulac**

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**201. Memorandum of a Conversation, Department of State,  
Washington, October 6, 1959<sup>1</sup>**

**SUBJECT**

Call by Minister Alsogaray on Under Secretary Dillon<sup>2</sup>

**PARTICIPANTS**

Under Secretary Dillon  
Argentine Minister of Economy Alvaro C. Alsogaray  
Secretary of Finance Eustaquio Mendez Delfino  
Vice President of Central Bank Julio Gonzalez del Solar  
Sr. Roberto T. Alemann, Financial Counselor, Argentine Embassy  
Mr. C.A. Boonstra, Director, Office of East Coast Affairs

Mr. Dillon expressed his pleasure at having the opportunity to receive Minister Alsogaray and alluded to his sympathetic interest in Argentina and in the economic program to which the Minister is dedicating his efforts.

Minister Alsogaray replied with a detailed statement concerning recent events in Argentina. He referred briefly to the program of Perón, particularly the socialist and statist economic institutions which by the time of Perón's fall had carried the country a long way from private enterprise. By 1955 the country was ruined economically and was dominated by unproductive practices and procedures both in business and in labor. The Provisional Government was not able to make much progress in the economic sector although it did provide the opportunity for expression of private enterprise philosophies such as advocated by the Minister himself. President Frondizi recognized the problems before he took office but action during the first few months of the Frondizi administration was dictated, perhaps inevitably, by

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<sup>1</sup> Source: Department of State, Central Files, 835.00/10-659. Confidential. Drafted by Boonstra. A note on the source text indicates the memorandum was approved in U on October 19.

<sup>2</sup> Alsogaray arrived in the United States on October 1 for discussions with U.S. officials on U.S.-Argentine economic relations.

political necessities. Subsequently, President Frondizi made the final decision that only the private enterprise approach could be productive in helping to speed Argentina's recovery. This led to negotiations for financial assistance culminating in the December 1958 financial arrangements, in connection with which Argentina greatly appreciates the United States' assistance. From January to mid-June 1959, there existed in Argentina a period of considerable confusion caused by the fact that the Frondizi Government was headed firmly toward private enterprise as its basic orientation, but was trying to do so with a government which contained many counter forces and persons who were endeavoring simultaneously to go in other directions. The resulting confusions culminated finally in the crisis of mid-June 1959 which resulted in a decision to move out those persons who were not fully in agreement with the administration's objectives. Similar confusion has existed in the military and labor sectors. The climax of the military disorientation perhaps was the crisis of early September. There has now been established a more generally accepted orientation for the military forces and the Minister believes there will probably not be any further similar difficulties. The labor policy likewise has been confused but is now being oriented in a satisfactory manner. This has been demonstrated by the recent failure of the general strike which was called for political purposes. It appears now that the administration will be able to deal with labor on economic rather than on political grounds.

Minister Alsogaray said that the first productive results of the stabilization program and the private enterprise approach are now becoming evident. In this connection he spoke of progress toward balancing the government's budget although there remains at the same time the very serious problem of extremely large budget deficits for the state operated enterprises. He mentioned also the favorable balance of trade during the first half of 1959 and the recent stability of the dollar exchange rate. He pointed out that the exchange rate stability had been achieved without government support and in fact the government was continuing steadily to buy dollars at the present rate in order to build up its reserves. Next year there would be a need for additional financial assistance but the favorable trends are firmly established. During his visit in Washington he had spoken with the IMF and with United States financial agencies about the help which Argentina would need in 1960,<sup>3</sup> and also he had spoken with Erhard, Makin, and Pinay with respect to suitable arrangements in European financing.

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<sup>3</sup> Details of Argentina's aid requests for 1960 are described in a memorandum by Frank A. Southard, Jr., of the Department of the Treasury, October 1, attached to a memorandum from Rubottom to Dillon, October 2. (Department of State, Central Files, 735.13/10-259)

Following this rather lengthy discourse, Minister Alsogaray said that he had a few specific points to which he would like to call Mr. Dillon's attention. The first is Argentina's urgent need to revise its tariff. The present tariff is hopelessly antiquated both with respect to rates and nomenclature. To assist the recovery program it has been necessary to place heavy surcharges on imports. These surcharges cause difficulties in administration as they are subject to executive determination and contribute toward an unstable situation. Also they can be justified only as an emergency measure and it is to Argentina's advantage to move away from an emergency basis as rapidly as possible. Accordingly, Argentina has been working toward a broad revision of its tariff including the adoption of the Brussels nomenclature and will soon desire to begin negotiations, principally with the United States and the British, toward placing the new tariff in operation. Negotiations with the United States will be required under terms of the present bilateral agreement. The Argentine Government will appreciate the cooperation of the United States in expediting such negotiations and in helping to clear the way for early adoption by Argentina of its revised tariff.

Mr. Dillon inquired as to whether Argentina is a member of GATT, and whether in any case the new tariff might not be negotiated within the GATT framework. The Minister replied that Argentina is not a member of GATT but is exploring this possibility and would like to discuss this with United States technicians. Mr. Dillon said that such discussions would be welcome.

The Minister then mentioned that common market discussions among the South American countries were well advanced and that United States support would be helpful in achieving a successful arrangement. Mr. Dillon noted that the United States had been following these discussions with much interest and would continue to study sympathetically such projects. In this connection the Minister noted that the Minister of Finance Delfino and Sr. Alemann have taken a special interest in this matter and, as Delfino would be staying in Washington a few weeks for further financial discussions, he would be able to follow up further on common market consultations. Dr. Alemann will be returning temporarily to Argentina but will be back to work on both the tariff and the common market.

At this point Mr. Dillon said that he would like to bring up one matter of current interest to the United States. This relates to the aviation negotiations held in Washington which last week terminated without making any progress toward a bilateral agreement.<sup>4</sup> The

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<sup>4</sup> Information on the negotiations which opened on September 15 is in Department of State *Bulletin*, October 5, 1959, p. 491.

United States had expected that, with the arrival of Argentine negotiators, there would be an opportunity for some progress on this matter and was disappointed when nothing was achieved.

In reply, Minister Alsogaray referred again to his earlier comments concerning the difficulty of redirecting at once all of the many sectors of government policy, particularly as many individuals have remained in the government who are not working directly toward the achievement of the government's policies. As he had previously pointed out, these people are being changed. On the day of his departure from Buenos Aires, Ambassador Beaulac had spoken with him concerning the aviation problem but there was nothing which he could appropriately do at that point. There now has occurred a change, with news of the resignation two or three days ago of several members of the Board of Directors of Aerolineas Argentina. This would provide the opportunity for reexamining Argentina's aviation policy and for reopening the negotiations on a basis in which progress can be made. Mr. Dillon stated his gratification that the prospects appeared better for a future negotiation.

Just before saying goodbye to Mr. Dillon, the Minister remarked that the Argentine Government has now approved the investment guarantee program and is prepared to go ahead with the signing of the agreement. He mentioned also that approval has been given to the Inter-American Bank and that Argentina looks forward to depositing its ratification jointly with the United States.

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**202. Memorandum of a Conversation Between the Argentine Ambassador (Del Carril) and the Director of the Office of East Coast Affairs (Boonstra), Department of State, Washington, November 2, 1959<sup>1</sup>**

**SUBJECT**

Argentine Military Credit Program

Ambassador Del Carril came in at Mr. Boonstra's invitation and was given a first-person note signed by Assistant Secretary Rubottom which stated 1) that the established fiscal procedures for military sales on credit provide for the deposit of ten per cent with order and payment of the balance over three years in six equal semi-annual install-

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<sup>1</sup> Source: Department of State, Central Files, 735.5-MSP/11-259. Confidential. Drafted by James F. O'Connor.

ments; and 2) that the United States Embassy in Buenos Aires had been informed by the Argentine Ministry of Foreign Affairs that the Argentine Government was prepared to make a cash payment of \$650,000 for the basic rehabilitation of the first of two submarines, and that it was understood that the credit needs of the Argentine Navy are to be reduced by this amount.<sup>2</sup>

Ambassador Del Carril indicated that he would inform the Argentine service attachés of these credit terms immediately. He stated his belief that the Argentine Air Force and Navy were prepared to move forward with their programs on these terms, but that he was not yet certain of the Argentine Army reaction.

Ambassador Del Carril asked Mr. Boonstra what the next procedural steps would be if there were Argentine acceptance of these financial conditions. Mr. Boonstra replied that service-to-service discussions would then take place to complete the details of the various transactions. He added that final approval of the over-all transaction by the National Advisory Council still remained to be obtained, but no difficulty was anticipated as the terms were of a standard character.

Mr. Boonstra commented that there had been a delay in informing the Argentines officially of these terms while the matter of available credit facilities had been gone into thoroughly in order to assure Argentina of the most favorable conditions possible. These now turned out to be limited to the standard terms for such transactions. He said that the Department would of course be willing to discuss this matter further with the Argentine Government if it so desired. The Ambassador implied that such discussion would not be necessary. Mr. Boonstra also commented that there had been difficulty in finding the funds to implement the agreement in principle for the Argentine program, in view of Congressional cut-back in military assistance. Mr. O'Connor explained that the making available by the United States Air Force of its own credit to assist the Argentine Air Force, in recognition of the close cooperation between the two, had been most useful and opportune, since the combination of the special Air Force facilities with more general credit availabilities had made possible a viable Argentine program.

Ambassador Del Carril commented that these military acquisitions were of particular importance to the Argentine Air Force, because its present Meteor jets were no longer safe to fly, and to the Argentine Navy, since it needed submarines for training purposes. He indicated that the requirements of the Argentine Army were less demanding, but that some additional equipment was also indicated for that service. He said that this military acquisition program was not viewed enthusiastically by the Argentine Ministry of Economy, but that the desires of

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<sup>2</sup> Not found in Department of State files.

the military services had of course to be given attention. Mr. Boonstra remarked that this program was, as military programs went, a comparatively modest one.

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**203. Memorandum of a Conversation Between President Frondizi and the Chargé in Argentina (Beaulac), Buenos Aires, November 5, 1959<sup>1</sup>**

SUBJECT

Military Credits

The President stated that he had just heard from Ambassador Del Carril regarding our inability to deviate from the usual three-year credit terms on the sale of military equipment desired by Argentina. He stated that he was disappointed but that since the equipment was so greatly needed by the Argentine Armed Forces, instructions were being promptly sent to the Embassy in Washington to accept these terms.

I explained to him again the circumstances surrounding credits for military equipment which had made it impossible to work out any more liberal terms, as had originally been hoped by the Latin American Division of the Department. He said he understood and would go ahead.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 735.56/11-959. Confidential. Transmitted in despatch 730 from Buenos Aires, November 9.

<sup>2</sup> On November 19, the National Advisory Council advised the Departments of State and Defense that it offered no objection to their consideration of a credit of \$11.1 million to Argentina to assist in financing the sale of military equipment and services totaling \$12.35 million under the terms of the Mutual Security Act of 1954, as amended. The credit was to be repaid in U.S. dollars in semiannual or annual installments over a 3-year period with interest at the rate of 3½ percent per year. (Memorandum from Bell to Irwin, November 27; *ibid.*, 735.56/11-2759)

**204. Editorial Note**

On February 25, as part of a four-nation tour of Latin America which included Argentina, Brazil, Chile, and Uruguay, President Eisenhower, accompanied by Secretary Herter, among others, arrived in Buenos Aires for a 3-day visit. After addressing a joint session of the Argentine Congress on February 27, the President, accompanied by President Frondizi, visited the seaside resort of Mar del Plata and then on the 28th flew to San Carlos de Bariloche, a tourist center in the Andean lake region, where the two Presidents issued a joint communiqué. For texts of Eisenhower's speech before the Argentine Congress and the joint communiqué, see Department of State *Bulletin*, March 28, 1960, pages 477–480. For additional information on the President's Latin American trip, see Documents 68 ff.

**205. Memorandum of a Conversation, En Route From Mar del Plata to Bariloche, February 27, 1960<sup>1</sup>**

US/MC/4

## PARTICIPANTS

*US*  
The President  
Lt. Colonel Walters

*Argentina*  
President Frondizi  
Dr. Alejandro Orfila, Minister-  
Counselor of the Argentine Embassy  
in Washington

## SUBJECT

Various

1. *Argentine Economic Development*—President Frondizi opened the conversation by saying how happy he was to have this opportunity to talk over various problems of mutual interest with President Eisenhower. Argentina had undertaken a great effort and was determined to push it through. They were moving rapidly toward self-sufficiency in petroleum and hoped before too many years to be in a position to exploit petroleum products. This had, in the past, been a serious drain on Argentine foreign currency reserves. Now that the petroleum problem had been solved, which used to cost them annu-

<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1956. Secret; Limit Distribution. No drafting information appears on the source text. The conversation took place aboard the Presidential aircraft, the *Columbine*.



ally 300 million dollars, the two great remaining problems were steel and roads. The Argentine President said he was very anxious to obtain a steel mill as this would still further reduce their need to expend foreign currency for steel products. They had been spending between 100 and 150 million dollars a year for such purposes and roads were an urgent requirement for the development of the country. During 12 years, Peron had not built a single modern highway.

The President said he was delighted with the success the Argentines had had in the courageous stabilization program which they had undertaken and was equally delighted with the success they had had with petroleum. With regard to a steel plant, he asked whether the Argentines did not have one at the present time. President Frondizi replied that they did, that it was partly state owned and partly privately owned and was not producing at a very satisfactory rate. The President said that he had with him, Mr. Walter Donnelly, who was in the steel business, who had great knowledge of Latin American problems, who was a known man and above any business interest and he hoped the President would be able to talk with him during the visit as he felt he might be useful to him. President Frondizi laughed and said "send him to me and we will go into a room and shut the door until we work out this problem." The President said he would make arrangements for Mr. Donnelly who was a member of the National Advisory Council in Inter-American Affairs to see the President as soon as possible.

2. *The President's Visit to Brazil*<sup>2</sup>—President Frondizi then asked the President how his visit to Brazil had gone and the President replied that it had gone very well, that he had been very impressed by Brasilia and had had useful talks with President Kubitschek and that the latter had been outspoken in his admiration for President Frondizi.

3. *Submarines in Golfo Nuevo*<sup>3</sup>—The conversation then turned to the subject of the submarine contacts in Golfo Nuevo. The President asked whether there really had been submarines there. President Frondizi replied that there had. In fact, it was believed that there had been two and possibly a third. In reply to a question by the President, President Frondizi expressed the belief that they were checking the route around Cape Horn, which the Free World would be forced to use in case of a generalized conflict and breaking of the Panama Canal. Likewise, it gave the Soviet Union long-range experience for its crews with minimum danger owing to the obsolescent equipment which the Argentines had. Admiral Grunwalt, the Chief of Staff of the Argentine

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<sup>2</sup> Eisenhower visited Brazil February 23–25. See Document 281.

<sup>3</sup> On February 7, it was officially reported in Buenos Aires that an unidentified submarine had been contacted in the Golfo Nuevo, an Atlantic inlet southwest of the capital. Despite a 3-week search by the Argentine Navy, no submarines were found. Documentation on the incident is in Department of State, Central File 735.5400.

Navy, then joined the conversation and gave the President a somewhat detailed account of the contacts and attacks made against the submarines.

4. *US Consultation With Other American Nations*—At the conclusion of the conversation, the President told President Frondizi that he felt that the United States should maintain close contact and consultation with the other American nations in matters of common concern to all and he was looking forward to talks at Bariloche on hemisphere and world problems with the Argentine President.

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**206. Memorandum of a Conversation, Argentine Foreign Office, Buenos Aires, February 27, 1960, 11 a.m.<sup>1</sup>**

US/MC/29

SUBJECT

Consultation; Sixes and Sevens<sup>2</sup>

PARTICIPANTS

|   |  |
|---|--|
| <i>U.S.</i>                                 | <i>Argentina</i>                               |
| Secretary Herter                            | Minister for Foreign Affairs Taboada           |
| Mr. Rubottom                                | Dr. D'Hers, Under Sec. for Foreign Affairs     |
| Mr. Bernbaum, Minister Counselor of Embassy | Mr. Ruda, Minister Counselor of Foreign Office |
| Mr. Nugent, Counselor of Embassy            |  |

*Consultation*

Minister Taboada: We realize that the United States has many problems in its task of defending the free world. Nevertheless, it is desirable to emphasize the value of consultation from time to time, particularly in matters that can directly or indirectly affect Latin American interests. Before he undertook his visit to Europe and the Middle East, President Eisenhower sent to Argentina a list of the major issues that would come under consideration. This was highly appreciated. The Argentine Government would like to have further opportunities to express opinions on matters of interest to it. Whenever there is

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Nugent. Memoranda of other subjects discussed during the conversation were prepared separately and are printed as Documents 207 and 208.

<sup>2</sup> Reference is to the European Common Market and the European Free Trade Association.

important information at hand, Ambassador Beaulac or Mr. Bernbaum are able to see top officials in the Foreign Office on very short notice. All this has promoted better understanding.

Secretary Herter: The United States fully realizes the value of consultation, and President Eisenhower has emphasized the need for fullest collaboration in this regard. Sometimes events move so swiftly that we fall behind in our ability to keep our friends fully informed and to benefit from their opinions. We do our best, however, to maintain as complete a consultative procedure as possible with friendly countries like Argentina.

Secretary Herter: This question of consultation leads right into the matter of U.S. policy toward the Six and Seven Groups in Europe. When President Eisenhower was in Paris this year, the differences between the two groups were acute. A break-up of NATO was actually feared. Consequently, Under Secretary Dillon undertook discussions with the interested parties. A communiqué was later issued announcing informal future talks on trade and economic matters. (This communiqué was difficult to draft and few experts were entirely happy with it, because so many countries were excluded from its purview.)<sup>3</sup> The United States took some initiative in this matter because it foresaw the possibility of trade combinations in Europe that could result in discriminations prejudicial to other countries. Steps taken since the issuance of the communiqué have been helpful in discouraging such tendencies and in insuring that policies being developed are in conformity with GATT.

Minister Taboada: Argentina has been concerned lest its absence from these developments lead to its being ignored and to its being unable to present opinions in defense of its best interests. Its commerce with Europe and the United States is large enough to justify this concern, especially if there is any possibility that Canada and the United States may enter the groupings. A memorandum on this point will be presented in Bariloche.

Secretary Herter: The United States does not intend to associate itself with any grouping or organization of this nature which binds the governments comprising it to do certain things. We want only to encourage the ability to discuss and consult and thereby prevent undesirable trends from becoming established.

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<sup>3</sup> Dillon arrived in Paris on January 10 to represent the United States at a meeting of the Special Economic Committee, a meeting of the 20 governments which were members or associates of the Organization for European Economic Cooperation. The communiqué is presumably the "Resolution on Study of O.E.E.C. Reorganization." For text of the resolution, see Department of State *Bulletin*, February 1, 1960, pp. 146–147.

207. **Memorandum of a Conversation, Argentine Foreign Office,  
Buenos Aires, February 27, 1960, 11 a.m.**<sup>1</sup>

US/MC/30

SUBJECT

Khrushchev's Visit to the U.S.;<sup>2</sup> Forthcoming Conferences

PARTICIPANTS

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| <i>U.S.</i>                         | <i>Argentina</i>                     |
| Secretary Herter                    | Minister for Foreign Affairs Taboada |
| Mr. Rubottom                        | Dr. D'Hers, Under Sec. for Foreign   |
| Mr. Bernbaum, Minister Counselor of | Affairs                              |
| Embassy                             | Mr. Ruda, Minister Counselor of      |
| Mr. Nugent, Counselor of Embassy    | Foreign Office                       |

Minister Taboada: We are interested in Mr. Khrushchev's visit to the United States, despite the fact that Mr. Khrushchev spoke for two hours before the United Nations Assembly telling it *why* disarmament was needed without saying anything as to *how* it could be achieved.<sup>3</sup> When Mr. Hammarskjold introduced me to Mr. Khrushchev, the latter asked where I came from and, when told from Argentina, said that was very interesting. Undoubtedly Argentina was interesting to Mr. Khrushchev, since the Soviet designs in this area are well known.

Secretary Herter: There were no conclusive substantive conversations at Camp David.<sup>4</sup> It had been made quite clear to Mr. Khrushchev that it would be impossible to discuss any matters with him until after the ultimatum concerning Berlin had been lifted.<sup>5</sup> Mr. Khrushchev was very annoyed by this stipulation but remained stubborn in his refusal to clarify the Berlin situation. On his last day in the United States he visited President Eisenhower's farm in the afternoon. There his attitude began to change. Five minutes before he was scheduled to leave, he told President Eisenhower that there was no Berlin ultimatum and no fixed time limit attached to it. President Eisenhower could

<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Nugent. See also Documents 206 and 208.

<sup>2</sup> Nikita S. Khrushchev, Chairman of the Council of Ministers of the Soviet Union, arrived in the United States for a 13-day visit on September 15.

<sup>3</sup> Khrushchev addressed the 14th Session of the U.N. General Assembly on September 18.

<sup>4</sup> Between September 25 and 27, Eisenhower and Khrushchev held talks at Camp David.

<sup>5</sup> In its note to the U.S. Government of January 10, the Soviet Union indicated that it would sign a separate peace agreement with the German Democratic Republic if the situation in Berlin were not resolved. For text of the note and the U.S. response, see Department of State *Bulletin*, March 9, 1959, pp. 333-343.

announce this point during a press conference and he (Khrushchev) would confirm it in Moscow. It was impossible, however, to agree on any wording for a joint declaration.

Despite the foregoing, two main points did emerge from his visit:

1. President Eisenhower became convinced that Mr. Khrushchev does want some form of disarmament and that he realizes that a full nuclear war with the United States, even though the Soviet Union might have the advantage of surprise, would result in the Soviet Union's annihilation. On the other hand, it is thought that Mr. Khrushchev does want the distinction of winning the contest between "Communism" and "Capitalism" without a resort to arms. He hopes to convince uncommitted nations that this is so and draw them toward the Soviet Union.

2. Although Mr. Khrushchev gave no outward indication of any changing viewpoint toward Communist China, comments made to him in the United States may have had some effect. When President Eisenhower asked Mr. Khrushchev how the Communist Chinese could justify their desire to recover Formosa by force of arms, the latter replied that Formosa was a domestic matter and that only United States interference made it a question of international concern. President Eisenhower, nevertheless, emphasized that Soviet support of the Communist Chinese against Formosa, in defiance of a security treaty between Formosa and the United States, was a cause of serious tension. Mr. Khrushchev held firmly to his position. There is every indication, however, that he later tried to persuade the Communist Chinese to alter their insistence on obtaining Formosa by force of arms.

Minister Taboada: All this shows the importance of the United States as a guarantee for free-word security. If it were not for the United States, many countries would be under Soviet influence today.

*Forthcoming Negotiations in Geneva*<sup>6</sup>

Secretary Herter: We are now working hard with other countries to establish a common position for the talks in Geneva. There is a need to find simple formulas that serve as immediate tests of good faith. Inspection is one of these. Acceptance of a valid inspection system by the Soviets in connection with nuclear control would be an important proof of sincerity, because inspection might be disadvantageous to the Soviets from a military viewpoint.

Minister Taboada: This will be a worthwhile test. We fear that the Soviets will never accept inspection, however, because it might reveal too much concerning the real state of their nuclear power and possibly show that the Soviet Union is weaker than she pretends to be, thereby destroying the myth of Soviet prowess.

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<sup>6</sup> On March 15, a 10-nation conference on disarmament opened in Geneva.

Secretary Herter: What you say is a very real consideration. Nevertheless, the Soviet Union has accepted a system of inspection to some extent. They have agreed to the establishment of control stations in Russia manned by foreigners. The difficulty is that they have not agreed to allow unrestricted travel between control stations in the process of checking data.

Minister Taboada: We are happy to have these panoramic views from you. This is the way to avoid the misunderstandings which can arise from knowing only those facts which are reported in the press.

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**208. Memorandum of a Conversation, Argentine Foreign Office, Buenos Aires, February 27, 1960, 11 a.m.<sup>1</sup>**

US/MC/31

SUBJECT

U.S.-Argentine Economic Problems

PARTICIPANTS

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| <i>U.S.</i>                                 | <i>Argentina</i>                               |
| The Secretary                               | Minister of Foreign Affairs Taboada            |
| Mr. Rubottom                                | Dr. D'Hers, Under Sec. for Foreign Affairs     |
| Mr. Bernbaum, Minister Counselor of Embassy | Mr. Ruda, Minister Counselor of Foreign Office |
| Mr. Nugent, Counselor of Embassy            |  |

*Civil Aviation*

Secretary Herter: We understand that further consideration will be given to this subject.

Minister Taboada: We have informed Ambassador Beaulac of the decision to reopen the conversations begun last September. Although we are unable to say that Argentina has changed its basic position since September, we can affirm that we shall be able to discuss matters with a much greater degree of flexibility than heretofore. President Frondizi desires to reach a suitable solution, and this should have a helpful effect. We are optimistic, therefore, that differences can be settled. We know that the United States already has standard agreements with a number of other countries and that it is difficult to make exceptions in favor of single countries. A commission has been formed

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Nugent. See also Documents 206 and 207.

in Argentina to deal with the matter and is able to meet either in Buenos Aires or Washington, as soon as its United States counterpart is ready to begin discussions.

*American and Foreign Power Case*

Secretary Herter: This has been going on for some time. Would you be able to indicate what are the prospects?

Minister Taboada: We are going to do everything possible to settle this matter. President Frondizi desires to eliminate any remaining points of difference, and we are confident that a satisfactory arrangement will be found. The delay in this matter is owing simply to procedure.

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**209. Memorandum of a Conversation, San Carlos de Bariloche, February 28, 1960, 2:15 p.m.<sup>1</sup>**

PARTICIPANTS

*US*  
Secretary Herter  
Assistant Secretary Rubottom

*Argentina*  
President Frondizi  
Foreign Minister Taboada  
Ambassador Del Carril  
Minister Orfila

SUBJECT

The Cuban Situation

The President inquired about the Cuban problem, recalling that he had discussed this subject with Messrs. Mann and Rubottom nearly a year ago in Buenos Aires. The Secretary said that the Cuban situation was worsening; the Communists were moving into key positions in a government beset by disorganization; property rights were being ignored; intervention in both agriculture and other industries was rampant; the Cuban problem adversely affected all the Americas and should be treated within the inter-American system.

Mr. Rubottom brought up the problem created by the continued interference by Cuba in the affairs of the other American Republics, especially through the official Cuban Government press agency,

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Rubottom. Memoranda of other subjects discussed during the conversation were prepared separately and are printed as Documents 210–213. A memorandum of a brief conversation on the 11th Inter-American Conference, designated US/MC/5, is not printed.

*Prensa Latina*. He reiterated the fact that Cuba was an inter-American problem and not one solely for the United States. The President and the Foreign Minister responded immediately to the reference to *Prensa Latina*, saying the agency was clearly meddling in Argentine affairs by the provocative material it disseminated not only outside Cuba but inside Argentina itself.

To the President's query about sugar, the Secretary described the history of our sugar legislation and the historical relationship between Cuba and the U.S. with regard to this commodity.

The President expressed approval of our policies toward Cuba and said that great care should be taken in preparing any action ultimately to be taken, and also with the timing of such action.

The Secretary expressed appreciation for the role of the Argentine Ambassador at the time of the difficulties of Ambassador Bonsal. He said we might send the Ambassador back to Cuba, since the Cuban Government had sent a satisfactory note, although this was not yet decided. The President and the Foreign Minister concurred in the view of the Secretary that all of the governments in the Americas should expand their exchange of information regarding Cuba.

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**210. Memorandum of a Conversation, San Carlos de Bariloche, February 28, 1960, 2:15 p.m.<sup>1</sup>**

US/MC/7

PARTICIPANTS

*US*  
Secretary Herter  
Assistant Secretary Rubottom

*Argentina*  
President Frondizi  
Foreign Minister Taboada  
Ambassador Del Carril  
Minister Orfila

SUBJECT

U.S.-Argentine Civil Aviation Negotiations

The President said that he understood that the Secretary had raised the problem of civil aviation in his discussion with the Foreign Minister the day before. He stated that he had given instruction to the appropriate authorities in his government to undertake new negotia-

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Rubottom. See also Documents 209 and 211-213.



tions with the U.S. and he hoped there would be sufficient flexibility on both sides to permit a solution to be found since an agreement satisfactory to the U.S. would impair Argentina's position in the international field. The President hoped that the U.S. would be able to cooperate with Argentina in providing loans for the improvement and construction of airports and the installation of electronic equipment for the airports. The Secretary said that the U.S. was hopeful that a satisfactory solution could be found to the civilian aviation problem but that there seemed to be no connection between the two matters mentioned by the President. The Secretary said that the U.S. would be willing to discuss possible loan projects for airports but that these should not be linked to the other problem. The President acknowledged that there was no direct tie between these subjects but that, as a practical matter, Argentina could not very well satisfy the U.S. demands on civil aviation matters unless it had an expanded domestic industry which could absorb the personnel who would lose their employment on the international routes.

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**211. Memorandum of a Conversation, San Carlos de Bariloche, February 28, 1960, 2:15 p.m.<sup>1</sup>**

US/MC/8

PARTICIPANTS

*US*  
Secretary Herter  
Assistant Secretary Rubottom

*Argentina*  
President Frondizi  
Foreign Minister Taboada  
Ambassador Del Carril  
Minister Orfila

SUBJECT

U.S. Ban on Argentine Cured Meats

The President next raised the problem of the ban by the U.S. on cured meats, rather sharply protesting the sudden action taken. The Secretary expressed the hope that the scientific problem involving risk that the hoof and mouth disease might enter the U.S. in such meat might be separated from the trade problem. The President suggested that the U.S. and Argentina regularly consult on these matters just as

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 599, CF 1596. Confidential. Drafted by Rubottom. See also Documents 209, 210, 212, and 213.

the U.S. undertakes to do in the case of prospective PL 480 sales to countries which are markets for Argentine products. The Secretary said that he would like to see such consultations carried out. In reply to a question by Mr. Rubottom as to whether Argentina had been able to shift most of the meat exported after the curing process over to exports of canned meat, the President said they had not been able to do so and there was a resulting loss of 30 to 40 million dollars per year of exports. (U.S. figures show that such sales total 18 to 20 million dollars per year.) Besides, said the President, Argentina would have to face the problem of the expensive importation of tinplate were such meat to be canned instead of cured (cured meat being shipped in barrels). One reason why the President had mentioned Argentina's dire need for increased steel production capacity in the private sector in his discussion with President Eisenhower had been just such requirements as that of tinplate. The President ended the discussion on this topic by saying that it was an immediate challenge to both countries to try and settle the problem.

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**212. Memorandum of a Conversation, San Carlos de Bariloche, February 28, 1960, 2:15 p.m.<sup>1</sup>**

US/MC/9

PARTICIPANTS

*US*  
Secretary Herter  
Assistant Secretary Rubottom

*Argentina*  
President Frondizi  
Foreign Minister Taboada  
Ambassador Del Carril  
Minister Orfila

SUBJECT

Argentine Military Budget

The President said that he was much concerned about the drain on his budget caused by the armed forces. He hoped to reduce their budget deficit by reorganizing and reducing the size of the armed forces, especially the army. It is still necessary to have sufficient forces, adequately trained and equipped, to help maintain internal order. Argentina plans to reduce the twelve months' conscription period to

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Rubottom. See also Documents 209-211 and 213.

six months and to develop a cadre of well-trained professional soldiers. This will require that they have modern arms and good transportation.

The President recalled that the 12½ million dollars credit extended by the U.S. to Argentina last year for defense purposes had gone principally to the Air Force and Navy with only a small amount for the Army. They had had to pay 10 percent down with the balance due in three years, this constituting a heavy drain on their limited funds. The Secretary pointed out that modern equipment costs far more than old-style equipment would and that the personnel using the equipment require a longer, and hence more expensive, period of training. Mr. Rubottom recalled that the credit extended last year had originally been intended to be approximately equally divided among the three services. He expressed the hope any future discussions regarding military subjects, and especially if purchases were involved, would be carried on through the Ambassador and not through the attachés of the separate services.

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**213. Memorandum of a Conversation, San Carlos de Bariloche, February 28, 1960, 2:15 p.m.<sup>1</sup>**

US/MC/10

PARTICIPANTS

*US*  
Secretary Herter  
Assistant Secretary Rubottom

*Argentina*  
President Frondizi  
Foreign Minister Taboada  
Ambassador Del Carril  
Minister Orfila

SUBJECT

Argentine Participation in Economic Meetings

As the meeting broke up, the Foreign Minister returned to a subject which he had previously raised twice in the presence of the Secretary, namely, Argentina's desire to have its interests considered in any future economic discussions involving the European countries, Canada and the U.S. They would like to be an observer at such

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Rubottom. See also Documents 209–212.

meetings, if possible. He promised to furnish Mr. Rubottom with a memorandum on this subject.<sup>2</sup>

<sup>2</sup> Not found in Department of State files.

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**214. Memorandum of a Conversation, San Carlos de Bariloche,  
February 28, 1960, 5:30 p.m.<sup>1</sup>**

US/MC/11

PARTICIPANTS

*US*

The President  
Lt. Colonel Walters

*Argentina*

President Arturo Frondizi  
Dr. Alejandro Orfila, Minister-  
Counselor of the Argentine Embassy  
in Washington

SUBJECT

Various

1. *East-West Relations*—The President opened by saying how happy he was to have this opportunity to talk to Dr. Frondizi in such pleasant surroundings. As he had said the previous day, he felt that the United States should consult more with its partners in Latin America concerning world problems and he wondered if there were any questions Dr. Frondizi would like to ask concerning this. The Argentine President said he would like to know the President's estimate of the world situation, whether the Russians would accept an equitable settlement that would insure world peace or whether we had to look forward to more of the same type of thing we had been through for many years. The President spoke at some length on this subject and indicated that he did not believe that the Russians would resort to general war but would continue their attempts at subversion in order to enlarge the area they controlled. We had had many evidences of this and it was obvious we must keep up our determination and strength for the foreseeable future. This represents a very serious burden for the United States. We were expending some 45 billion dollars for military purposes in our own budget and support for allies elsewhere. This represents some 60% of our total budget. The Russians knew that if they resorted to general war they would either be

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Secret; Limit Distribution. No drafting information appears on the source text.

destroyed or sustain intolerable damage and he did not believe that they would do this. Nevertheless, we had to keep our guard up. With regard to disarmament, he felt that the Russians at some point might be willing to make some sort of agreement in order to spend more on raising the standard of living of their people. Khrushchev had told him this. However, we had tried to work out an agreement on nuclear tests but despite two years of negotiation nothing had been achieved due to the Russians' unwillingness to accept an adequate system of inspection and control. Perhaps in the future as the Russians educate their people, there might be a change within the Soviet Union and some relaxation of their control but for the time being he foresaw a continuation of the present situation.

2. *Cuba*—The President said that Cuba was a source of great concern to us at the present time and the problem was particularly awkward due to the fact that the law giving the Cubans preferential prices for their sugar was due to come up for renewal in the US Congress in June. Congress was in a very tough mood and the renewal of this law was very dubious if things continued in Cuba the way they had been going. Under this law we gave the Cubans some \$175,000,000 a year. The President said what he would like to obtain was a renewal of the present law with the additional authority for the President to suspend the payments if in his opinion the Cubans were failing to live up to their inter-American obligations but he was not even sure he could get this. President Frondizi said that Argentina had also been concerned about this problem. They maintained correct diplomatic relations with Castro's government but his Latin American press service had been spreading misleading and false news in Argentina and the Argentines had made their concern in this matter plain to the Cubans. The President said that this Cuban situation was a serious problem for the Organization of American States and that while Trujillo was also a problem it was not as serious at the present time because of the renewal of the law. The Cubans had indicated they would be willing to negotiate but had attempted to set conditions for the discussion. He felt this was a problem for the whole of America and not just for the United States. President Frondizi agreed with this.

Later in the conversation the President again expressed his concern regarding Cuba and said that anything the Argentines could do to induce the Cubans to be more amenable would be helpful. Anything that any of the Latin Americans could do in this respect would be useful in solving this problem. President Frondizi said that he shared President Eisenhower's concern and that he would do everything possible to bring the Cubans to reason.

3. *Recognition of Communist China*—President Frondizi asked whether the United States would consider under present circumstances the recognition of Communist China. The President spoke at

some length on this subject recalling that the Chinese Communists had been branded as aggressors by the United Nations, that this condemnation had not been withdrawn, that they had engaged in many hostile actions against their neighbors, that they were continuing their efforts at subversion in the Far East, that they had failed to release US prisoners as they had agreed to do two years ago, that the United Nations Charter starts out with the words "We, the peace loving nations," that the Chinese Communists had given no indication of being peace loving. He felt at this time such recognition would be regarded as a surrender and would be totally unacceptable to the American people. Incidentally, added the President, the economic situation on Formosa or Taiwan as the Chinese called it was greatly improved.

4. *Argentina's Relations with its Neighbors*—The President then expressed his satisfaction and pleasure at the recent signature of the treaty concerning the Latin America regional free trade area. He felt this was a step in the right direction. President Frondizi said he had long been convinced of the importance of this, that during his trips as president-elect to Brazil, Uruguay, Chile and Peru, he had made evident to the governments of these countries the importance which he attached to an agreement of this type. Argentina at the present time had excellent relations with all its neighbors. With Brazil they enjoyed excellent relations and in fact Argentina shortly intended to purchase railroad tracks, rolling stock, cars and trucks from Brazil at a slightly higher price than world markets in order to help the Brazilians. The President said that he had been able to notice these good relations in Brazil where President Kubitschek had spoken in the highest terms of President Frondizi and his policies. The Argentine President then said that relations with Chile were excellent. They had had a border problem since 1902 and this had frequently poisoned relationships between the two sister nations. They had practically settled all of their differences and expected to sign a treaty with Chile in the near future.

In the economic field they were also working closely with the Chileans and were discussing plans for building a natural gas pipe line from northern Argentina into the Antofagasta area to facilitate the establishment of industry in that region. They were also considering a natural gas line across the Andes further south and in Patagonia were studying the possibility of an oil pipe line from the oil wells to Chilean ports where the oil would be shipped out in Argentine ships.

Similarly, just before the signature of the agreement on the free trade area, the Chileans had some difficulty because of domestic fears that Argentina, by flooding Chile with cheap agricultural products and meat, might upset Chile's production and he had agreed to enter a

proviso which would enable the Chileans to limit the quantities of foodstuffs of this nature which Argentina could send in and, as a consequence of this, Chile had been able to sign the treaty.

With respect to Paraguay, relations were good despite the political instability in that country which creates a very difficult economic situation for the Paraguayans. Relations with Uruguay were excellent and here again the Argentines were considering the possibility of the construction of a natural gas pipe line under the Rio de la Plata to ease the Uruguayan power shortage.

5. *Peru–Ecuador Boundary Dispute*—The President then spoke of the difficulties between Peru and Ecuador and President Frondizi said that some solution must be found for this problem. Both the United States and Argentina were guarantors and it was a matter of concern for all of the Americas that this continued conflict existed. After some discussion, President Eisenhower expressed the thought that arbitration or mediation by Latin American powers, such as Argentina, Brazil and Uruguay, might be acceptable to the two parties to this dispute. He felt that President Kubitschek's forthcoming visit to Argentina might be a good time to take some action in this respect and President Frondizi agreed with him.

6. *Argentine Armed Forces*—The Argentine President then said that he would like to bring up again the subject he had discussed with the President during his visit to the United States and that was the modernization of the Argentine Armed Forces. He had been told that there was some difficulty in this matter because of the lack of a bilateral agreement between Argentina and the United States. A 13 million dollar credit had recently been given to the Argentines which they had expended mostly for aircraft with small amounts going to the Army and the Navy (for ASW equipment). However, the Armed Forces imposed a heavy burden on the Argentine economy and they hoped that with the modernization of the Armed Forces they could diminish them by about 50%. If he could obtain more modern rifles, some tanks and, above all, transport and aircraft, he felt that great savings in personnel could be effected and the present one year military service could be reduced. The President expressed some doubt as to whether this would work out as President Frondizi expected but this did not in any way mean that he was opposed to President Frondizi's idea. It was merely that more modern equipment required additional training periods. President Frondizi said that when he spoke of more modern equipment he was not speaking of radar and guided missiles. Argentina wanted Armed Forces sufficient for minimal external security and able to ensure complete security within the country. In reply to a question from the President as to whether this modernization would cause misgivings among Argentina's neighbors, President Frondizi said that Argentina had taken the trouble to improve her

relations with her neighbors and he did not anticipate any difficulty on this score. He was taking this problem up with the Pentagon and would appreciate any assistance the President could give.

7. *European Trade Groupings*—President Frondizi then expressed some concern regarding decisions that might be taken by the European countries of the Common Market and Outer Seven Groups. Argentina had extensive trade relations with some of these countries and was concerned by actions taken by them that might affect Argentina in the world market and he expressed Argentina's desire to have an observer with these bodies. Replying to a question from the President, he said that Argentina did not have an observer with the OEEC.

8. *Refinancing Argentine Short-Term Debt*—President Frondizi then said that the Argentines were anxious to refinance their short term debts. They had a number of short term obligations with US public and private agencies which they would like to refinance over a longer period. Recently they had refused a 50 million dollar stabilization loan as they did not need it for this purpose. However, they would like to have assistance in refinancing these short term debts. The President indicated that they might have to pay a somewhat higher rate of interest for this refinancing as interest rates were higher now. President Frondizi said they were quite prepared to do this as they felt their growing self-sufficiency in petroleum would make it easier for them to make these repayments over a longer period.

9. *US-Argentine Civil Air Relations*—President Frondizi then expressed some concern over commercial air problems existing between the United States and Argentina. Legislation which had been passed prior to his administration limited to some extent the number of passengers US carriers could bring into Argentina from other Latin American areas. This legislation was ardently defended by the present Argentine air authorities. He had talked with Secretary Herter about the financing of additional airports in Argentina because the truth was that if there were no restrictions of any kind, the US carriers would be carrying all the passengers on international lines and the Argentines almost none. But if he could develop these airports he could open up vast new internal areas to the Argentine carriers. The Argentines had sent a negotiation group to Washington where lengthy negotiations had failed to produce any results. He would like to solve this problem. Secretary Herter had told him this problem comes under two separate government agencies in the United States. He would be grateful if the President could pass a cable from one to the other and channel energy through it. The President said he would look into this matter upon his return to the United States.

10. *Hoof and Mouth Disease*—President Frondizi then said that he had one more request to make of the President and this was that unilateral decisions concerning Argentina not be taken by the United



States without consultation with the Argentines. He cited the US prohibition on cured meat being imported from Argentina due to the allegation that Hoof and Mouth Disease existed in Argentina. He understood the United States is right to protect its cattle but the Argentines had been taken completely unaware by the US decision, of which they had had no prior warning at all. The President spoke of the danger of Hoof and Mouth Disease in the United States but expressed concern at the Argentines not having been consulted. President Frondizi said that this had occurred two years ago. The Argentines were making every effort to eradicate Hoof and Mouth Disease and they were working closely with US technicians under the Point Four Program; he added that although they were a democratic country they had appointed a dictator whose sole mission was the eradication of Hoof and Mouth Disease. The President stated that this type of unilateral action would not recur without consultation with the Argentines.

The two Presidents then expressed their deep satisfaction at being thus able to talk over in a pleasant frank way their mutual problems and the conversation was concluded.

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**215. Memorandum of a Conversation Between President Frondizi and the Ambassador in Argentina (Beaulac), Buenos Aires, March 29, 1960<sup>1</sup>**

I referred to my conversation with the President on March 14.<sup>2</sup> I asked him if the time had come for him to talk to his advisers about Crowflight.<sup>3</sup>

The President said that he had already talked to the Secretary of Air (who had left the President's office as I entered), and the Secretary of Air had no objection. The President recalled, laughingly, that Crow-

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 62 D 430, Military Cooperation (Mission, Pact) 1960. Confidential. Drafted by Beaulac.

<sup>2</sup> This conversation was reported in telegram 1452 from Buenos Aires, March 15. (*Ibid.*, Central Files, 735.56311/3–1560)

<sup>3</sup> Operation Crowflight was a U.S.-sponsored program to detect and monitor foreign nuclear explosions which the United States carried out under the cover of a U.S. Air Force mission to conduct high altitude sampling. The original agreement was concluded by an exchange of notes at Buenos Aires on April 23 and 28, 1958, and was renewed by an exchange of notes at Buenos Aires on April 4 and 8, 1960. For texts of the 1958 agreements, see 9 UST 583. Documentation on Operation Crowflight is in Department of State, Central File 735.5631.

flight had sold some things to the Air Force very cheap the last time, and the Air Force was, therefore, very well disposed toward Crowflight.

The President said the only problem was with reference to such details as free entry, and so forth. When the Crowflight Agreement was signed there was no Congress. Now there is a Congress. However, he thinks this will not be a real problem. He recalled that Crowflight had left earlier than it planned the last time. I said that that was the case.

He suggested that the Embassy present a simple note to the Foreign Office suggesting an extension of the Crowflight Agreement for thirty days. He thought there would be no problem in replying favorably to such a note.

With reference to any public reaction, he said that Crowflight would be out of Argentina before it really developed, if it should develop at all.

I said I understood an advance administrative party would like to come to Argentina between April 10–April 20. The President said he saw no difficulty about that. He thought the agreement with the Foreign Office could be negotiated in three or four days.

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## 216. Memorandum From the Special Assistant for Intelligence (Cumming) to the Secretary of State<sup>1</sup>

*Washington, March 31, 1960.*

SUBJECT

Intelligence Note: Argentine Election

In reply to your query on the results of the Argentine election of March 27 in which one half of the National Chamber of Deputies was replaced, I have the following comments:

The election results, as expected, reveal that Frondizi has suffered a reduction in popular support, reflecting general dissatisfaction with his labor policy and his austere Economic Stabilization Program, even though his party did retain a slim majority in the Chamber (106 out of 192 seats). Significantly, the blank vote, representing Peronist and Communist forces, fell far below the level it was expected to reach, greatly reducing the possibility that the nation's military forces will

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<sup>1</sup> Source: Department of State, Central Files, 735.00/3-3160. Confidential.

intervene directly to “save the country from Peronism and Communism”. On the other hand, the People’s Radical Party (UCRP), which has bitterly opposed Frondizi’s programs, can be considered to have won the ballot box battle, garnering 56 of the 102 seats in contention.

The government appears determined to carry on with the IMF-backed program initiated in December, 1958, in spite of the election results, but it is likely that pressures will build up for some modifications of its labor and wage policies. The President’s opponents can argue effectively that the 78 percent of the voters who cast ballots against the government represent a voice that the government must heed. Furthermore, the election results will almost certainly give rise to deep concern among the members of the President’s party who could lose control of the Chamber of Deputies in elections scheduled two years hence if popular support is not regained.

Frondizi, an astute politician, who has faith in the ability of his program to accomplish tangible economic gains which will swing support to him in the future, will resist any attempts to scuttle his program, making only concessions necessary to contain excessive public demands and to prevent the military from taking direct action against him.

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**217. Memorandum of a Conversation Between President Frondizi and the Ambassador in Argentina (Beaulac), Buenos Aires, April 7, 1960<sup>1</sup>**

**SUBJECT**

Economic Policies; Post Election

The President said that the elections had strengthened the Government’s intention to carry on the recovery development program. The danger of subversion from Peronist sources, on the one hand, and anti-Peronist sources, on the other hand, has greatly diminished. There would be no change in policy and no change in the “team” as a result of the elections and the program will be carried out with renewed intensity. The Government has a majority in Congress and, besides, no further major legislation is required.

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<sup>1</sup> Source: Department of State, Central Files, 835.10/4–1260. Confidential. Drafted by Beaulac. Transmitted in despatch 1468 from Buenos Aires, April 12.

I noted that the elections had had poor publicity abroad. I said it was probably natural to compare them with the 1958 elections and I thought the conclusions were excessively pessimistic. He agreed. I said that the Embassy had been careful to keep the Department informed in some detail and to transmit its conclusions, which coincided with the President's, and that I was confident that the Department was using these messages to help to orient persons in Washington.

I said I understood the Government was having trouble with the budget and that credits had exceeded the limitation placed by the Monetary Fund by some 100 million pesos. The President said that this was indeed the case. It was hard to reduce the budget as quickly as the Government would like to. I asked him if he had any particular plans for meeting the problem. He said that the Government hoped for increased revenues and would continue to reduce personnel. He said the Grain Board would be reduced by 50 percent. I asked him about the Meat Board. He said it would be reduced, too. I noted that the Meat Board was as big as when the Government intervened the meat industry and that I understood that most people over there had nothing to do. He agreed that this was the case.

The President said that the bureaucracy could be reduced more rapidly if there were places for the workers to go.

He said that what the country needed urgently now were: 1) highways; 2) airfields; and 3) additional steel capacity.

He said the Government will have spent \$300 million on San Nicolás before it gets a ton of steel out. Furthermore, when San Nicolás begins to operate it will be an uneconomic operation. He said the mill will produce 600,000 tons of steel but will have processing facilities for 2 million tons. Two more blast furnaces are needed. The Export-Import Bank is willing to consider financing one but only after the mill has begun to operate and the results are visible. It is willing to consider financing still another blast furnace but only after the first two are in operation and the results are evident. In the meantime, the San Nicolás mill will continue to be an uneconomic operation. Argentina needs more steel making capacity immediately.

I said that I had seen articles in the press concerning a new private steel plant which was to be brought down. He said that that operation had not been completed.

He said that Argentina would welcome private investment in the field. I asked him whether there was any chance of interesting private investment in the San Nicolás plant. He said he did not see how private capital would be interested in becoming partners in an uneconomic enterprise. I suggested that maybe the Government might be willing to take some of the losses already incurred. He said that that

was a possibility but not a great one. He said he intended to write President Eisenhower a letter on this subject, and he would also mention highways and airfields.

With reference to highways, he said that what they need is one or two American companies who would come in and start to build highways on a large scale and furnish financing at the same time. I said I understood that some American companies were already talking to the Government. He said that was true but he thought the program had to be arranged on a high level. I said I understood that pesos were available for this program from the proceeds of the gasoline tax. He said they would be available but that up to now they had gone to YPF. However, YPF is being obliged to change its plans. The Government has talked to Esso and Shell in this connection.

I referred to reports in the press concerning a possible rail strike. He said there was no rail strike in the offing. The problem had to do with the railroad hospital. It was a minor problem. I asked him what progress was being made in reducing the railroad deficit. He said progress was slow but they were working on it. The railroads could get along with 50,000 men but it was not possible to fire as many as should be fired. Some operations had to be turned over to private firms; some rails had to be removed.

The task of reducing personnel would be much easier if there were a road building program. I noted that the limitation on credits was already being exceeded and that pesos spent in the public sector aggravated the budget problem and resulted in fewer pesos being available to the private sector. He said this was unfortunately the case.

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## 218. Letter From President Frondizi to President Eisenhower<sup>1</sup>

*Buenos Aires, August 9, 1960.*

DEAR MR. PRESIDENT AND FRIEND: In moments of acute international tension, reflected in a particularly serious manner in our American sphere, I have decided to resume by means of this communication the frank discussion which I had the pleasure of holding with Your Excellency in the Andean setting of San Carlos de Bariloche.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Secret. The source text is a translation of Frondizi's original letter in Spanish. According to an August 25 memorandum from Lester Mallory to Acting Secretary Dillon, the Argentine Chargé delivered the letter and an accompanying memorandum, *infra*, on August 16. Mallory's memorandum indicated that a translation of the documents was delivered to the White

After the visit to nine states of Europe which I have just made, I have reflected deeply on the way in which world events have developed within the past few months. Everywhere, in different political and economic circumstances and under varied guises, I have seen the multiple efforts which peoples are exerting in order to strengthen the bases of their national development.

I have thus had the satisfaction of ascertaining that this state of affairs brought about by the present world situation reflect a firm conviction on the part of the European statesmen with whom I had the honor to converse with the same frankness as that which prevailed between us.

From our Argentine viewpoint—an American and Western viewpoint—I emphasized in all the nations I visited the absolute necessity for the highly developed countries to step up decisively their collaboration in the development of the underdeveloped nations if all the peoples of the free world wish to preserve the way of life common to all of them.

I do not need to recall to Your Excellency the efforts put forth by my government to have the complex process of development unfolded within the framework of the strictest legality, maintaining the social order and adapting the economic structure and financial and commercial institutions to the needs of international economic cooperation.

The maintenance of the measures adopted constitutes a great effort for my government and imposes immense sacrifices on the people of the Nation. Your Excellency is well aware that we put those measures into practice with resolute decision, even knowing that we were endangering the political reserves with which we assumed the reins of government, and that if results commensurate with such sacrifices were not obtained, we would face ever-increasing unrest.

We believed, nevertheless, that such measures had to be taken: in the first place, to keep the Nation within the Christian and Western way of life that is a part of its traditions; in the second place, because we believed that by radically strengthening the foundations of our political, social, and economic structure, the human and natural resources that constitute our Nation would awaken in the more advanced countries the adequate response that is inherent in the enormous responsibility of leading the Western world and keeping it united.

We are, Mr. President, passing through a period of genuine world crisis. A feeling of nationalism through the development of countries that yesterday were in a semi-colonial status constitutes an indisputable fact. This critical time may hasten the process in one of two ways:

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House on August 17. A copy of the memorandum is in Department of State, ARA/EST Files: Lot 62 D 420, Frondizi Letter Argentina 1960.

either the countries develop and at the same time maintain an internal way of life and a form of international relations that are essentially those of the Western world, or they develop through social and political revolution, with various forms of dictatorship. And I do not believe it necessary to call attention in this connection to the terrible consequences of this second alternative.

At this point, and in respect to the participation they should have in guiding this process, the responsibility of national leaders is enormous, as is the responsibility of peoples.

For our part, the capacity and national feeling of the Argentine people have permitted us to make an immense effort which we believe has been understood by the people and government of the United States of America. I attribute this understanding to the great cordiality that has marked our relations since I took office on May 1, 1958. And, by virtue of such understanding, the multiple problems that stood in the way of closer ties between us have now been almost entirely eliminated.

As for the United States, on the other hand, it must be realistically admitted that the valued collaboration given toward giving an impetus to the national economy has not maintained a level nor a magnitude adequate to our tremendous effort.

I cannot but point out the bureaucratic barrier set up by the slow processes of the international credit agencies, to the detriment of the pressing needs which we must meet in order to ensure adequate integration of our economy, launched on a path of development that does not admit of delays. The financing of our iron and steel and hydroelectric program, together with that of our highway system and the resulting airports, hotels, and housing, must today take absolute priority in order to advance in a concrete and realistic manner cordial understanding between Argentina and the United States. It is enough to think that the means of stabilization—certainly impossible to postpone—that we have been applying for over a year are threatening to turn into a fruitless effort to maintain the level of the rate of exchange. If we do not create the necessary sources of work to absorb the idle manpower that is seriously burdening the fiscal budget, we shall have failed in our program of stabilization, despite the immense sacrifices laid upon the entire Nation, and the social and political results will be unpredictable.

I have expressed these thoughts because I have felt it right, natural, and above all indispensable to judge the Latin American problem by our more immediate experience, which is our national experience, based on the effort of all my compatriots.

Because of the similarity of views that has always prevailed in our conversations, I deem it appropriate to express my firm hope that the United States will not turn away from this genuine challenge of history.

I have wished to inform Your Excellency of my concern in the certainty that, if it should be shared, it might help Your Excellency and your Government adopt measures that will make the world regain the assurance that the Americas are the hemisphere of hope.<sup>2</sup>

With very friendly greetings to Your Excellency,

**A. Frondizi<sup>3</sup>**

## **Enclosure**

### MEMORANDUM

1. When the Government of the Argentine Republic decided to launch the country upon a great national effort as a result of its Economic Program, it had collaboration from abroad particularly in mind, especially that of the United States of America. To that end it effected a radical reform in its economic legislation, both in the monetary and financial field and in the business field, that would harmonize with the systems maintained by all the nations of the free world having the same type of political and economic organization. It was thereby hoped to attract the cooperation of foreign capital, recover the right to share in the coordination of the Western economies, and obtain the benefits of reciprocity in an economic system in which an inescapable interdependence is inherent.

2. It cannot be doubted that at this stage of the evolution of the Economic Program the maintenance of the measures of monetary stabilization and financial recovery adopted by the Government—with the valued aid of United States capital and the support of the United States in international credit agencies—is daily becoming more burdensome without accompanying benefits being derived therefrom. After a year and a half of application of such measures, Argentina is facing a marked decline in its gross national product, its imports have had to be reduced, its exports have not increased, domestic consumption has declined, and the purchasing power of the people has fallen. Except for the petroleum sector, in which the contribution of foreign

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<sup>2</sup> In telegram 222 to Buenos Aires, August 17, the Department instructed the Embassy to deliver the following message from Eisenhower to Frondizi:

"I have read your letter and memorandum with interest and sympathy. I understand the seriousness with which you regard the economic situation in your country.

"I will discuss your letter in detail with my advisers and communicate with you further." (Presidential Handling Telegram; Department of State Telegram Reels)

<sup>3</sup> Printed from a copy that bears this typed signature.



capital, especially that of the United States, has caused this economic activity to flourish in an extraordinary manner, there has been a decline not only in industrial production but also in agricultural production in most of its ramifications.

3. Argentina now faces the following situation: if the shortage of credit continues, demand cannot grow and consequently production cannot rise; if domestic credit is relaxed in order to fill the needs caused by greatly shrunken imports and wages are raised to create greater consumer power, the national production can be revived, at least temporarily, but there is no doubt that this will mean a return to uncontrolled inflation and an increase in the deficit in our treasury accounts, which are precisely the things we wish to eliminate.

4. All of this threatens to cast doubts upon the efficacy and wisdom of the Argentine economic plan and therefore the readjustment of the structure inherent therein will not be temporary and will not offer prospects of substantial improvement. In spite of this, the Government of the Argentine Republic feels that it has adopted not only a good course but the only one compatible, on the one hand, with the economic and social situation which it inherited from the former administrations and, on the other hand, with the evolution of the political and economic institutions of the Western World. But it must state that the country has not obtained from the United States and from the other nations of the free world understanding and reciprocity in dealing with the needs of its development and collaboration in connection with the effort it has been putting forth since May 1, 1958.

5. In the case of the United States of America the circumstances in reference have special significance. The full re-establishment in the American community of Argentina, which has required the best efforts of its Government to strengthen relations between the two countries, and the reform undertaken with respect to the monetary and foreign trade system to form the bases and ensure the conditions for an increasing contribution of foreign capital and increasing the flow of reciprocal trade, has not evoked on the part of the United States the response needed by our national development, the inescapable objective of Argentine economic policy and of the system of inter-American relations.

6. Furthermore, in the field of trade Argentina is threatened by protectionist, highly restrictive, and even discriminatory policies with respect to the import systems of the advanced Western countries that may, within a short time, have significantly unfavorable effects on our traditional exports, whereby our foreign purchasing power will decline and consequently our agrarian recovery and industrial growth will be curtailed. In this connection, with one exception, mention must be made of an uncooperative attitude on the part of the Government of the United States of America with respect to Argentina's right to

participate in the international action being taken to reorganize the economic relations of the free world, whose inevitable interdependence cannot with justification admit of Argentina's exclusion.

7. In addition, the Government of the Argentine Republic calls attention to unfavorable prospects in the intensification and diversification of Argentine exports to the United States market and, furthermore, the constant difficulty of selling in that market products constituting the traditional trade between the two countries is well known. Obstacles set up against the importation of mutton from Tierra del Fuego; liquidation of United States surpluses of *quebracho* extract; limitation of tung oil quotas; artificial sanitary barriers against the importation of cooked meats; maintenance of the agricultural surplus policy, etc., are all unfavorable factors not only for Argentine exports to the United States but also for the international marketing of her products.

8. In the bilateral financial field, one cannot but point out that the United States has not met the needs of Argentina relating to the acceleration of the iron and steel industry, the hydroelectric program, the highway plan and the resulting airports, hotels, and housing, and the national development complex based on the construction of El Chocón, the urgency of which is increasing in direct proportion to the need to maintain the present means of monetary stabilization and to the preservation of the absolutely unrestricted market created in the country in order that the foreign contribution, especially that of the United States, may be forthcoming in a rapid and flexible manner.

9. In view of the present world situation and particularly in view of the present inter-American situation, the Government of the Argentine Republic feels it to be its duty to point out the factors that can cause deterioration in the political and economic relations between two countries which, without any doubt, have never before attained the degree of friendship which they have at present. And, above all, it believes it appropriate to express the concern aroused by the factors of internal pressure which, in the light of the international situation, seek to deter the Government, either partially or totally, from the course it has undertaken in all aspects of the life of the nation and of its international relations and which it is determined to maintain by all possible means.

10. Therefore, taking all these circumstances together, it becomes imperative that *the Government of the United States directly make available additional and adequate resources for the immediate initiation of a highway and airport program*, without prejudice to the planning and financing handled by international credit agencies. This is absolutely necessary in order to make a resolute approach to the fiscal deficit that is endangering the effort toward monetary and financial stabilization with its social consequences and the effects of such action in the

creation of new sources of employment, not to mention the hemisphere-wide strategic reasons therefor—all these things call for the execution of the said program.

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## 219. Editorial Note

On August 18, during a discussion with Acting Secretary Dillon and General Goodpaster, the President raised the subject of the recent letter from President Frondizi. The memorandum of the conversation prepared on August 19 reads as follows:

“The President next commented on the letter he had received from Frondizi. He noted that the letter is rather emotional in tone. It makes clear that Frondizi sees his own problem clearly but does not appreciate the difficulties that we undergo regarding our aid programs and the trade restrictions we must maintain against other countries. In the discussion the President asked Mr. Dillon to provide the Argentines with the scientific evidence regarding the unsatisfactory sanitary status of the cooked meat they wished to export to the United States.

“Mr. Dillon commented that the Argentines have not in fact submitted the specific projects and proposals backing up the general statements of needs in Frondizi’s letter. The President thought that Frondizi should be advised that we are somewhat astonished that the situation appears as bad to him as he indicated adding that we will study his letter point by point.

“Mr. Dillon said that the economic situation in Argentina is rather tight just at the moment. The anti-inflation measures that Frondizi has put into effect are just taking hold. Inflation has practically been eliminated, but this means that the toughest problems of adjustment are now being experienced. The President asked if there is anything that we have promised to the Argentines that we could move to them fast. Mr. Dillon thought there is some possibility of speeding up the furnishing of matériel for a steel mill, which is being provided by the EX-IM Bank.” (Eisenhower Library, Whitman File, DDE Diaries)

**220. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, September 2, 1960.*

**SUBJECT**

Letter on Additional Financial Assistance from President Frondizi of Argentina

It has become increasingly evident to the Department that the Argentine Government would be requesting additional financial assistance from us in continuation of the support which we have been giving them since the inception of their stabilization program. President Frondizi has been laboring under heavy domestic political pressure with regard to this program, and this is reflected in his recent communication to you, which indicates some misunderstanding of our efforts to date, our attitudes, and our procedures.

We do have a continuing policy interest in the success of the Frondizi Government's constructive economic program. There is inter-agency agreement that something should and can be done to provide further assistance in one of the specific fields in which the Argentine President asks immediate aid, that of highway construction, on the basis of examination of specific proposals to be presented by the Argentine Government.

Enclosed for your consideration is a suggested reply to President Frondizi which indicates a favorable view on continuing financial assistance and invites further discussions and the submission of specific Argentine proposals.<sup>2</sup> It also states that Secretary of Agriculture Benson will be available to discuss United States agricultural commodity policies and measures, to which President Frondizi referred unfavorably in his communication, during the course of a South American trip which Mr. Benson plans to take in October. I have discussed this with Mr. Benson and he concurs.

Since the tone of the suggested reply is friendly and affirmative, I do not believe that it would serve a really useful purpose for you to take specific issue with President Frondizi's unfavorable comments. Steps to correct his misunderstandings were taken during a recent exchange of views between him and our Chargé d'Affaires in Buenos

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Confidential. A notation on the source text, in Eisenhower's hand, indicates that the President approved the memorandum. Another notation on the source text, initialed by Goodpaster, indicates that the Department of State had been informed of the President's approval on September 7.

<sup>2</sup> Not printed.

Aires. If you sign the suggested reply, it could be transmitted through our Chargé in Buenos Aires. It is recommended that this message, if approved, be released only on the initiative of President Frondizi.

**Christian A. Herter**

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**221. Letter From President Eisenhower to President Frondizi<sup>1</sup>**

*Washington, September 7, 1960.*

DEAR MR. PRESIDENT AND ESTEEMED FRIEND: I have given your recent letter and accompanying memorandum the prompt attention which I promised in my initial message.

Your views command particular respect in my eyes and in the councils of this Government, and in this instance they have provided a major point of reference for me and for my advisors in our continuing review of what the United States should be accomplishing by its efforts in support of the hemispheric objectives which our two Governments share. We in the United States seek peace and freedom and progress for all the world, with resources which, although large, are not limitless; and I think that the very range of our endeavors tends at times to distort the assessment of what we have achieved and of what may perhaps have been left undone.

The courage with which you and your Government have faced the economic problems which beset your country, Mr. President, has been impressive. We know that, notwithstanding short-range political disadvantages, your essential economic decisions have been made with a determination to have Argentina help itself to the greatest degree possible. The evidences of this quality in your Government have been influential in the shaping of the policies of my Government, which have been and continue to be directed toward close and productive cooperation with your Government. To the fullest extent feasible, the United States Government will continue to support the inter-related programs of financial stabilization and economic development which are embodied in your Government's forward-looking policies.

In order to define Argentina's requirements and to evaluate prospective projects, it would appear appropriate for discussions to be held promptly between those officials of our two Governments most

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Confidential. The President's reply was transmitted in telegram 312 to Buenos Aires, September 7. (Presidential Handling Telegram; Department of State Telegram Reels)

directly concerned with this matter. The Under Secretary of State, Mr. C. Douglas Dillon, is now in Bogota at the meeting of the Committee of 21 and, if you agree, this may provide an opportunity for your representative to discuss this subject with him. This could be useful in preparing for further discussions which we would be pleased to have with your Minister of Economy, Eng. Alvaro C. Alsogaray, if he visits Washington in late September, as I understand he is scheduled to do in connection with meetings of the governing bodies of the International Monetary Fund and the International Bank for Reconstruction and Development. This would not preclude, of course, the presentation by your Government of detailed proposals through any other official channels.

Imbued with the purpose of responding to the needs of our friends in this hemisphere for continuing social development, the United States has now embarked, as you know, on a new program of financial cooperation in that vital field. I assume, Mr. President, that your Government has also been giving consideration to ways in which we might be of appropriate assistance in this regard.

I think that you will also be interested to learn that my Secretary of Agriculture, Mr. Ezra T. Benson, is planning to travel in South America during October, and I hope that he will have an opportunity during this trip to exchange views with you respecting United States policies and measures affecting agricultural commodities and their marketing. Since there is full recognition here of the crucial importance of earnings from agricultural exports to Argentine recovery efforts, I am particularly desirous of eliminating misunderstandings and misinterpretations in this field.

Please be assured, Mr. President, that there is complete realization within this Government of the importance of your Government's current economic program and of the necessity that it be carried to a successful conclusion.

With warm personal regard,  
Sincerely,

**Dwight D. Eisenhower**<sup>2</sup>

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<sup>2</sup> Printed from a copy that bears this stamped signature.

**222. Memorandum of a Conversation, Buenos Aires,  
September 6, 1960<sup>1</sup>**

PARTICIPANTS

His Excellency, The President of the Argentine Nation, Dr. Arturo Frondizi;  
The Minister of Foreign Affairs and Worship, Dr. Diógenes Taboada;  
The Minister of Economy, Ing. Alvaro Alsogaray

Mr. Maurice M. Bernbaum, Chargé d'Affaires ad interim

SUBJECT

Economic Program—Loan Requests

I saw the President at the *Casa Rosada* at his request. Also present were the Ministers of Foreign Affairs and of Economy. The President did most of the talking.

President Frondizi said that the meeting had been arranged in anticipation of the departure for the United States on September 24 of the Minister of Economy. While in the United States, the Minister expected to consult with the IMF and other international agencies, as well as with economic representatives of the United States Government. The President said that he wanted to emphasize two points upon initiating the conversation. The first was that the Argentine Government had absolutely no intention of linking political matters with economic matters. Argentina had a very well-defined position on political matters which had been clearly demonstrated at various conferences, the most recent having been the Conference of Foreign Ministers at San José.<sup>2</sup> The position taken there by the Argentine Delegation was in accordance with Argentine tradition and with the innermost convictions of the Argentine Government. The Argentine economic initiative at San José and at Bogotá<sup>3</sup> for increased aid to Latin America was in line with statements made by the Foreign Minister and by the President since his assumption of power in 1958 and specifically during his recent trip to Europe. These views were based on the President's conviction of the need for a greatly expanded program of economic aid to facilitate Latin American development. At the same time, the Argentine Government wanted to maintain and strengthen its bilateral economic relations with the United States. The President always had in mind the great assistance rendered the Argen-

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<sup>1</sup> Source: Department of State, Central Files, 835.10/9–860. Confidential. Drafted by Bernbaum. Transmitted in despatch 321 from Buenos Aires, September 8.

<sup>2</sup> Reference is to the Sixth and Seventh Meetings of Consultation of the American Foreign Ministers held at San José, Costa Rica, August 16–30.

<sup>3</sup> The third meeting of the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation (Committee of 21) met at Bogotá, Colombia, September 5–13. Regarding the Committee of 21, see Document 15.

tine stabilization program by United States aid. This was done on a bilateral basis and he hoped the same kind of relationship would facilitate further economic negotiations with the United States in order to ensure the stabilization program.

The President said that in addition to the various projects which the Minister of Economy planned to discuss in Washington he also had in mind a review of the obstacles being encountered by the export of Argentine products to the United States. Without giving any details, the President wanted to emphasize that regardless of the technical factors involved in each case, the fact was that the progressive restriction on Argentine exports to the United States was making it progressively more difficult for Argentina to earn the dollars it needed to service its loans from the United States. He did not expect that the Minister of Economy would be able to solve this problem during his visit, but he did look forward to a clearing of the air which he hoped would lead to measures leading eventually to the elimination of the restrictions. The President emphasized at this point that the failure of the Minister to secure the elimination of the restrictions would not in any way affect Argentina's attitude on political matters.

The President said that there were no political problems between the United States and Argentina. He was happy about this and determined that this kind of situation would continue. Aside from bilateral relations, the international interests of the two countries coincided, thereby permitting cooperation not only in hemispheric affairs but also in international forums such as the United Nations. The President went on to say that this happy situation did not, unfortunately, prevail with regard to economic relations. Aside from the problems just mentioned with respect to Argentine exports to the United States, there were a number of outstanding problems, the solution of which depended largely on him and which he was determined to resolve. One of these problems involved the ANSEC settlement. He was happy to say that this settlement was close and that he expected to find the American and Foreign Power constructing another power plant within a few months or otherwise investing the money which it is to receive from the settlement. Another problem which was on the road to imminent solution related to the back accounts of the American meatpackers. This too was in the last stages of resolution and a definite decision was expected soon.

Minister Alsogaray interrupted to say that he had already sent a questionnaire to the packing firms to verify the manner in which the final settlement should be made. He expected a solution soon.

The third point related to civil aviation. The President said that he had spoken the day before with the Secretary of the Air Force and the day earlier with the Minister of Economy. This was a problem, the solution of which depended on good will by the United States and the



exercise of considerable good will by Argentina. He, the President, had personally undertaken the solution of this problem and was personally assuming the responsibility for the decision taken. Despite the rigid position of the Secretariat of the Air Force which would not have permitted an agreement, he had on his own responsibility decided that an agreement along the lines previously worked out with Ambassador Beaulac should be reached. He had, therefore, decided that draft legislation prepared by the Secretariat of the Air Force for presentation to Congress would not be presented. The decision would instead be taken by the Government without consultation with Congress. The President said that I could feel free to inform the Department that he expected within a very short time, probably before Alsogaray's arrival at Washington, to make a formal request for the renewal of negotiations. Such negotiations would be confined for practical purposes to the determination of routes since the other points of conflict would already have been resolved within the Argentine Government.

Referring to our previous conversations which the President said had cleared the air of misunderstandings, he wanted to turn to the pending loan applications of the Argentine Government to the United States Government. These related to highways and airports. The Minister of Economy had previously mentioned to me his proposal to add housing to the pending loan applications. It had been decided, however, that housing would fall within the scope of the Eisenhower Program now being discussed at Bogotá and could, therefore, be handled on a multilateral basis. Bilateral negotiations on this occasion would be confined to highways and airports. Fingering a sheaf of documents before him, the President said that there had been worked up the entire government program for highways and airports. This had already been sent to Ambassador Del Carril in Washington for discussion with United States Government agencies. Copies of these documents were being turned over to the Embassy for its own study.

The President then asked whether the Minister of Economy had anything to add. The Minister said he had already discussed the problem with me in general terms and did not have to go into any detail. He repeated what the President had said about the restriction of pending loan applications to highways and airports since the Eisenhower Plan could take care of the housing problem. The President here interjected that \$100 million loan to Argentine for housing construction would, of course, have a good effect but would be one limited to the localities where these particular houses were built. In contrast, the whole country would benefit as would the economy from the same amount of money loaned to various government and private lending institutions which could supplement it with the considerably larger volume of internal savings. This illustrated, he thought, the advantages of the Argentine economic program of self-help in providing the

great bulk of the needed resources with foreign aid supplying the much smaller additional amount required for success. The Minister of Economy endorsed this heartily. The Minister also made the point that the manner in which the Eisenhower Program was implemented would determine its success or failure. A mere division of \$500 million amongst the various countries, regardless of the manner in which they could take advantage of the assistance, would have only limited effect. However, the concentration of these funds on sound projects in those countries undertaking extensive programs of self-help would carry the maximum impact. This would apply not only in the countries themselves but throughout the whole area as a demonstration of the necessity for self-help without which economic development was illusory. The President interjected his agreement with this concept.

The Minister of Economy then went on to say that he also wanted to emphasize what the President had already said—that is, the complete absence of any relationship between Argentina's political actions in the foreign field and economic matters. Argentina had undertaken its economic stabilization program in its own interest, not as a favor to us or anyone else. The fact that its program was also of importance to us was a positive factor, but not the dominant one. Similarly, Argentina was following political policies in accordance with its own interests and not in return for economic favors received. He wanted to emphasize this as the President himself had. The President here again nodded his head.

The Minister of Economy then said that he wanted to clarify the character of the loan requests being made. They were not being presented in the form to which United States and other bankers were accustomed. They were not clear-cut projects relating to specific works and calling for specific amounts of money. What was being presented instead was the Argentine Government's complete highway and air program in broad terms. The only elements lacking in this presentation were the amounts of money which would be forthcoming from the United States. This would determine the speed with which the program would be pursued. The Minister said also that the details of the various programs would not be found in this presentation. He expected that they would be furnished, having been already prepared, after it was determined in Washington just which of the various phases of the overall programs would be of interest to the United States. He said, for example, that if the United States agency concerned found it more feasible to finance a road from Buenos Aires than other roads, the loan project could be made up in that manner, thereby permitting the shifting of Argentine funds from that road to other roads of first priority. The objective was flexibility and to facilitate quick decisions.

I said that the Minister was perfectly right in his understanding of our loan procedures. It was always much easier to consider loan projects and to facilitate decisions on them if they were cast in the usual form understood by the lending agencies. I understood the problem described by the President and by the Minister of Economy, but I did want them to realize that it might possibly lead to some delay, at least in the formulation of the problem. In any case, I was certain that this loan proposal, as would any other loan proposal from Argentina, would find a sympathetic reaction.

The Minister said that he was hopeful of such a reaction. It seemed to him as it did to the President that the broad highway and airport program already under way would be an important factor in facilitating the success of the government's economic program. Although there was a shortage of skilled labor, as indicated by the large number of advertisements in the newspapers, there was already noticeably a surplus of unskilled labor of the kind which could be put to work on highways and airports in various parts of the country. This surplus promised to become more acute. The highway and airport program would, therefore, serve the dual purposes of facilitating economic development as well as of eliminating the social problem of unemployment consequent upon the progress being made in the stabilization program. It would also have the very important political effect of enhancing the prestige of the Government and thereby its ability to carry forward with the economic program. The President interjected more or less the same kind of comments.

It was decided at the end of the meeting that the Minister of Economy would furnish the Embassy with a memorandum synthesizing the points made in the loan applications. I said that this would be most helpful.

The Foreign Minister did not say very much during the meeting except to clarify from time to time the points being made by the President. He did, however, comment when the President spoke of the lack of relationship between loan applications and Argentina's political policy that there was, of course, a relationship between the ability to go forward on airport construction and the President's ability to negotiate an aviation agreement in the face of Air Force opposition. He pointed out that such an agreement was going to involve possibly serious political difficulties in the country and that it would be most helpful for the President to be able to point out that the domestic airlines would in the long run be better off because of the availability of greatly needed airports. The President remarked at this point that these airports would serve many objectives, political, strategic, as well as economic.

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**223. Memorandum of a Conversation, Department of State,  
Washington, September 28, 1960<sup>1</sup>****SUBJECT**

Additional Financial Assistance for Argentina

**PARTICIPANTS**

Eng. Alvaro C. Alsogaray, Argentine Minister of Economy  
Dr. Julio Gonzalez del Solar, Second Vice President, Arg. Central Bank  
Acting Secretary Dillon  
Ambassador-designate to Argentina R. R. Rubottom, Jr.  
Assistant Secretary Edwin M. Martin  
Mr. C. A. Boonstra, ARA:EST/A  
Mr. Charles R. Harley, Treasury  
Mr. James F. O'Connor, Jr., ARA:EST/A

Minister Alsogaray reviewed Argentine stabilization progress, which he said had exceeded his Government's expectations and made it unnecessary for Argentina to seek further assistance in this field. He also referred to the constructive results of the petroleum development program and to steps being taken to seek majority private capital participation in the SOMISA steel plant and to reorganize the Dock Sud (Buenos Aires) power project under private auspices with IBRD assistance.

Mr. Dillon said that he had discussed the Dock Sud matter with Vice President Knapp of the IBRD and found that organization very interested and disposed to help, although questioning the availability of Argentine private capital. Eng. Alsogaray indicated that this was not a problem.

The Minister said that the Frondizi Government's policy was to promote private activity in the fields of oil, steel, petrochemicals, pulp and paper, and transportation, and concentrate its activity in the sectors where private capital was not available, such as road-building and housing. He added that fifteen years of decay in the Argentine highway system had to be overcome by repair and new construction, and said that an IBRD transportation-survey mission was studying Argentine needs. The Minister also explained that housing plans were designed to serve two ends: facilitate worker relocation in combatting unemployment and providing labor where needed; and to provide tangible evidence to the Argentine people that the sacrifices required by the stabilization program were bearing fruit and that the Government's economic policy was a constructive one. He added that economic progress would eliminate political and labor problems, and that

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<sup>1</sup> Source: Department of State, Central Files, 835.10/9-2860. Confidential. Drafted by O'Connor.

Argentine success in this regard would promote the spread of the Frondizi Government's philosophy elsewhere in Latin America. Receipt of aid from the United States and international financial institutions for the first stages of the highway and housing programs would eliminate major problems for his Government.

In reply to a query from Mr. Dillon as to whether Argentine highway planning was being carefully worked out, Alsogaray said that close contact was being maintained with the foreign transportation experts now in Argentina to assure that plans were well-founded. While in Washington he had been discussing export credits for road-building machinery with the Eximbank, and a peso loan for local costs with the DLF. In reply to another query from the Acting Secretary, the Minister said that Argentina did not contemplate direct government building, but financial assistance by the National Mortgage Bank and the new Housing Administration to private builders.

Mr. Dillon referred to the favorable impression which President Frondizi had made in explaining his economic program when he visited the United States, and went on to say that the success of this program was important, not only for Argentina, but as an example for other countries. The United States wanted to cooperate, but this would have to be done carefully, and procedures were important. It did not give loans unless requested, and it would need more details before it could make commitments, taking also into account its own availabilities. Managing Director Vance Brand of the DLF would be visiting Argentina shortly, and he could look into the highway program in detail. He could also look into the housing program, although funds for this should be channelled through the Inter-American Development Bank and had not in fact yet been appropriated by the Congress.

The Acting Secretary then said that he had been surprised by the attitude displayed by some of the Argentine delegates to the meeting of the Committee of 21. One of them, Mr. Musich, claimed that Argentina had been forgotten by the United States and advocated a strong stand to make the United States aware of its problems.<sup>2</sup> He (Mr. Dillon) felt that this attitude was the result of a misunderstanding, since approaches in such contexts made it more difficult to extend financial assistance.

Minister Alsogaray said that he was not responsible for political matters in Argentina, but that the attitude to which the Acting Secretary referred did not represent the policy of the Argentine Government, and he would take this up with President Frondizi on his return.

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<sup>2</sup> The memorandum of conversation with Arnaldo T. Musich, chief of the Argentine Delegation to the meeting of the Committee of 21 is *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199.

Argentina did not like to come to the United States frequently for assistance, as some other countries seemed to be doing. It did not expect the United States to solve the Argentines' own problems.

The Minister then said that Argentina would like to undertake a new policy of developing its armed forces with some assistance from outside. The Government wanted to organize the armed forces, which had been of assistance in connection with stabilization, as leaders in carrying forward the Government's economic program. This would involve a small amount of US financial assistance to groups which had supported the Government and its pro-Western policies.

Eng. Alsogaray went on to suggest that the United States could not spread its foreign aid to help all peoples raise their standard of living, and that it would be most practical to concentrate its efforts where they would produce the best results. If the Argentine emphasis on private enterprise were successful, it would spread elsewhere. Despite what had occurred at Bogota, Mr. Dillon could be assured that President Frondizi and Alsogaray's own team believed in self-help above all. However, it needed some basic assistance to show the Argentine people that the Government's policy was a good one, thus inhibiting Communism. Argentina's present needs were for aid in road-building and housing.

The Acting Secretary said that he agreed with the Minister. US financial aid could not solve all the world's problems. A people's will and own efforts were important, and Argentina was in this regard a well-qualified country with whom the United States could work very cooperatively.

Mr. Dillon then said that he wanted to raise two less important problems. He hoped that something could be done to move the civil aviation problem, on which he understood the Argentines had internal problems, toward solution. Minister Alsogaray said that President Frondizi had authorized him to discuss the basis for possible agreement while in Washington and he would be free to do so on Friday, September 30. He added that the United States had no cause to worry about this matter. Mr. Dillon said advance understanding on the basis for an agreement would be useful.

Mr. Dillon then referred to the concern of US meatpackers over a projected subsidy within that industry which would be prejudicial to their interests. The Minister said immediately that there was no cause for alarm. When fixed capital had been set a year ago for CAP, a cooperative which had Government support, no working capital had been established. The present payment was merely to establish the working capital in proportion to the fixed capital to complete this matter. Mr. Dillon asked if this were then a one-time operation and Eng. Alsogaray replied that it was.

Ambassador Rubottom asked the Minister about the status of the valuation of the American and Foreign Power Company's properties. Alsogaray said Mr. Sargent of that firm had talked to him about this recently. He (Alsogaray) hoped that the Chief Justice of the Argentine Supreme Court would make his decision by the end of October.

Minister Alsogaray commented that he was very pleased at Ambassador Rubottom's assignment to Argentina.<sup>3</sup> Mr. Dillon said that Ambassador Rubottom was a good friend, who shared his views on major problems.

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<sup>3</sup> On August 27, the Senate confirmed the appointment of Rubottom as Ambassador to Argentina. Rubottom presented his credentials on October 20.

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## 224. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>

*Buenos Aires, October 10, 1960—1 p.m.*

412. As result week-end rumors military unrest considerable speculation aroused by meeting army commanders scheduled here this morning. Reported grievances include invitation for bids from foreign firms for development petroleum area south Comodoro Rivadavia. Invitations postponed last week after criticism by army representative on YPF. Other grievances may be complaints against government's alleged deals with Peronists, certain provincial governors of integrationist school, communist infiltration in universities and other quarters, and graft in oil contracts.

Information received last week from Embassy [*less than 1 line of source text not declassified*] sources re army concern over oil operation graft and communism. There have been signs of greater emphasis in army for rooting out latter evil at all cost, whereas administration apparently desirous avoid McCarthyism. This issue illustrated in recent conversation between Defense Minister Villar and General Picca at which I was present. Feeling probably extends to air force and navy although latter two less demonstrative.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/10-1060. Confidential; Priority.

Army Secretary Larcher has returned for meeting and YPF President Bruno expected today. All officials deny either knowledge army tension or cause for concern. Navy and air force commanders briefed on administration's oil policy and reportedly not against it. Industry Secretary Juni said October 7 bids will be invited.

Embassy believes administration intends make thorough sounding military views on oil question and will retreat into further postponement bids if pressure too great but only after usual public spotlight on army attitude and responsibility for any change.

**Bernbaum**

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## 225. Editorial Note

On October 13, at the 463d meeting of the National Security Council, Allen Dulles in his review of significant world developments affecting U.S. security, raised the question of Argentina. The memorandum of discussion reads as follows:

"Mr. Dulles then turned to Argentina which, he said, was experiencing another of its crises. The army was worried by President Frondizi's attempt to woo the Peronistas. It had issued an ultimatum to Frondizi. It looked, however, as though Frondizi had managed to out-manuever the army. There was evidence that some kind of compromise had been worked out between Frondizi and the army. On the whole we think that Frondizi is doing a good job and also that he is probably right in attempting to woo the Peronistas away from Peron. He was pursuing liberal economic policies although not in the 'give-away' sense. He was more liberal on oil investment policy than the army would like. We will not know the outcome of the crisis for some hours yet.

"Mr. Dillon observed that Frondizi was very courageous. He noted that Frondizi had made a broadcast in which he had stated that if there was a coup, the military would be at fault. This broadcast had been made at the same time that Frondizi was seeing the leader of the military opposition and it apparently had a good deal to do with the weakening of the military opposition. The President agreed that Frondizi had shown a lot of courage." (Eisenhower Library, Whitman File, NSC Records)



**226. Telegram From the Embassy in Argentina to the Department of State<sup>1</sup>**

*Buenos Aires, October 13, 1960—5 p.m.*

436. Re: Bernbaum/O'Connor telcon.<sup>2</sup> Crisis described Embtel 431<sup>3</sup> seems resolved, although ultimate effects still to be determined. End crisis indicated by Frondizi return residence late last night and issuance shortly afterwards govt communiqué reiterating determination curb any political activity by way of combination with, or integration in, any democratic party aimed at restoring past "despotic regime" or favoring objectives international Communism. Any govt official aiding such activity harmful to public security will be discharged. Other problems in administrative, labor union, and other fields will be corrected. Shortly before communiqué, Defense Minister issued statement that three military secretaries had reaffirmed support of Constitution.

Horacio Rodriguez Larreta of Foreign Office who has been in contact Embassy as emissary Pres Frondizi telephoned today to confirm that crisis over for at least time being. Said it has been transferred from national sphere, in which govt itself threatened, to sphere, in form of contest for power between War Secretary Larcher and General Toranzo Montero. Concessions made by Frondizi had satisfied all but minority Golpista element within the Army. Similar info given Army Attaché by Toranzo Montero aide.

Rodriguez Larreta did not anticipate any Cabinet changes. This view shared by Central Bank Pres Mendez Delfino with regard Also-garay. Former did however expect charges lower officials particularly those suspected of Communism or involved with Frigerio. Latter mentioned likelihood YPF shakeup.

Mediation General Aramburu generally believed played important role in outcome. Opinions from various other civilian sectors may also have had tempering effect. Various business associations stressed damage to confidence and support Constitution. Political leaders and labor union groups also emphasized latter, although UCRP leader Balbin simply said his party had not caused trouble.

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<sup>1</sup> Source: Department of State, Central Files, 735.00/10-1360. Confidential; Niact.

<sup>2</sup> Reference is to a telephone conversation on October 11 in which Bernbaum described the situation in Argentina and discussed with Boonstra the prospects of taking some initiative with either Frondizi or the military representatives. Both agreed that the United States should not intervene in any manner. (*Ibid.*, 735.00/10-1160)

<sup>3</sup> Telegram 431 from Buenos Aires, October 12, contained details on Frondizi's efforts to counter the forces seeking to overthrow his government and on the military's grievances and demands. (*Ibid.*, 735.00/10-1260)

Embassy told by Rodriguez Larreta that Frondizi grateful for helpful unofficial comments from Washington and comment made Toranzo Montero aide reported Embtel 431.

**Bernbaum**

## 227. Editorial Note

On October 20, at the 464th meeting of the National Security Council, Allen Dulles in his review of significant world developments affecting U.S. security, raised the matter of Argentina. The memorandum of discussion reads as follows:

“Mr. Dulles next turned to the situation in Argentina where, he indicated, it looked as though Frondizi had out-manuevered his opposition in the army. While Frondizi had had to make some compromises, these compromises did not appear to be significantly harmful to his position. The creation of a special committee to investigate Communist activities was a good development. The important thing was that he had managed to keep the same economic team which was directing the stabilization program.” (Eisenhower Library, Whitman File, NSC Records)

## 228. Memorandum of a Conversation, Buenos Aires, November 21, 1960<sup>1</sup>

### PARTICIPANTS

President Arturo Frondizi  
 Minister Orfila, Argentine Embassy Washington (who acted as interpreter)  
 2 or 3 members of President Frondizi's Staff, including Presidential Chief of Protocol

U.S. Governors visiting Argentina<sup>2</sup>  
 Ambassador Rubottom  
 Messrs. Criehfield, Nutter and Bermudez of International House, New Orleans

<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 62 D 420, Official Guests, Visits July–December 1960. Confidential. Drafted by Rubottom.

<sup>2</sup> Between November 13 and 20, a group of 28 U.S. Governors accompanied by their wives, aides, and some press representatives, arrived in Buenos Aires during the course of a visit to Argentina and Brazil.

The Governors called on President Frondizi at twelve o'clock yesterday at their request, feeling that the formal visit to the Casa Rosada had not provided them with sufficient opportunity to engage in give-and-take discussion with the Chief Executive. The meeting lasted approximately one hour and forty minutes and was characterized by very frank expression on the part of the President and the various Governors who spoke. The President seemed to enjoy the meeting and the Governors, without visible exception, displayed their own pleasure at the opportunity to probe further into the President's thinking about current problems.

Governor Brown started by asking the question: "What should I tell prospective investors about the Argentine situation? Should I advise them to invest here?" This theme was returned to by one or two other Governors, and the President's basic reply was as follows: Prospective investors should be told that they are welcome in Argentina. They will find that both the juridical position and the political climate for their investments are favorable. There is ample proof of this in our record of the past few years. The serious pending problems we had with earlier investors in Argentina have almost all been overcome. The meat packers problems are largely solved. The problem with American and Foreign Power, involving expropriation of some of their property, is in the last stage of solution and awaits only the decision of the Chief Justice of the Supreme Court. We have devised a formula which has permitted private American oil companies to work under contract with our national oil company, YPF. The country is approaching self-sufficiency in oil and is improving in the electric energy sector, and both of these sectors are important to prospective investors. To repeat, investments—large, medium, and small—are welcome in Argentina and will be given the protection of our laws without discrimination.

Governor McNichols, Chairman of the Governors' Conference, recalled their conversation with Minister of Economy Alsogaray, during which the Governor had posed this question: "In many of our States, like mine, Colorado, mines and other industries are either curtailed in activity or shut down because of imports from abroad; we recognize the need to import from abroad, but we have our domestic problems as well; I think that we should consult more closely as nations to resolve our mutual problems; what can we do about this difficult situation?" Governor McNichols then said that he had not been satisfied with Minister Alsogaray's answer: "That is Senator Kennedy's problem when he assumes the Presidency." Governor McNichols stressed his belief that Argentina and other countries had to face up to this question as well as the United States.

The President went into a detailed discussion of Argentina's need to export if it is to achieve success in its economic development and stabilization program. Some of its exports do go to the United States

and, admittedly, are competitive with the United States. The United States, in turn, ships its grain and other products to some of Argentina's neighbors under the PL 480 programs, and these are cutting into Argentina's traditional markets. Argentina needs to sell more to the United States in order to buy more from the United States. It is in the United States' interest that Argentina overcome its economic problems and become a strong and prosperous nation, and we must hope that other countries in Latin America do the same. These are serious problems which require the best effort of all of us, and they can be best attacked by regular consultation and discussion.

Governor Handley said that the United States was already importing large quantities of meat; it is forecast that within ten years the United States will need much larger quantities of meat as our population increases faster than our meat production; can Argentina help to supply our needs for this vital food? The President seized on this question to point out that Argentina hopes to sell more meat to the United States. It does have a foot-and-mouth disease problem, but they hope to rid the country of this scourge by attacking it one zone at a time, moving from the south, where the disease does not exist due to climate, to the north. Argentina had not been happy about the reasons advanced by the United States eighteen months ago for placing a ban on her cured meats, since the tests had not been carried out on actual Argentine imports. Argentina had lost approximately 30 million dollars per year of exports by this ban.

I told the President that, according to all the information I had been able to gather, Argentina had not suffered a loss in the amount he mentioned, since the meat that would have been cured had been canned by the frigorificos. The President smiled and replied that, even if Argentina had not suffered a net loss of the amount mentioned, that was the hoped-for increase in amount to be sold to the United States had the ban not been placed in effect.

Governor Hollings then asked the President about Argentina's attitude toward Castro, concluding with words to this effect: "Unless you and the rest of Latin America are alert to the Castro threat, there will be no more investments and you may find your own countries threatened by communist takeover." The President reacted very sharply to this statement, moving to the edge of his seat and scarcely waiting until the Governor had concluded his statement before answering. The gist of the President's remarks were: Argentina's attitude toward Castro has been clear from the very beginning. The notes delivered to the Cuban Government by the Argentine Ambassador, who incidentally had worked very closely with the U.S. Ambassador in Cuba, had left no doubt of Argentina's understanding of the threat posed by the Castro government. Argentina's position at the various meetings of Foreign Ministers had been notably clear, and she had

cooperated wholeheartedly with the United States at those meetings. Argentina's delegate to the Inter-American Defense Board had taken the lead in asking the Cuban delegate to define his government's position, "Is Cuba with us or against us?"; in fact, the Argentine position on the IADB had been clearer than that of the United States; the Governors need have no fear about Argentina's awareness of the Castro threat to the hemisphere, nor did investors need to concern themselves on this point.

I spoke to Governor Hollings and a small group of Governors near him at the close of the meeting with the President to reassure him about the validity of President Frondizi's remarks. Several of his colleagues said to him, "Well, you asked for it and got the answer." Governor Hollings replied: "I certainly did!"

Governor Edmondson arose to express the Governors' appreciation for the President's having received them again. Governor Freeman then presented the President with a gift from the Governors' Conference, an Indian peace pipe.

# BOLIVIA

## U.S. RELATIONS WITH BOLIVIA

### 229. Editorial Note

Documentation relating to relations between the United States and Bolivia is being printed in an accompanying microform publication. A narrative summary based on that documentation is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

The central theme which runs through the story of U.S. relations with Bolivia during the last 3 years of the Eisenhower administration is the effort made by U.S. officials to encourage the reform of the ailing Bolivian economy while not, at the same time, contributing to the collapse of the Bolivian Government. Except for Haiti, Bolivia was the poorest country in Latin America. The Bolivian economy was inefficient, underdeveloped, unbalanced, and plagued by the vagaries of the international metals market. The Bolivian Government was hampered in its efforts to deal with these problems by its commitments to the workers who had supported and sustained the government since it came to power in 1952. Bolivia was heavily dependent on financial support from the United States to meet a succession of economic crises, but the Bolivian Government had to avoid the stigma of appearing to fall back into the embrace of "Yankee imperialism". Under the circumstances, the objectives which the United States hoped to achieve in its relations with Bolivia were easier to define than to achieve. A policy paper drafted in the Department of State on November 3, 1958, stipulated that the United States was prepared to support any government in Bolivia which was free from Communist influence, and which had the ability and disposition to carry out an effective stabilization program. Conditions in Bolivia were so difficult, however, that the paper defined the primary objective of U.S. policy as "the maintenance of relative political stability in order to forestall a serious politico-social upheaval." (BL-15)

*The Natural Resources Issue*

Vice President Nixon visited Bolivia in May 1958 and President Hernán Siles Zuazo took advantage of the opportunity to point up the problems afflicting the Bolivian economy, particularly in light of reduced exports of and prices for tin. He asked for Nixon's support for additional loans from the Development Loan Fund. Nixon promised to support such loan applications, but he stressed the importance of continuing Bolivian efforts to establish an effective financial stabilization program. He also indicated that prospects for Congressional support for financial aid for Bolivia would be enhanced if Bolivia would complete the compensation of U.S. shareholders of the mines that had been nationalized in Bolivia in 1952. (BL–5)

State ownership of Bolivia's natural resources was a central tenet of the governing party, the Nationalist Revolutionary Movement. It was politically difficult for President Siles' government to meet foreign demands for full compensation for expropriated properties, and it was correspondingly difficult for Bolivia to attract new foreign capital to develop such assets as unproven oil reserves while maintaining the principle of public ownership. As a result, the Bolivian Government pressed the United States repeatedly for development loans to the state-run companies which managed the Bolivian mining and oil industries. (BL–8, 26, 33) The U.S. response was to point to the continuing compensation problem in the mining industry, and to defer to private sources of development funds, such as Gulf Oil in the oil industry, and the German Salzgitter firm in the mining industry. (BL–8, 34)

In 1960, however, the Soviet Union offered to build tin mining facilities and to provide oil drilling equipment and technicians in exchange for the establishment of full diplomatic relations between Bolivia and the Soviet Union. (BL–28, 35, 37, 43) Faced with the danger of expanding Soviet influence on the South American mainland, and the possibility that anti-American sentiment and an economic crisis might lead in the direction of another Communist government in Latin America, policymakers in Washington altered their strategy and offered direct loan support for Comibol, the Bolivian state-owned mining company, and for Yacimientos Petrolíferos Fiscales Bolivianos, the state-owned oil company. (BL–26, 29, 40, 41)

*U.S. Concerns Over Bolivian Political Stability*

The Eisenhower administration was, in fact, sensitive throughout the period to the danger that political instability, exacerbated by economic problems, might lead to a more radical, anti-American government in Bolivia. The uncertain prospects for the ruling party were highlighted by an unsuccessful coup attempt in October 1958, and

anti-American sentiment underscored by violent anti-American demonstrations in March 1959. (BL-14, 18) It was in the U.S. interest, therefore, to try to shore up the Siles government and the successor government of Victor Paz Estenssoro, which took office in August 1960. To that end, the United States provided Bolivia with substantial economic aid, amounting to \$26 million for fiscal year 1959. (BL-12)

### *Aid and the Stabilization Program*

U.S. relations with Bolivia were colored, however, by the fact that economic assistance was provided with conditions attached. Policy-makers in Washington recognized that the Bolivian Government would prefer to receive unqualified assistance for development projects, but the conviction underlying U.S. policy was that assistance to Bolivia would be wasted unless Bolivia could implement the economic reforms necessary to stabilize the Bolivian currency and to convert the critical mining sector of the economy from a financial drain to a contributing asset. Consequently, the United States repeatedly pressed Bolivia to accept the rather draconian solutions proposed by the International Monetary Fund as a basis for stabilizing the Bolivian economy. (BL-5, 11, 12, 13, 22, 32)

These measures included a wage freeze, exchange rate reform to achieve currency depreciation, the dismissal of surplus labor in the mines, and a reduction in social welfare benefits such as government-subsidized prices in the mine commissaries. The predictable effect of this program of economic reform on the Bolivian work force would have been to produce rising prices, increased unemployment, and further demands for wage increases. Accordingly, the Bolivian Government protested that political pressures prevented more than a half-hearted effort to implement the reforms stipulated by the IMF. (BL-11, 14, 43) U.S. officials, however, continued to argue for economic reform in Bolivia, with the result that the substantial economic assistance provided by the United States to Bolivia produced as much resentment as appreciation. (BL-12) Nonetheless, the Eisenhower administration could take some satisfaction at the end of 1960, that U.S. advice and assistance helped sustain the moderate governments of President Siles and Paz and prevent the Soviet Union from establishing a foothold in South America.



# BRAZIL

## U.S. RELATIONS WITH BRAZIL <sup>1</sup>

### 230. **Telegram From the Department of State to the Embassy in Brazil** <sup>2</sup>

*Washington, January 10, 1958—6:34 p.m.*

780. Deptel 761.<sup>3</sup> Rubottom informed Peixoto today our desire terminate Maceió and Loran negotiations since exhaustive Pentagon review resulted decision these facilities in Brazil no longer required by US. Rubottom said we are relieved learn this decision as we aware difficult political, legal, and other problems these installations would have caused Brazil. Said he assumed Ambassador and Braz Govt would be likewise relieved. Peixoto received information without comment.

Re parallel military talks Rubottom said US representatives JBUSDC have received sufficient information from Brazilian counterparts and have carried studies and discussion to point where expect make concrete proposal relatively near future.

Since requirement for Maceió and Loran installations originally presented Braz Govt in Rio prior to transfer negotiations Washington suggest Embassy may wish formally inform FonOff our abandonment these requirements. Dept will formally terminate negotiations with aide-mémoire.<sup>4</sup>

**Dulles**

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<sup>1</sup> Continued from *Foreign Relations, 1955–1957*, vol. VII, pp. 627 ff.

<sup>2</sup> Source: Department of State, Central Files, 711.56332/1–1058. Confidential. Drafted by Siracusa and signed for Dulles by Rubottom.

<sup>3</sup> Regarding telegram 761, January 8, see *Foreign Relations, 1955–1957*, vol. VII, first footnote 4, p. 771.

<sup>4</sup> The projected aide-mémoire, January 17, is in Department of State, Central Files, 711.56332/1–1758.

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**231. Memorandum of a Conversation, Department of State,  
Washington, February 14, 1958<sup>1</sup>****SUBJECT**

Brazil's Request for \$100,000,000 Standby Credit

**PARTICIPANTS**

Ernani do Amaral Peixoto, Brazilian Ambassador  
Henrique Rodrigues Valle, Minister Counselor, Brazilian Embassy  
Miguel Alvaro Ozorio do Almeida, First Secretary, Brazilian Embassy  
ARA—Mr. Rubottom  
OSA—Mr. Siracusa  
OSA—Mr. Ingersoll

Ambassador Peixoto and Mr. Valle said that, as Mr. Rubottom probably knows, Brazilian coffee exports have been falling off and for this and other reasons the exchange situation has deteriorated to a serious point. If Brazil is unable to obtain immediate relief, her imports from the United States will be affected. He has, therefore, been instructed to request a \$100,000,000 Export-Import Bank loan for three months, to assure continuation of United States imports, to be extendable at the end of that time. Later in the discussion it was brought out that Brazil wants the loan before the opening of the exchange market next Wednesday, February 19. From now until Wednesday, Carnival holidays will be in progress. It was later clarified that according to Ambassador Peixoto's present understanding, Brazil wants a stand-by credit largely for psychological reasons, and does not intend to draw it down, as was first indicated. The Ambassador, after explaining this point, however, added that he had queried Rio and expects further clarification later today and will inform the Department.

Mr. Rubottom said we have been aware of Brazil's problems with coffee exports and of its affect on her exchange reserves. We recognize it as a serious problem with which we sympathize. However, a number of problems are presented.

Mr. Rubottom pointed out that the Eximbank normally does not give stand-by credits. In the single instance wherein it had been done (the Suez loan<sup>2</sup>), the Bank had required 120 percent collateral and a commitment fee.

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<sup>1</sup> Source: Department of State, Central Files, 832.10/2-1458. Confidential. Drafted by Siracusa.

<sup>2</sup> Reference presumably is to the \$500-million credit which the Export-Import Bank of Washington authorized for the United Kingdom on December 21, 1956; for the Bank's announcement of the loan, see Department of State *Bulletin*, January 7, 1957, p. 29.

In the case of the Federal Reserve stand-by to Brazil of 1952, full gold collateral had been required, Mr. Rubottom said. However, it is also his understanding that Brazilian gold reserves are already fully committed.

In these circumstances, Mr. Rubottom said, it is difficult to see just how we could be of help. He will, however, report the circumstances to Mr. Dillon, he said.

Meanwhile, although he could not be encouraging, Mr. Rubottom said, he thought it would be well to discuss the matter with Export-Import Bank officials. Ambassador Peixoto replied that he already has an appointment to see Mr. Waugh this afternoon.

Mr. Rubottom then inquired whether or not the Ambassador has considered going to the IMF. The case, as he understands it, he said, seems to be exactly the sort of thing the IMF was created to deal with. To this Mr. Almeida replied that he does not think the Fund could do anything effective because of the status of Brazil's previous drawing. (Brazil took its first tranche of 37.5 million last October.) The Ambassador said, however, that he would talk to Brazil's representative, Mr. Paranaguá,<sup>3</sup> before calling on Mr. Waugh this afternoon. Mr. Rubottom again urged that the IMF route be explored.

Mr. Rubottom said finally that if it should prove possible to be of some assistance, whether through United States Government or international agency resources, he is certain that a real interest would be manifested not only in the circumstances and conditions leading to Brazil's present condition, but also in corrective measures and means which should be adopted in order that the assistance would do permanent good.

It was agreed that any press inquiries would be met with a denial that this subject was discussed. If the press learns of the Ambassador's visit, it should be told that the GATT negotiations were discussed. This discussion is the subject of a separate memorandum.

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<sup>3</sup> Octavio Paranaguá, Alternate Governor for Brazil, and Executive Director for Brazil, Colombia, the Dominican Republic, Haiti, Panama, and Peru, International Monetary Fund.

**232. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, February 15, 1958—4:11 p.m.*

938. Ref EmbTel 1048.<sup>2</sup>

Dillon, Rubottom and Southard met with Secretary Anderson this morning to discuss Brazilian financial problem. Generally agreed on Embassy line reported reftel and urgent need for answers to questions Herbert May put to Alkmim outlined Embtel 1049.<sup>3</sup>

Agreed that Brazil's only chance to obtain temporary financial relief prior next Wednesday deadline is to turn to New York banks where we understand Brazil has 45 million dollars in unused credit line. Conceivably New York Federal Reserve might help if Brazil willing use 60 million dollars unpledged goal [gold] we understand to be available although this would require negotiation.

Strong feeling prevails entire American financial community as well as IMF that Brazil has arrived at showdown which was inevitable as result bad fiscal policies especially over-spending past year. For U.S. Gov't itself to become involved in kind of hard negotiations and ultimate application stern disciplinary measures required would be highly impolitic and would strain traditionally friendly relations two countries. Nevertheless, Brazil must be made appreciate that large bail-out by U.S. Government not possible and you should discourage Alkmim's anticipation of it. FYI Expectation for similar assistance would be inevitable chain reaction throughout free world if U.S. gave in to Brazil now. End FYI

At today's meeting it was agreed that Brazil should commence soonest discussions with IMF leading to agreement heretofore refused by Brazil to have IMF consultants come there for thorough study entire Brazilian financial system. Unpalatable though this may be, Department sees this as only way achieve Brazilian salvation. Since crisis likely to worsen reaching peak late spring or summer, talks with IMF should be started without delay. In your discretion and only if discussion seems to require, you may tell Alkmim that only if Brazil agrees to

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<sup>1</sup> Source: Department of State, Central Files, 832.10/2-1458. Confidential; Priority. Drafted and signed for Herter by Rubottom.

<sup>2</sup> In telegram 1048, February 14, the Embassy in Rio de Janeiro stated it would ask Brazilian Finance Minister Alkmim for more information about Brazil's financial outlook as background on which to base the Embassy's advice to Washington concerning Brazil's request for \$100 million standby credit. (*Ibid.*)

<sup>3</sup> Not printed. (*Ibid.*) The answers to May's questions on Brazil's external financial situation, which were given on March 17, were reported in telegram 1184, March 18, and despatches 1059, March 25, and 1090, April 2. (*Ibid.*, 832.10/3-1858, 832.151/3-2558, and 832.101/4-258, respectively)

IMF procedure and accepts probably stern corrective measures could U.S. give consideration to participation in a stabilization program.<sup>4</sup>

Secretary Anderson agrees that we should take no initiative regarding Alkmim visit. He would of course be received if he decides to come and every effort would be made to persuade him of necessity taking proper steps.

**Herter**

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<sup>4</sup> In telegram 1089, February 24, the Embassy reported that Alkmim agreed to this procedure. (*Ibid.*, 832.10/2-2458)

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**233. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, February 25, 1958—8 p.m.*

1098. 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 U.S. is able to assist Brazil to meet current economic crisis, along lines recently advanced to Embassy Rio and thru Brazilian Embassy in Washington.

Although these remarks were made in another context, I mention them as confirming President's support of Alkmim's initiative and of his preoccupation concerning deterioration economic position. (I did not pursue subject with Kubitschek since it was not germane to purpose of my visit.)

**Briggs**

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<sup>1</sup> Source: Department of State, Central Files, 832.10/2-2558. Secret.

### 234. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>

Washington, March 3, 1958—3:48 p.m.

984. While deploring obvious tactic, Dept believes Kubitschek's remarks (Embtel 1098)<sup>2</sup> provide opportunity speak with him directly in two matters of concern to US namely 1) exchange crisis and US response to request for standby credit and 2) Brazil-USSR trade potential with accompanying possibility resumption diplomatic relations. Implications President's remarks seem require effort our part insure he understands US position which may not have been fully and accurately reported to him by Alkmim. Subject your concurrence suggest you seek early interview with Kubitschek and indicating you acting on instruction speak along following lines:<sup>3</sup>

Tell him his remarks reported to Washington which desires he fully and accurately understand US position. US Government sympathetic problems besetting his administration and desirous be helpful in constructive ways consistent traditionally cooperative and friendly attitude toward Brazil and Kubitschek personally. Request for Eximbank standby communicated in Rio by Alkmim and in Washington by Peixoto received urgent consideration this Government at Cabinet level. Unanimous conclusion was that request Eximbank standby both faced technical problems indicated Deptel 934<sup>4</sup> and highly inadvisable from Brazilian point of view since would increase indebtedness without being likely to lead to real, basic solution Brazil's problems and thus would only add to burden in months and years to come.

For these reasons US concluded such operation would not render service to Brazil and therefore earnestly recommended consultation IMF which agency created and qualified to assist situations of this kind. Moreover, acceptance from international organizations of advice requiring adoption measures having impact domestic economy would be politically more palatable to Kubitschek than would acceptance from US. Gratified this regard learn Brazil has now approached fund re Deptel 979.<sup>5</sup>

<sup>1</sup> Source: Department of State, Central Files, 832.10/2-2558. Secret; Priority. Drafted by Siracusa and signed for Dulles by Snow. Repeated to Bogotá, Buenos Aires, and Mexico City by pouch.

<sup>2</sup> *Supra*.

<sup>3</sup> The Embassy preferred to wait until the subject arose again of its own accord rather than seek an appointment with Kubitschek for the purpose outlined above. (Telegram 1122 from Rio de Janeiro, March 5; Department of State, Central Files, 832.10/3-558)

<sup>4</sup> Not printed. (*Ibid.*, 832.10/2-1458)

<sup>5</sup> In telegram 979 to Rio de Janeiro, February 28, the Department reported that Paranaguá had begun discussions on a \$37.5 million drawing by Brazil from the International Monetary Fund. (*Ibid.*, 832.10/2-2758)

Should Kubitschek inquire about possible US assistance after consultation IMF you should say that Eximbank has in no instance extended assistance any country under circumstances described by Brazil prior actual adoption corrective measures in agreement with IMF. Most recent examples are credits to UK, Colombia and Chile and option to France to defer next two years payments. In each instance countries first sought IMF assistance, reached agreement and have undertaken necessary corrective measures. Should Kubitschek ask why we cannot help on same basis as past 300 and 75 million dollar Eximbank credits extended you should say that situation then not comparable present. Three hundred million loan in 1953 was to assist refunding 450 million dollars arrearages in payments US exporters and made only after Brazil took corrective measures to reverse trend and halt accumulation arrearages. Moreover, IMF consulted on informal basis. The 75 million dollar loan (of which 45 million used) was established in 1954 in close coordination with IMF and when Brazil was taking appropriate corrective measures. Brazil's failure continue apply these measures responsible in part, our opinion, for their lack of anticipated effectiveness.

Should Kubitschek press you for more direct reply you may if situation demands repeat policy outlined penultimate paragraph Deptel 938. However if you have not already made such statement to Alkmim, would prefer you avoid doing so with Kubitschek if possible.

Re other aspect of his remarks, you may assure Kubitschek we recognize seriousness of problems created for Brazil by accumulating coffee surplus and her desire expand market where may be found, including USSR. Say if Brazil believes some surpluses can be fruitfully disposed of in this way US would understand exploitation of the opportunity. Would like sound word of caution however and warn Kubitschek of danger getting in too deep with USSR. This regard you might use arguments outlined Deptel 818<sup>6</sup> placing particular emphasis on our assumption that for reasons stated Brazil would only increase trade in conjunction adequate safeguard measures, to which we understand Braz Government has already given careful thought and that resumption diplomatic relations this time would be avoided as tending vitiate effectiveness such safeguards.

Should it be necessary explain why US warns countries such as Brazil against diplomatic ties with the Soviet while maintaining them itself and even now encouraging closer cultural ties you might use

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<sup>6</sup> In telegram 818 to Rio de Janeiro, January 17, the Department pointed out that the aim of Soviet trade was to export communism, and that since Soviet imports were not motivated by economic need, there was a "constant threat resale or dumping in other markets produce from free world sellers." It also indicated that increasing trade and establishing diplomatic relations between the Soviet Union and Latin America would adversely affect Latin American relations with the United States. (*Ibid.*, 432.6041/1-1758)

following arguments. US maintains ties with USSR because its responsibilities leave no other choice. If peace to be maintained must be contact between US and USSR and no effort can be spared promote understanding and minimize areas of conflict. At same time, internal political problems caused here by subversion potential Soviet diplomatic representation are negligible. US Communist Party virtually nonexistent and almost totally without influence. Moreover there are no political parties or movements of significance in US with which CP can ally itself, directly or indirectly, effectively to promote USSR interests. In Brazil, on the other hand, non-Communist party structures, discipline, and traditions are not so sharply formulated and there exists strong nationalist sentiment irrespective of party which Kubitschek has more than once told us is exploited by Communists to promote the interests of the USSR and to hamper his adoption constructive measures in interest Brazil. You might cite as example difficulties caused by nationalists and Communists re conclusion missile tracking station agreement<sup>7</sup> which was recognized by Kubitschek as serving interests Brazil as well as of entire Free World. To open doors to Soviet agents through a mission in Rio this time would in our opinion maximize problems Kubitschek will face in difficult months ahead as he tries solve Brazil's basic problems and would make more difficult his constructive cooperation with US this regard.

**Dulles**

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<sup>7</sup> For text of the Agreement on the Establishment of the Guided Missile Tracking Station on the Island of Fernando do Noronha, signed January 21, 1957, see 8 UST p. 87. For further documentation, see *Foreign Relations, 1955-1957*, vol. vii, pp. 713 ff.

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**235. Memorandum of a Conversation, Department of State, Washington, March 14, 1958<sup>1</sup>**

**SUBJECT**

Brazilian Financial Problem

**PARTICIPANTS**

Ambassador Ernani do Amaral Peixoto of Brazil  
 Mr. Henrique Rodrigues Valle, Minister Counselor, Embassy of Brazil  
 R. R. Rubottom, Assistant Secretary for Inter-American Affairs  
 Maurice M. Bernbaum, Director for South American Affairs

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<sup>1</sup> Source: Department of State, Central Files, 832.10/3-1458. Confidential. Drafted by Bernbaum.



Ambassador Peixoto had Valle translate in reading a letter addressed in Portuguese by Brazilian Finance Minister Alkmim to Robert Anderson, Secretary of the Treasury.<sup>2</sup> The letter stated that the Brazilian Government was facing serious foreign exchange difficulties owing to the difficulties in the sale of coffee, and that such difficulties threatened to interfere seriously with Brazil's normal trade with the United States. The problem created by the exchange shortage was being discussed with representatives of the International Monetary Fund and it was hoped that a good basis would be laid in these conversations for a later approach to various U.S. Government specialized agencies. Such an approach would be required owing to the magnitude of Brazil's foreign exchange problem and the relatively limited amounts available from the International Monetary Fund. However, results from this procedure could not be expected for some time, while the peak of Brazil's financial crisis could be expected within 15–20 days when available foreign exchange would be completely exhausted. In view of this situation the Government of Brazil was appealing to the U.S. for a prompt loan of \$50 million to tide Brazil over the temporary situation. A more permanent arrangement could be made later after the deliberations of the International Monetary Fund.

Mr. Rubottom expressed the opinion that the Brazilian Government was very well advised in having asked for consultation with the Monetary Fund. Aside from other benefits, such consultation would place the Brazilian Government in the position of justifying to potential critics the unpalatable measures which had to be taken on the ground that they are recommended by an impartial international agency. Peixoto interjected at this point that this was one of the great advantages of the Fund procedures—that it was far better politically for the Brazilian Government to follow the advice of an international agency than it would be to accept the suggestions of the United States. Mr. Rubottom added that the various officials charged with financial responsibilities, with whom he had discussed the Brazilian problem, felt quite definitely that there was no point in financial assistance to Brazil if such assistance would not contribute to rectification of the underlying problem and correspondingly resolve the need for a similar request in three months or so. They all believed quite definitely that there were many things that Brazil had to do, unpalatable as they might be at the moment, to correct the economic imbalance—only then could financial assistance be of real constructive value to Brazil. He expected that this was essentially the answer which Ambassador Peixoto could expect to hear from Secretary Anderson.

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<sup>2</sup> Dated March 11; not found in Department of State files.

Ambassador Peixoto stated that he hoped to see Anderson that afternoon and that the results of the conversation would determine the timing of his return to Brazil.<sup>3</sup> He had previously expected to return about April 1 for a PSD convention but thought it possible that he would be going back somewhat earlier, perhaps next week. He did not comment at any length on Mr. Rubottom's remarks.

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<sup>3</sup> No record of this conversation has been found in Department of State files.

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**236. Letter From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Ambassador in Brazil (Briggs)<sup>1</sup>**

*Washington, March 14, 1958.*

DEAR ELLIS: I have read with interest your letter of February 6<sup>2</sup> expressing some misgivings about the potential reaction in Brazil toward United States participation in movements now in progress to limit Latin American arms expenditures. I don't think we need fear undesirable repercussions in Brazil if our attitude on this important question is properly explained to appropriate Brazilian officials and military leaders. Although we firmly believe that Latin America spends a disproportionate amount of money on arms, as compared to that spent for economic development and other needs, we recognize the political and power factors involved and will always condition our own actions with these in mind. Therefore, while we will express general approval of a sound and proper relationship between expenditures for arms and other matters, we will not take the lead or endeavor to pressure Brazil or any other country into specific action on the subject. If Latin Americans themselves can keep the issue alive, something constructive may be accomplished as public interest and opinion become more important factors for the military to consider in making their own plans and thus somewhat strengthen the hand of those interested in economic development.

I am enclosing a copy of the statement made by Ambassador Dreier on March 5 to the Council of the Organization of American States.<sup>3</sup> The last four paragraphs, in particular, express our policy on

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<sup>1</sup> Source: Department of State, Central Files, 732.5-MSP/2-658. Confidential; Official-Informal. Drafted by Siracusa.

<sup>2</sup> Not printed. (*Ibid.*)

<sup>3</sup> Not printed; for verbatim minutes of that meeting, see OAS Council doc. C-a-275.

the subject of arms limitation in Latin America. You will note that special emphasis is placed on the need to meet legitimate national and hemispheric defense requirements.

Now that the JCS has acted on recommendations of the United States Delegation to the Joint Brazil–United States Defense Commission,<sup>4</sup> we should be able shortly to resume concrete negotiations with the Brazilians on expanding military aid. Although the recommendation is for much less than the Brazilians asked, the amount involved is not an ungenerous one and, if approved by State and Defense, should enable us to demonstrate to General Lott and others the continuing constructive interest we have in sound relations with the Brazilian military and in assisting it to achieve adequate preparation for hemispheric defense.

Sincerely yours,

**R.R. Rubottom, Jr.**<sup>5</sup>

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<sup>4</sup> At a Department of State–Joint Chiefs of Staff meeting, February 28, General Twining said that the JCS would recommend to the Secretary of Defense \$87.1 million additional military aid to Brazil. (Memorandum of substance of discussion by Robert Donhauser, Special Assistant to the Deputy Under Secretary of State for Political Affairs: Department of State, State–JCS Meetings: Lot 61 D 417)

<sup>5</sup> Printed from a copy that bears this typed signature.

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**237. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, March 21, 1958—7:22 p.m.*

1066. Deptel 1052.<sup>2</sup> Anderson reply Alkmim<sup>3</sup> delivered Peixoto today, states we recognize Brazil's balance-of-payments problem and see need for far-reaching corrective measures. Poor coffee sales only partial explanation. US Govt has suggested to GOB need for formulation comprehensive program to assure that any added external aid would effectively contribute stability, and notes GOB now consulting IMF. We believe GOB plans should be such as to satisfy IMF. For

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<sup>1</sup> Source: Department of State, Central Files, 832.10/3–2158. Official Use Only; Priority. Drafted by Ingersoll and signed for Dulles by Bernbaum.

<sup>2</sup> In telegram 1052 to Rio de Janeiro, March 18, the Department reported that Peixoto delivered Alkmim's letter to Anderson. (*Ibid.*, 832.10/3–1858) Regarding the letter, see Document 235.

<sup>3</sup> Dated March 21. (Department of State, ARA/REA Files: Lot 61 D 248, Brazil, 1957–1959)

immediate needs suggest Brazil seek dollar loan from financial community by pledging unencumbered gold. Assures our sympathetic interest constructive solution to problems.

Full text pouched letter this date Ingersoll to Ambassador.

Dulles

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**238. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, March 24, 1958—5 p.m.*

1224. Embassy telegrams 1216 and 1217.<sup>2</sup> President Kubitschek having summoned me this morning on another matter, I took opportunity to tell him of my lengthy meeting March 22 with Finance Minister Alkmim and to give him Portuguese translation of Secretary Anderson's letter. President had just returned from weekend outside Rio and had not been in touch with Alkmim since latter's call on me.

Kubitschek read letter carefully expressing immediate opinion that pledge of gold, by itself, would trigger devastating and perhaps mortal attack on his government. He said that given "political immaturity" of Brazilian people coupled with ferocity and irresponsibility of opposition, word that part of Brazil's already pitifully small gold holdings had been pledged, could finish his government; at the least it would tragically undermine it while at same time provide heaven-sent opportunity for "enemies of United States."

In ensuing discussion I described background of IMF operations, and their reasonable insistence on formulation of program et cetera. I indicated willingness my government to examine extent to which we might be able to cooperate in helping Brazil solve not only problem of moment but longer range matters including examination balance-of-payment difficulties and also relationship thereof to President's development program, situation of coffee and likewise petroleum. I then suggested that as alternative to short term credit from U.S., or pledging gold, immediate emergency might be met if Alkmim would work fast,

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<sup>1</sup> Source: Department of State, Central Files, 832.10/3-2458. Confidential; Priority.

<sup>2</sup> Telegram 1216 from Rio de Janeiro, March 23, reported that Alkmim told Briggs on March 22 that he was dissatisfied with Anderson's March 21 letter. Alkmim made a strong plea for an immediate U.S. \$50-million short-term loan until the IMF and Brazil could reach an agreement. Telegram 1217 from Rio de Janeiro, March 23, reported that the Embassy could not recommend the short-term loan Alkmim requested. (Both *ibid.*, 832.10/3-2358)

present acceptable program to IMF, and thereupon obtain release of 37.5 million dollars representing 3rd quarter of quota. I expressed opinion fund prepared for its part give urgent consideration to balance-of-payment program, based on figures already supplied by Alkmim to IMF representatives, if Alkmim would submit reasonable plan.

President clearly unprepared for this morning's discussion but his attitude was reasonable and he said he would canvass situation with Alkmim without delay. I left Anderson letter with President and also referred to Rubottom's Texas speech<sup>3</sup> as directly relevant to our desire to be of assistance, promising him copy of Portuguese text this afternoon.

*Comment:*

I am inclined to agree with Kubitschek that gold operation, granted present political atmosphere, might be dangerous move for his whole administration. His views were forcefully stated and we should not ignore estimate by President himself of effect of given step on unstable Brazil political situation. His reluctance however provided opportunity to plug away at desirability of Alkmim's producing plan, with 3rd quota as bait. As indicated Embassy telegram 1217, I hope fund manager will hammer away on same theme with Ambassador Peixoto, since if fund can in fact release 37.5 million, promptly, against suitable plan, that might obviously provide emergency assistance in lieu of loan from U.S., or pledging gold.

Should it finally appear that Brazil reluctantly agrees to pledge gold, Department might consider whether announcement could be coupled with some joint U.S.–Brazil statement that would indicate our willingness (in satisfactory circumstances) to collaborate in solution of long-range in contrast to emergency problems. In other words, if we force Brazil to take unpalatable medicine or to take step Kubitschek informs us would be politically dangerous, we might consider balancing that step by participating in statement so drafted as to minimize those dangers.

**Briggs**

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<sup>3</sup> For text of Rubottom's speech of March 21, see Department of State *Bulletin*, April 14, 1958, p. 608.

**239. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, March 29, 1958—6:10 p.m.*

1107. Embtel 1233.<sup>2</sup> Appreciate your complete reporting discussions Kubitschek and Alkmim and recommendations transmitted; also pleased your urging prompt agreement with IMF. Dept recognizes gold pledge might be unpalatable for Brazilians and could have serious political implications. Suggestion that Brazil have recourse to gold pledge was not principal recommendation of Anderson letter. Principal recommendation was that Brazil work out comprehensive economic and financial program with IMF. Reference to gold pledge was merely means tiding Brazil over if necessary before satisfactory program agreed upon with IMF.

Dept believes Brazilians may be ready abandon idea US bailout (which Alkmim and Kubitschek seem to have expected despite position we maintained all along) and that if they really fear political implications gold pledge they will be forced deal seriously with IMF as only alternative. Should they however decide pledge gold and especially if in conjunction with joint statement such as mentioned Embtel 1224 we fear this might reduce urgency for solution with IMF and jeopardize our ability resist pressure for bailout prior IMF solution once gold exhausted. Brazil might then take line that gold pledged only as consequence joint statement which constituted US commitment to aid unilaterally at exhaustion gold. Furthermore, such statement could be used identify US with restrictive measures to be called for by IMF, thus providing ammunition to anti-US nationalist opposition forces.

Recommend therefore you inform Kubitschek:

(a) that US in suggesting loan against gold was not proposing for Brazil a course of action different from that which it has recommended to other countries; and that US financial assistance, without comprehensive program designed to restore balance in external accounts and satisfactory to IMF, would be contrary to established US policy and would constitute unacceptable precedent. Also, US Govt itself would be subject to serious domestic criticism if it failed make most effective use limited loan resources.

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<sup>1</sup> Source: Department of State, Central Files, 832.10/3-2458. Confidential; Priority. Drafted by Siracusa on March 26, revised by Young on March 27, and signed for Dulles by Bernbaum.

<sup>2</sup> In telegram 1233, March 24, Briggs reported that Kubitschek told him he could not pledge Brazilian gold as collateral for a loan, but that he was willing to make sacrifices in his development program. (*Ibid.*)

You should, however, reassure him clearly as to continuing sympathetic interest US Govt in sound and expanding Brazilian economy. Also of US willingness consider financial assistance in connection with a program giving promise durable solution Brazil's current problems. Before considering such assistance US would expect Brazil to bring its recent discussions with IMF to satisfactory conclusion.

FYI Washington cannot know at this time magnitude or form of possible loan assistance which may be necessary. Both amount Brazil may need and form and extent US support will depend upon adequacy of program Brazil prepared adopt. Possible we may need to seek Congressional approval in advance on formal or informal basis. This would not be for purpose stalling. We are not now in position go to Congress because in absence missing element sound Brazilian program we are unable assure Congress aid could contribute lasting solution Brazil's problems. Congressional consultation would, of course, involve risk of leaks. Believe you should explain this to Brazilians in manner you deem best, emphasize our desire be of help to Brazil in time her need and our need to make sure additional help from us would make real contribution Brazil's progress rather than merely postpone solution causes crisis. End FYI.

(b) that IMF can act quickly if satisfactory program presented to it. Brazilian economists understand nature of problem and should be able in few days to draw up general program which could then be discussed with IMF, looking toward prompt agreement, provided Brazil prepared make policy decisions in field of budget, credit and foreign exchange. If Brazil prepared to undertake necessary measures it should be possible to work out satisfactory arrangements with IMF without delay. Principal question is whether Brazil is prepared to pursue financial policy leading to financial stability and economic growth. IMF cannot make resources available unless satisfied country is following or prepared to follow appropriate policies and gives IMF firm assurances. US has confidence in ability of Brazil and IMF work out appropriate program.

Peixoto plans leave Washington April 1. Meeting with Rubottom scheduled afternoon March 31. Dept will forcefully take lines set forth in paragraphs (a) and (b) above with him at that meeting.

**Dulles**

240. Letter From the Ambassador in Brazil (Briggs) to the Officer in Charge of Brazilian Affairs (Siracusa)<sup>1</sup>

*Rio de Janeiro, May 13, 1958.*

DEAR ERNIE: Woodie Wallner and I have given considerable thought to your letter of May 2<sup>2</sup> suggesting that the Embassy prepare a piece on the subject "Brazil is the Biggest Good Neighbor", but on consideration we are somewhat reluctant to do so. Not only would the document suffer in the eyes of its readers from overtones of "my post is the most important in the world", but substantively the Embassy here does not possess all the elements for a convincing paper on an essentially multilateral subject.

We shall of course continue to supply you with supporting material. The essential elements are so obvious that it seems trite to recapitulate them. Brazil is half the continent in area and population. In resources and rate of growth (it will have 100 million people by 1980) it stands alone and is already the only country in South America with a substantial domestic market. Its relative importance to the other eight South American states can, it seems, only increase. So much for the material side (with a footnote referring you to Colonel Hanford's testimony before Congress a year ago on Brazil's strategic and military importance to the United States).<sup>3</sup>

The human side of Brazil's "differentness" is no less impressive. If you don't believe sixty million Brazilians when they tell you they are different from their continental neighbors, just ask the Spanish Americans. Their replies may not always be couched in polite language, but they will be unanimous.

Finally, Brazil feels herself an emerging world power. Whether today she is or not may be debatable. But how about Brazil one generation hence? The Department knows where my bet is placed. Is time not overripe for it to undertake a reassessment, in ARA or perhaps in the Policy Planning Staff?

[1 paragraph (10 lines of source text) not declassified]

Sincerely yours,

**Ellis O. Briggs**

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 62 D 308, EST/B 1958 Folder #1. Confidential; Official-Informal.

<sup>2</sup> The letter was not declassified. (*Ibid.*)

<sup>3</sup> Not further identified.



**241. Memorandum From the Officer in Charge of Brazilian Affairs (Siracusa) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, May 15, 1958.*

SUBJECT

Brazilian Military Negotiations

**I. AIRCRAFT CARRIER EQUIPMENT**

*Background*

During your absence, we attempted to prevent a Department of Defense reply to our letter<sup>2</sup> on the grant-aid program contrary to our policy against including equipment for the aircraft carrier.<sup>3</sup> To this end, on May 9, Mr. Murphy talked to Mr. Irwin, Acting Assistant Secretary of Defense. Mr. Irwin said his own opinion “rather coincided” with State’s, and offered to try to persuade others in Defense, particularly the Navy, to go along.

Whatever Mr. Irwin may have tried, it apparently did not succeed. The following day, Admiral Libby, Deputy Chief of Naval Operations, called on Mr. Murphy. He delivered a copy of the signed Defense letter<sup>4</sup> which urges reconsideration of our position vis-à-vis the carrier. We are also informed that he “about seven-eighths convinced” Mr. Murphy to accept the Defense position.

Admiral Libby’s personal call and the failure of whatever persuasion Mr. Irwin may have attempted indicate the strength of the Navy view and the willingness of others in Defense to support it, whatever they may believe. Admiral Libby’s call also tends to confirm reports of Admiral Burke’s personal interest in this matter.

*Problem*

ARA must now decide whether or not to continue to oppose inclusion of the carrier items as grant-aid.

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 62 D 308, ARA:EST/B 1958 Folder #2. Secret. Drafted by Siracusa. Sent through Bernbaum who initialed it.

<sup>2</sup> Not further identified.

<sup>3</sup> Reference is to the aircraft carrier H.M.S. *Vengeance*, purchased by Brazil from the United Kingdom reportedly for 6–7 million pounds in December 1956 and later renamed the *Minas Gerias*. In telegram 1368 from Rio de Janeiro, April 14, the Embassy recommended giving Brazil electronic equipment for the carrier under the expanded grant aid program under negotiation in order to maintain the good will of the Brazilian military. (Department of State, Central Files, 732.5–MSP/4–1458)

<sup>4</sup> Not further identified.

### *Defense Position*

Defense argues its case largely on the grounds of national interest and military necessity, making the following principal points:

1. Inclusion of the carrier equipment as grant-aid is of great importance to the successful termination of the military negotiations with Brazil.

2. Refusal to include the equipment would produce resentment detrimental to our military relations with Brazil and thus to our interest there, possibly to the extent of jeopardizing Brazilian cooperation in our utilization of the missiles tracking station.

3. Support for the Brazilian carrier is justified because the carrier would be useful in performing the major task of assisting United States forces in anti-submarine warfare.

4. The assistance contemplated would establish no precedent for our helping other nations *acquire* a carrier.

5. If necessary, we can justify carrier aid on a quid pro quo basis, relating it to the paramount urgency of our need for the Fernando de Noronha station.

### *Comment*

Points one, two, and three appear valid. While we would prefer not to admit to others the quid pro quo of the current negotiations with the Brazilians, point five is valid to the extent that we have already decided that, if necessary, we will have to admit it to justify and defend other aspects of the program, such as our payment of rehabilitation costs of the destroyers for Brazil<sup>5</sup> while requiring all other Latin American countries to assume these costs themselves. There is no controlling reason, therefore, why we cannot use the same argument to defend the providing of carrier equipment. Point four is probably the most questionable of the Defense arguments since other Latin American countries could claim that our assistance to the Brazilian carrier associates us with the promotion of a naval imbalance harmful to their interests, and that we therefore have an obligation to help restore the balance by assisting in the acquisition of carriers by those countries. However, while it might be resented, we could assert the contrary and, if pressed, agree to limit ourselves to equivalent aid of another country [*less than 1 line of source text not declassified*] spend the many millions of dollars necessary to acquire a carrier on its own. As for our providing or selling a carrier, Defense says it is "extremely doubtful" that Congress would authorize the transfer of a carrier to any country.

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<sup>5</sup> An agreement for the loan of two destroyers to Brazil was effected by notes exchanged at Rio de Janeiro, September 18 and October 19, 1959; for text, see 11 UST 236.

If it can be accepted from the above that providing the carrier equipment would:

- 1) promote better politico-military relations with Brazil,
- 2) help safeguard our own interest there, and
- 3) not produce unmanageable problems with other countries requesting similar aid,

it remains to be decided whether or not other principal arguments supporting State's present position are overriding. These are:

- 1) the lack of any economic justification for the aircraft carrier vis-à-vis the many more pressing and constructive Brazilian needs which must be deferred [*less than 1 line of source text not declassified*] and
- 2) the critical attitude of some members of Congress toward our military relations in Latin America and the prospect that aid for the carrier could be used by them to threaten these programs.

As for the first point, it appears inevitable that Brazil is going to devote resources to the carrier whether or not we help. [*1 sentence (4 lines of source text) not declassified*] Since Brazil has no dollars, her decision to accept our offer to sell the equipment on credit (should we refuse grant-aid) would only mean an additional debt to be financed indirectly from the proceeds of whatever financing they may obtain from current negotiations with the IMF and the United States. As a result, insistence on our position, [*1 line of source text not declassified*] will actually deplete Brazilian dollar availabilities by the value of the equipment they buy, to the detriment of more worthy economic needs.

The most troublesome problem is the possibility that carrier aid could strengthen Congressional critics of our Latin American military programs. To defend against this we would probably have to rely on the sum total of the Defense position, explaining our lack of alternative in view of the bargaining posture of the Brazilians and the high priority of our need for the missiles tracking station.

In making its final decision, ARA should also give due weight to the isolation of its viewpoint on this matter and to the expectation that problems generated by the policy will cause increasing pressure from all quarters for its change or relaxation. As a result of such pressures, it seems unlikely that we can hold the line for more than another two years when the Brazilian carrier will be in commission. If this is correct, would the advantages to be gained, or the disadvantages to be avoided, be so compelling as to warrant the risk of alienating the Brazilian Navy and the possible consequences affecting not only our general politico-military relationship but also our satisfactory use of the important missiles tracking station? We will have to be confident that these consequences can be avoided in order to persuade Mr.

Murphy to try again to override the now-recorded Defense plea based on national interest and military necessity. All things considered, I do not now have that confidence.

*Recommendations*<sup>6</sup>

1. That we agree now to withdraw objection to including the specified carrier items on a grant-aid basis.

2. That it be made clear to Brazil that this is a one-time operation, with no precedent for future aid of any kind regarding the carrier, its equipment, maintenance, or support.

3. That we make clear in our letter to the Department of Defense that our agreement against many valid reasons to the contrary responds only to their urgent recommendation that refusal to provide the equipment would so affect our military and naval relationships with Brazil that utilization of the important guided missiles tracking station might be jeopardized, to the detriment of our national interest.

4. That we make clear our misgivings regarding the effect on other nations and in the Congress, and our reliance therefore on Defense to justify these items before the Congress if necessary and to cooperate to the fullest in resisting pressures from other countries for carrier aid of any kind. In the latter connection, we might ask Defense to draw up instructions to its representatives in other Latin American countries which would forcefully spell out policy against encouraging aircraft carrier aspirations and direct its personnel to dispel any thought of assistance from the United States for this purpose.

*Action Note:*

1. If you concur in the recommendation, the response to the letter from the Department of Defense will be drafted accordingly, with the accompanying explanatory memoranda to Mr. Murphy and Mr. Dillon.

2. If you do not concur, we will prepare a memorandum to Mr. Murphy and/or to Mr. Dillon seeking to have them make a final effort to reach agreement with Defense on our terms. Whatever is agreed upon in such a discussion could then be incorporated into State's reply since further correspondence with Defense on this matter, except to record agreement already reached, seems unavailing at this point.

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<sup>6</sup> There is no indication on the source text of Rubottom's decision on the recommendations.

## II. TIME-PHASING OF PROGRAM

In our response to Defense we recommend that the program be phased over four years instead of three as requested by Brazil. Defense has now asked that we reconsider this recommendation for the following reasons:

1. Three-year phasing makes the package more attractive to Brazil, especially since first deliveries cannot be made before about January 1959, two full years after signature of the guided missiles tracking station agreement.

2. Obtaining funds on a fiscal year basis means that our last approach to Congress (for the final part of a three-year program) would be in Fiscal Year 1961 to finance deliveries in Fiscal Year 1962. Since this would stretch deliveries out to from five to six years after the signing of the missiles tracking agreement, we should not add another year.

Mr. Spencer and I originally preferred the three-year program but agreed to adding a year at the urging of the W/MSC and E. These divisions feel that four-year phasing will make it easier to sell the program to Congress in that we can then ask for less each year and the annual percentage increase over our normal program will be less.

### *Recommendation*

Since some of the favorable impact on Brazil will be dissipated by a stretch-out of deliveries, it is recommended the ARA support the Defense request. If W/MSC and E feel such compression would jeopardize the program in Congress, however, I believe that we should not press the point and that Defense will not continue to make an issue of it.

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### 242. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>

*Rio de Janeiro, May 23, 1958—9 a.m.*

1594. President Kubitschek sent for me yesterday morning and after referring to conversations with President Eisenhower prior to Brazilian inauguration<sup>2</sup> and at Panama meeting in 1956,<sup>3</sup> showed me

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<sup>1</sup> Source: Department of State, Central Files, 711.11-EI/5-2358. Secret; Limit Distribution.

<sup>2</sup> For documentation, see *Foreign Relations, 1955–1957*, vol. VII, p. 692.

text of proposed 4-page letter to President<sup>4</sup> for early delivery by Ambassador Peixoto. Letter suggests Brazil–United States consultation with view examining present status of Panamericanism in light experiences of Vice President Nixon,<sup>5</sup> in order thereupon take steps to reestablish “continental unity”.

After expressing indignation over treatment of Vice President, message stated that while insults were undoubted work of “insurgent minority” our enemies nevertheless succeeded in striking damaging blow at ideals of hemispheric unity and that their propaganda is now directed toward presenting existing misunderstandings as demonstrations of “prevailing incompatibility” of our hemisphere community life. Letter continues that Kubitschek has no detailed plan to offer but would welcome “early opportunity to confide in President” since he believes it is high time we jointly undertake an examination of fundamentals. We should ask ourselves, letter urges, whether we are doing our utmost to “weld union of our aspirations and interests” as demanded by existing dangerous world situation (end summary of letter).

Although couched in general terms suggestion in letter would clearly encompass primary discussion Commie penetration and activities would not rule out others.

I called yesterday afternoon on Foreign Minister Macedo Soares who stated that although communication not drafted by Foreign Office (see separate telegram),<sup>6</sup> he fully informed regarding Kubitschek’s initiative which closely corresponds his own views and that Nunes Leal, chief of President’s civil household would take letter to Washington for Ambassador Peixoto personally to deliver. From Foreign Minister’s comments I gather he is not at this time thinking of inter-American consultation but believes that Brazil regards [it as?] exceptionally difficult for American Government, considers that bilateral exchange of views on executive plane would result in useful clarification. Macedo Soares mentioned that in his judgment most important sentence in letter is one saying that although Kubitschek does not have detailed plan he would welcome opportunity to confide in President

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<sup>3</sup> Reference is to the meeting of the American Presidents in Panama, July 21–22, 1956. For documentation, see *ibid.*, p. 710.

<sup>4</sup> For text of President Kubitschek’s letter of May 28, delivered by Ambassador Peixoto to President Eisenhower on June 5, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1958*, p. 464.

<sup>5</sup> Reference is to hostile demonstrations in Lima and Caracas during Nixon’s trip to South America, April 27–May 15, 1958; see Documents 42 ff.

<sup>6</sup> In telegram 1595, May 23, Briggs reported that Brazilian Presidential Adviser Augusto Frederico Schmidt told Wallner that Kubitschek’s letter was the product of a study group which he headed in Catete, the Presidential palace. (Department of State, Central Files, 711.11–EI/5–2358)

Eisenhower. To Foreign Minister this offers opportunity for United States to accept in principle and request Kubitschek's further views which Foreign Minister added he is now beginning to draft.

In view importance Kubitschek attaches this initiative as well as subject matter, I hope White House appointment for Ambassador Peixoto can be arranged with minimum delay after his request received.

**Briggs**

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**243. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, May 23, 1958—9 p.m.*

1604. Embtels 1594<sup>2</sup> and 1595.<sup>3</sup>

Following are our preliminary views on basis my quick reading of Kubitschek draft letter and conversations reported reflets.

Washington initial response to this Brazilian initiative may well have important bearing on our relations with Brazil over next few months. Letter is product both of genuine concern felt by responsible Brazilians at what they consider highly uncertain if not downright dangerous situation facing free world and growing feeling here that Brazil as leading South American country and potential world power should assume greater role in free world as well as in purely inter-American affairs. Consequently rebuff or even chilly initial response could have serious consequences at this juncture. On the other hand if upon closer reading the document as it reaches Washington is still found to confine itself to broad general terms it seems to us that Kubitschek's initiative can be immediately welcomed and subsequent exchange so handled as to permit US sufficient control to ensure that future course will be productive.

**Briggs**

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<sup>1</sup> Source: Department of State, Central Files, 711.11–EI/5–2358. Secret; Limited Distribution.

<sup>2</sup> *Supra.*

<sup>3</sup> See footnote 6, *supra.*

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**244. Editorial Note**

In a letter of June 5, President Eisenhower replied to President Kubitschek's letter of May 28. Eisenhower suggested consultations between the two governments before they approached the other American Republics on matters affecting common interests and welfare. Assistant Secretary of State Rubottom delivered President Eisenhower's letter to President Kubitschek in Rio de Janeiro on June 10. For texts of the letters, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1958*, page 463.

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**245. Draft of a Memorandum of a Conversation, President Kubitschek's Residence, Rio de Janeiro, June 10, 1958<sup>1</sup>****PARTICIPANTS**

President Kubitschek  
Ambassador Briggs  
Roy R. Rubottom  
Mr. Halliwell

A member of the President's civilian household who arrived about one-third the way through the conversation

President Kubitschek received me in his residence (Laranjeiras) instead of at the Presidential office (Catete). He greeted me and immediately expressed his pleasure at the manner in which President Eisenhower had chosen to reply to his letter by sending me as his emissary. He said that while he had never met me personally he was aware of my interest in and activities on behalf of the improvement of U.S. relations with Brazil and other countries of Latin America.

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. 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

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<sup>1</sup> Source: Department of State, Rio de Janeiro Embassy Files: Lot 65 F 4, 320 OPA-I. Drafted by Rubottom. According to a notation on the source text, this draft was dictated by Rubottom, but not actually approved by him. A report on this meeting was transmitted to the Department by Rubottom in telegram 1699, June 10. (*Ibid.*, Central Files, 411.3252/5-2659)



afternoon. He did suggest that one or two changes be made in the Portuguese translation which we had furnished the Foreign Minister and him prior to the letter's publication.

The President 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.<sup>2</sup> He had no desire to discuss any U.S.-Brazilian problems. While the present financial discussions in Washington might have been carried out at a faster pace, he said, he was fully aware of our cooperative attitude and did not want to engage in any talks on this or any other matters pending between his country and the United States. Even though he was fully aware of what the United States had consistently done to help Latin America, and here he recalled the program which he had planned for his preinaugural visit to the U.S.<sup>3</sup> and during which visit he had been able to encourage private investment to the point that it had entered Brazil at the rate of \$500 million per year for the last two years, and even though other Chiefs of State and government officials in Latin America knew that the United States wanted to help them similarly, the outward evidence to the world of U.S.-Latin American relations was the terrible treatment given Vice President Nixon on his recent tour. The President returned to this subject later in the discussion and 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 U.S.-Brazilian problem, but rather as one designed to strengthen the U.S. 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.)

The President 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.<sup>4</sup> 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.

There was no opportunity for me to examine the memorandum at this stage. I told the President that, without being able to react on behalf of President Eisenhower or Secretary Dulles, I nevertheless

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<sup>2</sup> Regarding Nixon's trip to South America, April 27–May 15, 1958, see Documents 42 ff.

<sup>3</sup> Regarding Kubitschek's visit to the United States in January 1956, see *Foreign Relations, 1955–1957*, vol. VII, pp. 684 ff.

<sup>4</sup> For a summary of the Brazilian aide-mémoire, June 10, see Document 248.

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, I stated. He 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 preparations. I 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. He at first played down this suggestion and 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.

Later the President seemed to relent somewhat in his reaction against a Foreign Ministers' meeting and he did acknowledge that this kind of meeting might play a useful part in preparing for a Presidents' meeting. 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.

The President 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. He leaned back and thoughtfully remarked, "What do we do next?" I suggested that 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.

The President said that he 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. I pointed out that the Secretary, and the President too, paid detailed attention to the affairs of Latin America, in spite of his impression. Then I added that Secretary Dulles, in his travels elsewhere in other areas of the world, was literally

defending the principles on which Pan-Americanism has been built and fighting for the very existence of our kind of world. The President quickly acknowledged this to be the case but stressed his belief that the psychological impression existed in the minds of others as well as his own that Latin America did not get as much high-level attention. 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. In spite of being a catholic country the church has not acted aggressively enough against the communist threat. Prestes, after being underground for ten years, was freed recently by a communist judge.<sup>5</sup> Prestes is the most dangerous communist in South America. He has adroitly moulded together a group of more than 100 nationalist deputies and is using them for his purposes. This is especially dangerous in an election year like now. This nationalism has lashed out strongly against foreign investment, especially American. It has succeeded in making the subject of petroleum taboo except in the context of exclusive development by Petrobras and he sees no possibility of turning back in the petroleum field.

Communists are opposed to the economic development of any underdeveloped country. They recognize that they cannot achieve for sinister design if economic development is carried out. Yet they criticize the United States for encouraging economic development such as making loans and rale against private investment and all of the other steps designed to achieve economic progress. Therefore, it is all the more important that economic development proceed toward fulfillment as rapidly as possible.

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 U.S. 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 U.S. 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. The President, apparently serious, acknowledged

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<sup>5</sup> In despatch 1050 from Rio de Janeiro, March 21, the Embassy reported that Judge Luiz Monjardim Filho of the Third Criminal Court of the Federal Court of the Federal District in Rio de Janeiro announced on March 19 that he had revoked the preventive arrest order of October 4, 1950, against Luiz Carlos Prestes, Secretary General of the Partido Comunista do Brasil (Communist Party of Brazil), and 12 other Communist leaders. (Department of State, Central Files, 732.00(W)/3-2158).

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. I reminded him of the necessity that every country develop to the maximum extent possible its own material and human resources.

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**246. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, June 17, 1958—5 p.m.*

1737. Department telegram 1417.<sup>2</sup> Since March 21 when local press first reported drought conditions in Northeast, Embassy has closely followed developments and has at no time lost sight of possibility of US assistance, which has however thus far been limited to facilitating, responsive Brazilian request, shipment of approximately 1,000 tons dried milk for charitable organizations. We also collaborated, again at Brazilian request, in airlift for emergency supplies from Rio pending arrival ships. We have offered more—and on frequent occasions have reminded Brazil of our offers, but Brazilian Government has thus far, for reasons of its own probably including national pride, failed to accept our assistance.

On April 11 I informed President Kubitschek US stands ready to help. President replied that he was shortly visiting area and that he would let me know should assistance be needed. He has not done so.

On May 16 Embassy replied to Foreign Office note<sup>3</sup> re 1,000 tons dried milk stating that as emergency measure authorization obtained under Title III [II?] PL 480<sup>4</sup> and explaining procedures for future, available to Brazil under that legislation. Foreign Office has not replied. On same date, desiring reiterate our willingness to assist I sent personal letter to Foreign Minister<sup>5</sup> which contained following paragraph:

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<sup>1</sup> Source: Department of State, Central Files, 411.3241/6-1758. Confidential; Priority.

<sup>2</sup> In telegram 1417, June 12, the Department asked the Embassy in Brasilia for its views on a possible public offer from the White House of U.S. assistance to Brazil for drought relief. (*Ibid.*, 411.3241/6-358)

<sup>3</sup> The Brazilian Foreign Office note, May 2, and U.S. Embassy reply, May 16, have not been found in Department of State files.

<sup>4</sup> Reference is to the Agricultural Trade Development and Assistance Act of 1954, approved July 10, 1954; for text, see 68 Stat. 454.

<sup>5</sup> Not found in Department of State files.

"I assure you my government is ready to consider sympathetically any request that may be made by your government for appropriate cooperation under the provisions of Public Law 480. American people deeply regret sufferings caused by drought and my government earnestly hopes that situation in Northeast will improve rapidly." No reply received.

In absence from Rio of Foreign Minister I today called on Secretary General at Foreign Office, recounting foregoing developments and reiterating Washington willingness to be of service on request. I also informed him of receipt of two direct requests for aid, one from Governor of Paraiba and other from merchants association in Piaui to each of which Embassy replied by expressing sympathy and calling attention to US willingness provide food in event Federal Government so requested.

Moura expressed opinion government has situation in hand and conditions in area improving.

Embassy infers from all of foregoing that Brazilian Government thus far has not desired additional US assistance and furthermore that unsolicited public offer would probably not be well received and might even be offensive to GOB as implying it unable handle domestic situation with which because drought conditions recurring phenomena in Northeast it has had ample experience. Since early April Brazilian Government has shipped 360 million cruzeiros worth of foods to Northeast in addition to substantial commercial movement and NCWC and UNICEF milk. Federal work projects have employed large numbers displaced persons but reports indicate number is now decreasing as result resettlement other states and return to homes as scattered rains have improved pastures and drinking water.

Embassy believes privations and suffering probably continue in certain parts affected areas since that situation is unfortunately endemic in this large marginal agricultural zone. However Brazilian Government is extending relief and meanwhile it is seeking to focus its facilities for economic development in most promising areas rather than those which hold little immediate hope such as Northeast. Furthermore we believe GOB is reluctant to ask in effect for charity while at same time seeking extensive economic assistance for purposes which government considers more important. It has before it our offer set forth in writing and in many conversations during past 10 weeks. To go farther might be misinterpreted as seeking to shove relief down throat of friendly government.

Thus while I share humanitarian impulses which underlie our desire to aid, I do not believe that in the absence of Brazilian request GOB would well receive US initiative along lines suggested Department telegram. Should this view be modified by developments or

should Brazilian Government respond to our pending offers with request for assistance, then I hope Washington can act promptly, effectively and with full measure of good will situation may demand.

**Briggs**

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**247. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, June 20, 1958.*

**SUBJECT**

President Kubitschek's Proposal to Strengthen Pan-Americanism

Your letter of June 5, 1958, to President Kubitschek,<sup>2</sup> as well as your decision to have Assistant Secretary Rubottom deliver it personally, has been favorably commented upon and was cordially welcomed by President Kubitschek.

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.

Mr. Rubottom made no commitment while expressing the opinion that some other form of consultation, probably a meeting of Foreign Ministers, would also be effective and should in any case precede a meeting of Presidents, if such were to be held.

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, pending my trip there in August. We also suggest that the question of a meeting of the Heads of State be held in abeyance pending further discussions and particularly pending

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<sup>1</sup> Source: Department of State, Central Files, 732.11/6-2058. Confidential. Drafted by Siracusa on June 18.

<sup>2</sup> See Document 244.

consideration, along with the other American Republics, of a meeting of Foreign Ministers.<sup>3</sup>

**John Foster Dulles<sup>4</sup>**

**[Enclosure]**

SUMMARY OF PRESIDENT KUBITSCHKEK'S AIDE-MÉMOIRE

In the aide-mémoire delivered to Assistant Secretary Rubottom, President Kubitschek:

1. Expresses his indebtedness to President Eisenhower for the cordial reception of his letter of May 29 [28],<sup>5</sup> and for the President's decision to send Mr. Rubottom to Rio de Janeiro with his reply.

2. States his conviction that Latin America is entitled to a more active and vocal role in international policy.

3. 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.

4. Expresses his conviction that existing bi-lateral and multi-lateral programs for combatting under-development are inadequate and must be reappraised since: a) the success of Pan-Americanism will depend on the success of the attack on under-development, and b) Latin America will not be able to render effective service to the cause of the West unless a solution to under-development is found.

5. Proposes that other nations' views be ascertained regarding the holding of a meeting of the Heads of the American States to consider these problems.

6. Tentatively suggests that such a conference should:

a. Reaffirm continental solidarity.

b. Characterize under-development as being cause for equal concern to all nations regardless of their own stage of development.

c. Impart a new spirit to inter-American cooperation through better adjustment of existing organizations to needs of the fight against under-development.

d. Consider positive measures to stabilize prices of raw materials and to develop trade and the flow of investment.

e. Proclaim a Pan-American attitude of western and democratic solidarity.

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<sup>3</sup> A note dated June 20, attached to the source text, states that Brigadier General Goodpaster, called for and received confirmation from the Executive Secretariat of the Department of State that nothing was expected of President Eisenhower in connection with the last two paragraphs of this memorandum.

<sup>4</sup> Printed from a copy that bears this stamped signature.

<sup>5</sup> See Document 242.

7. Expresses his intention to issue within a few days a statement on the need for reappraisal of Pan-American policy, which will not include, pending receipt of President Eisenhower's reaction, his idea that a meeting of the Heads of State should be held.<sup>6</sup>

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<sup>6</sup> Telegram 1754 from Rio de Janeiro, June 20, transmitted the text of an address given that day by President Kubitschek in which he suggested a Pan-American summit meeting to consider proposals for investing in backward areas, expanding technical assistance, and increasing the resources of international lending institutions and liberalizing their statutes. (Department of State, Central Files, 732.11/6-2058)

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#### 248. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>

*Washington, June 20, 1958—10:34 a.m.*

1442. Suggest you seek prompt appointment with Fonmin or President Kubitschek in your discretion to deliver and discuss aide-mémoire responding that handed Rubottom (Embtel 1700<sup>2</sup>). You should include following points in aide-mémoire:

1. We have read Kubitschek's aide-mémoire with keen interest and have also had a full report from Rubottom.

2. We are impressed with Kubitschek's statesmanlike motivations and disassociation of US-Brazilian bilateral interests from the broader consideration of strengthening Pan-Americanism.

3. We agree that economic development can strengthen ability of LA nations to resist communist subversion and enable them render more effective service to Western cause. This has, in fact, long been a fundamental principle of US foreign policy.

4. We consider it important however emphasize parallel need for Latin American nations to fight more against forces that seek disruption of American solidarity.

5. We agree that a reexamination of programs devoted to strengthening Pan-Americanism is timely and suggest that general proposals contained in President Kubitschek's aide-mémoire be further developed at diplomatic level for discussion during visit of Secretary Dulles to Rio in August.

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<sup>1</sup> Source: Department of State, Central Files, 711.11-EI/6-1658. Confidential; Niact. Drafted by Siracusa, approved by Dulles, and signed by Rubottom.

<sup>2</sup> Telegram 1700, June 10, transmitted the text of the aide-mémoire handed by President Kubitschek to Assistant Secretary Rubottom on that day. (*Ibid.*, 711.11-EI/6-1058)



6. We suggest that a meeting of Foreign Ministers, rather than a meeting of the Heads of State, might be a first step in multilateral consideration of the problems involved and that Brazilians may wish to sound the views of other States on this question with a view to further consideration during Secretary's visit.<sup>3</sup>

**Dulles**

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<sup>3</sup> Ambassador Briggs handed President Kubitschek an aide-mémoire based on this telegram on June 20. Text of the aide-mémoire was transmitted to the Department in telegram 1768 from Rio de Janeiro, June 21. (*Ibid.*, 711.11–EI/6–2158)

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**249. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, June 24, 1958—3:41 p.m.*

1459. Peixoto arriving Rio Wednesday twenty-fifth Varig from New York.<sup>2</sup>

In meeting with Rubottom yesterday June 23 Peixoto deplored press interpretation Kubitschek speech as asking Marshall Plan for Latin America. Said President only seeks create a better US-Brazilian and Pan American understanding of the importance of development problem in order improve atmosphere for solution. Rubottom indicated this connection that while US according its long-standing policy appreciates how accelerated development can strengthen LA countries' contribution Free World strength and is willing review extent to which it can contribute this end Kubitschek's speech unfortunately did not stress importance of LA nations doing their part to more efficiently and effectively marshall their own and foreign private capital resources for development. Also emphasized need for more effective LA action against communist-nationalist efforts to impede development and promote disunity.

Peixoto said he thought problems should now be discussed at diplomatic level, preferably in Washington, preparatory to Secretary's visit to Brazil, and that question of subsequent inter-American meeting and its nature should be held in abeyance pending further developments and progress. After stressing US preference for FonMins over

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<sup>1</sup> Source: Department of State, Central Files, 832.10/6–2458. Confidential; Priority. Drafted by Siracusa and signed for Dulles by Rubottom.

<sup>2</sup> Ambassador Peixoto returned to Rio de Janeiro for consultations, June 25–July 21.

Presidents meeting, if any to be held, Rubottom suggested Peixoto might wish to clarify Brazil's aims to press in views speculation that two governments views in conflict.

Upon leaving Rubottom's office Peixoto told press that Kubitschek did not have in mind Marshall Plan for LA and that two governments not in conflict over possible inter-American meeting. Said speculation about time and nature of such meeting premature and emphasized need for prior normal diplomatic level discussion of problems involved by all OAS members.

**Dulles**

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**250. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, July 19, 1958—12:50 p.m.*

103. Deptel 101.<sup>2</sup> Minister Valle said last night Air Force and Navy apparently content, especially Air Force, but believed Army very disappointed its share program. Dept officers replied program devised basis military criteria justifiable under U.S. programs. Since ASW most significant role hemisphere defense logical Navy and Air shares stressed. Suggested this posed problem for Brazil not U.S. and that our programs should permit readjustment Brazil's own military budgeting in order further beef up Army if that considered necessary. Valle emphasized political dominance Army over other Services and greater importance its internal security role against communism.

**Dulles**

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<sup>1</sup> Source: Department of State, Central Files, 732.5/7-1958. Secret. Drafted by Siracusa and approved and signed by Bernbaum.

<sup>2</sup> Telegram 101, July 18, informed the Embassy in Brazil that the military aid program was presented to the Brazilians by U.S. military representatives at the Joint Brazil-United States Defense Commission meeting on July 18. (*Ibid.*, 732.5/7-1858) The estimated value of the equipment offered was \$87.1 million. A copy of the minutes of the meeting is *ibid.*, ARA/EST Files: Lot 62 D 308, Talks Under Article VI.

**251. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, August 1, 1958—7:29 p.m.*

182. For information Embassy, following is summary from Eximbank of discussions with Brazilian delegation.

Following new discussions with IMF, Brazilians represented 1958 deficit in dollars and ACL currencies to be approximately \$320 million, but stated that cash deficit in both type currencies between now and end of year equal \$200 million. It was explained that this included \$150 million US dollar deficit and \$50 million deficit in ACL currency. Brazilians then stated necessity of receiving total credit of \$150 million from Eximbank in order that they might obtain additional credits from commercial banks to satisfy ACL currency deficit.

Out of the \$150 million needed for US dollar deficit, \$68.5 million is payable to US commercial banks prior to December 31. Congress has on numerous occasions criticized Eximbank for extending credit to "bail out" commercial banks. Accordingly, Eximbank informed Brazilians (1) that it was not in a position to refinance ACL deficit; and (2) that it was not in a position to refinance the entire amount payable to commercial banks. It thereupon offered to lend \$100 million for 8 years with no principal payments during the first 3 years, provided arrangements could be made with commercial banks to obtain total of \$50 million.

Brazilians stated that they did not want to seek loans in Europe, although Pooock Correa informed May that funds would be readily available in Europe but that the rate of interest would be 7%. Eximbank took the position that it would not stand in the way of attempts by Brazilians to obtain \$100 million in private market in US, but expressed the opinion that such course would be unwise in view of present heavy obligations in dollars over the next few years.

Brazilians then went to New York to visit banks and reported favorable reception. It was suggested that Eximbank might be of assistance by explaining situation to commercial banks. Arey talked to all commercial banks involved and found extreme reluctance and, in fact, some strong opposition to extending any further assistance to Brazil for the purpose or in the manner requested. After lengthy conversations, banks have appeared to understand position of Eximbank and indications are that they will be prepared to go along for approximately \$50 million. The attitude of Brazilians that they can easily

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<sup>1</sup> Source: Department of State, Central Files, 832.10/8-158. Confidential; Niact. Drafted by Arey and approved and signed for Dulles by Mann.

obtain funds from New York banks in addition to a \$150 million loan from Eximbank appears entirely unrealistic based on conversations between Eximbank and commercial bankers.

Brazilians now stating that loan of \$150 million in US dollars not sufficient. This is not supported by their own statistics.

National Advisory Council today supported Eximbank position and approved consideration by Eximbank of credit of \$100 million to be supplemented by credits aggregating \$50 million from commercial banks.

**Dulles**

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## 252. Editorial Note

Secretary of State Dulles made an official visit to Brazil, August 4–6, during which he conferred with President Kubitschek, Foreign Minister Negrão de Lima, Finance Minister Lopes, and other Brazilian Government officials. Memoranda of his conversations are printed herein. Papers concerning the visit are in Department of State, Central File 110.11–DU and Conference Files: Lot 63 D 123, CF 1069–CF 1080. For additional information, see Department of State *Bulletin*, August 25, 1958, pages 301–309.

**253. Memorandum of a Conversation, Brazilian Foreign Office,  
Rio de Janeiro, August 5, 1958, 9:30 a.m.<sup>1</sup>**

STB MC/1<sup>2</sup>

SUBJECT

General Economic Problems

PARTICIPANTS

*US*

The Secretary  
Ambassador Briggs  
Mr. Rubottom  
Mr. Berding  
Mr. Mann  
Mr. Siracusa  
Mr. Wallner  
Mr. Cottam (Rep. Ofcr.)  
Mr. DeSeabra (Interp.)

*Brazil*

Foreign Minister Negrao de Lima  
Finance Minister Lucas Lopes  
Secretary Gen., Min. of For. Aff.  
Antonio Mendes Vianna  
Barbosa da Silva, Chief of  
Economic Dept.  
A. Castro, Chief of Political  
& Cultural Dept.  
Luis Bastian Pinto, Chief of  
Political Division  
Antonio Correa de Lago, Chief  
of Commercial Division  
Dr. Roberto Campos, Acting Pres.  
BNDE  
Dr. Jose G. Torres, Pres. of SUMDC  
Raul Henrique de Vincensi, Chief  
of Protocol  
Armando Mascarenhas, Min.'s Cabinet.  
Mr. Marilo (Interpreter)  
Ambassador Peixoto  
Alfredo T. Valadao, Chief of Cabinet  
Celso de Souza e Silva, Min.'s Cab.

In an atmosphere of cordiality the first meeting of Secretary Dulles with the Brazilian Minister of Foreign Affairs Francisco Negrao de Lima was opened at the Foreign Office.

As soon as the numerous photographers left the room the Foreign Minister, speaking in Portuguese, expressed the honor and gratitude of the Brazilian Government in receiving the Secretary at a moment when critical problems elsewhere in the world properly demand his attention. Especially because of the tense international situation, said

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/8-658. Confidential. Drafted by Cottam.

<sup>2</sup> The designation "STB MC" stands for "Secretary's trip to Brazil memorandum of conversation." This document is the first of a series of 20 memoranda of conversations between the Secretary or members of his party and Brazilian officials, August 5–6; the memoranda are listed and filed *ibid.*, and in Conference Files: Lot 63 D 123, CF 1075.

the Foreign Minister, an exchange of views is important for better understanding of the foreign policies of the two countries. He also emphasized the enormous effort Brazil is making towards economic development and expressed the desire to reach concrete decisions on important problems of public concern. He then suggested that detailed discussions continue in small working groups at the Ministry of Finance later in the day.<sup>3</sup> The round table discussion on the second day would, he said, consider points which might arise during the talks with President Kubitschek and topics of a bilateral character.<sup>4</sup>

The Secretary responded warmly, stating that he hoped his visit would help to broaden Pan American relations. Replying to the Foreign Minister's request, the Secretary said he would be delighted to exchange views about problems of mutual concern but cautioned that 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. The Foreign Minister acknowledged the limitation stated by the Secretary, but said that he would like concrete decisions in so far as possible.

Inviting the Foreign Minister to choose the subjects and their sequence, the Secretary said, "These are difficult times for Finance Ministers everywhere." He praised the courage and the ability of Minister Lucas Lopes, and said that he would listen to his presentation with great interest.

Minister Lopes thanked the Secretary and proceeded to read a prepared presentation (reported as Secto 4).<sup>5</sup> Minister Lopes discussed development goals and reported that Brazil is establishing a favorable climate for foreign investment and is seeking the help of Eximbank, IBRD, and European credit institutions. The program contemplates spending about U.S. \$2.3 billion or the equivalent in other currencies. Of this U.S. \$1.3 billion correspond to effective foreign currency commitments during the period.

He summarized the principal problems as: 1) coffee, 2) Eximbank loans, which he said during the next two years would amount to requests totaling \$300 million dollars (electric power \$150 million, iron and steel \$75 million, other industries \$75 million). Other assistance,

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<sup>3</sup> Discussion of economic subjects, August 5, was reported in Secto 6 from Rio de Janeiro, August 6. (*Ibid.*, Central Files, 110.11-DU/8-658)

<sup>4</sup> Roundtable discussions between President Kubitschek and Secretary Dulles took place at the Brazilian Foreign Office, August 6, concerning the wording of the joint communiqué on Operation Pan America (issued as Declaration of Brasília); the methodology of submitting Operation Pan America to other Republics; and arrangements between Petrobras and private American companies. (Memoranda of conversations are *ibid.*)

<sup>5</sup> Lopes' presentation, reported in Secto 4, August 5, is summarized in the text of the memorandum of conversation printed here. (*Ibid.*, 110.11-DU/8-558)

which he mentioned, included PL 480 loans which he hoped to expand. He then praised technical assistance through ICA and asked for an increase. He also hoped that the DLF may soon be prepared to fulfill Brazilian needs. Finally he requested that there be conversations with the United States Government for petroleum development without contemplating changes in Brazilian oil legislation.

Saying that Minister Lopes' presentation is an important one, the Secretary said he would be unable to expound on it without further study. However, he could make a few general observations. The United States not only sympathizes with but welcomes the concept of a dynamic and growing Brazil, a Brazil which could grow without sacrificing freedoms, such as occurs under communist regimes. He said that economic development under communism gains rapidly but at a high cost in terms of human freedom; the right for people to choose their own occupation; to hold their own beliefs; to enjoy liberty. This, he noted, is a heavy price to pay. But that is what happens under communism. It is important that the free world maintain both a rate of growth and freedom for which men will sacrifice. The U.S., he continued, recognizes that, being a relatively highly developed country, it has a duty in the interest of the free world to help the less developed countries achieve a satisfactory rate of development. We remember that we, having achieved great results through private free enterprise, tend to believe that other countries too should count on private capital, which exists in abundance. Use of government capital should be the exception, not the rule.

The Secretary observed that conclusion of an investment guaranty agreement between our two countries might open a considerable reservoir of foreign capital.

The Secretary recognized that Brazil is a country which offers excellent prospects for economic growth and said that the United States would like to cooperate in "partnership within limits . . . in this great development".<sup>6</sup> He noticed while flying over Brazil the vast size of the territory and the low state of development. He compared Brazil's development now with the United States one hundred years ago. The problems of rapid economic development, he stated, are very great in free societies and they involve great risks. In the Soviet Union, for example, only three per cent of the GNP goes back to the people for the common good. In most of the free world countries the figure is about 60 per cent. It is very difficult to attain a rapid rate of development without a high degree of economic controls, which are destructive of free enterprise and freedom. Observing that rapid economic development involves the risk of inflation he expressed the belief that the Brazilian Foreign Minister is fully aware of the problem. Even the

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<sup>6</sup> Ellipsis in the source text.

Soviet Union, with all of its controls, falls short of its goals more often than it achieves them. But these problems, while they require caution and preparation, do not constitute barriers.

The Secretary said we realized, in this connection, that one of Brazil's critical factors is coffee. During the last year the United States has altered its policies with respect to participating in international meetings, which seek to achieve the greatest stability in prices. The coffee problem is particularly complicated by the entry into the market of African produce.

The Secretary expressed his belief that the Eximbank will continue to be helpful to Brazil, both in loans for underdevelopment and loans for balance-of-payment purposes. The Bank has made more economic development loans to Brazil than to any other country in the world, and, under appropriate circumstances, will be glad to continue to do so.

He then asked that Assistant Secretary Mann study the Brazilian proposals in the economic sector and report his observations later.

With respect to the oil development program in Brazil, the Secretary said countries in different parts of the world have their own ideas as to how best to develop their natural resources, such as petroleum. And we are very happy to see success with whatever instrument is chosen by a foreign government. From our standpoint, the important thing is not so much *how* it is done as that it *should* be done. The Brazilian balance-of-payment problem is almost entirely due to the imports of petroleum products. The United States would welcome any arrangements that Petrobras can make with private concerns and private capital for the development of petroleum resources in Brazil. In this area it is not foreseeable that the United States Government should make available public funds for oil development, because it involves a large magnitude and considerable risks. Free enterprise can take such risks better than a government agency.

The Secretary also referred to help from the IBRD and expressed pleasure that it may help Brazil again soon. He was also happy that Brazil had spoken so highly of ICA, but stated that he did not know how much funds would be available either for ICA or for the Development Loan Fund.

In conclusion the Secretary said he hoped very much that the Brazilians would feel that his observations had been positive rather than negative. Basically, the prospects of Brazil's vast opportunities have a tremendous appeal to us. We went through similar crises a century ago.

The Foreign Minister replied briefly, expressing great appreciation and much interest in the Secretary's comments about Minister Lopes' presentation. The Foreign Minister particularly appreciated the extreme clarity and simplicity with which the Secretary spoke, and ac-



knowledged that the broad lines of his talk coincided with Brazilian Government thinking. He expressed extreme gratification for the Secretary's presentation and said any differences which existed could be discussed by the respective advisers.

The Foreign Minister then presented the Secretary a draft press release, which merely stated that various specific problems would be examined and analyzed by mixed groups during the visit. The Secretary concurred in its release.

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**254. Memorandum of a Conversation, Laranjeiras Palace, Rio de Janeiro, August 5, 1958, 11 a.m.<sup>1</sup>**

STB MC/2

SUBJECT

"Operation Pan-America"

PARTICIPANTS

*US*

The Secretary  
Ambassador Briggs  
Mr. Rubottom  
Mr. Mann  
Mr. DeSeabra (Interp.)

*Brazil*

President Kubitschek  
Foreign Minister Negrao  
de Lima  
Ambassador Peixoto  
Finance Minister Lucas Lopes  
Dr. Roberto Campos (Interp.)

After welcoming the Secretary to Brazil, President Kubitschek began reading an excerpt from a letter written by Thomas Jefferson in 1787<sup>2</sup> 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. The President stated that 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.<sup>3</sup> Brazil's discussions with other Latin American countries convince her that

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/8-658. Confidential. Drafted by Rubottom and Briggs.

<sup>2</sup> Not further identified.

<sup>3</sup> Regarding this exchange of correspondence, see Documents 242 and 244.

economic problems are overriding everywhere. This is the opportune moment to attack those problems and by bringing faith to the task, he declared we can build strongly for the future in the Western Hemisphere.

President Kubitschek'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.<sup>4</sup> 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. Copies of these two draft documents were provided in Portuguese and English.

In addition President Kubitschek submitted a draft joint communiqué, largely on the subject of "Operation Pan-America" and he explained that he would be grateful for any suggestions in the direction of reaching an agreed text.<sup>5</sup> He also mentioned a second communiqué (no text supplied) on the subject of US-Brazil bilateral questions.<sup>6</sup>

At the conclusion of his observations and again shortly before the end of the meeting President Kubitschek emphasized that the first step was to agree on the major aspects of an economic program (to solve the economic crisis) and second to consider the draft declaration of Presidents.<sup>7</sup> (*Note:* The text contains no direct reference to communism.)

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<sup>4</sup> This memorandum is an undated aide-mémoire entitled "Pan-American Operation." (*Ibid.*, Conference Files: Lot 63 D 123, CF 1079) A memorandum of conversation between Rubottom and Foreign Minister Negrão de Lima, August 6, outlines suggestions by Rubottom for changing the text of this draft. (*Ibid.*, CF 1075) Tedul 3 to USUN, August 14, contained the following statement regarding redraft of the Brazilian aide-mémoire: "Kubitschek has sent word to Ambassador via Foreign Minister that he is sincerely appreciative [of] our contributions for Brazilian aide-mémoire and intends to incorporate most suggestions in final document. Ambassador was assured any reference which could be interpreted as critical of US participation in economic development are being deleted." (*Ibid.*, Central Files, 110.11-DU/8-1450)

<sup>5</sup> A memorandum of conversation (STB MC/18), August 6, between Secretary Dulles and President Kubitschek on this joint communiqué is *ibid.*, 110.11-DU/8-658. For text of the joint communiqué on multilateral subjects issued at Brasília, August 6, see Department of State *Bulletin*, August 25, 1958, p. 301.

<sup>6</sup> For text of the joint communiqué on bilateral subjects issued at Brasília, August 6, see *ibid.*, p. 302.

<sup>7</sup> A copy of the draft proclamation of the American heads of state is appended to the aide-mémoire cited in footnote 4 above.

The Secretary replied that he 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 fields. However, he believed it is an oversimplification to say that the communist problem can be solved by solving the problem of underdevelopment. Highly developed countries such as Italy and France also have acute communist problems. Communism must be opposed "on all fronts and by all means". The strongest element is faith: the creative power of free men. The spiritual values of free men should be stressed.

The United States accordingly believes in assisting free men, and that includes cooperative efforts to combat underdevelopment. In this respect Latin America is a key area insofar as American policy is concerned and our record supports this.

As to 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.

President Kubitschek expressed agreement with the Secretary's thesis that underdevelopment is not the only factor facilitating communist penetration.

The Secretary then suggested greater Brazilian activity in combating communism, and he recalled the American Government offer to collaborate with a special agency of the Brazilian Government.

The President replied that he envisages three steps in attacking communism:

(1) combat underdevelopment; (2) "repressive measures" (the President said that he had little faith in existing machinery and implied—but did not promise—he would move forward in this field); (3) education.

The Secretary then 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.<sup>8</sup> 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.

Nodding in agreement the President said that the public expects concrete results. He then raised the question of public statements.

The Secretary said he has not sure how far it would be desirable to go, except along general lines, with publicity at this time.

The President 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.

The Secretary said 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.<sup>9</sup>

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<sup>8</sup> A copy of the draft statement handed by Lopes to Assistant Secretary Mann was transmitted with despatch 145, August 6. (Department of State, Central Files, 832.10/8-658)

<sup>9</sup> Two additional memoranda of this conversation cover other subjects. One, concerning meetings of OAS foreign ministers, contains the suggestion by Dulles "that consideration be given to modifying the OAS Charter in the sense of providing for meetings, perhaps informal, of OAS Foreign Ministers, along the line of the twice yearly NATO meetings." The other memorandum, regarding U.S.-Brazil economic problems, states that President Kubitschek mentioned the following problem: "The Navy and Air Force are satisfied with the equipment recently declared available but the Army is not. Since the Army is not only important politically, but a key element in the support of his government, the President expressed the hope that the 'inadequate' military allocation be reconsidered." (*Ibid.*, Conference Files: Lot 63 D 123, CF 1079)

**255. Letter From Secretary of State Dulles to President Kubitschek<sup>1</sup>**

*Washington, August 7, 1958.*

MY DEAR MR. PRESIDENT: I dictate this on the plane en route from Brasilia to Washington. I have, as I promised you, given immediate thought to your aide-mémoire on "Pan-American Operation". I believe that on the whole it is a very constructive document and certainly you have our full sympathy in moving ahead in your important initiative. I have two basic observations to make:

1. I feel that the discussion of "underdevelopment" is a little too much mechanistic, as though there were some measurable point which could be achieved and which if reached would enable further development safely to cease. In my thinking "underdevelopment" is a symptom of the lack of that dynamism which must prevail in any society if it is to survive. The United States is, and I hope always will be, "underdeveloped" in the sense that there will always be before us the vision of something better to be achieved. Any nation is finished and an inevitable prey to revolutionary philosophies, if it stands still. The sin of the West, to the extent we have sinned, is a tendency to be satisfied with what we have. Actually development must be characteristic of any nation that would survive and defend its spiritual heritage.

I was deeply impressed by the fact that your own personality embodies this dynamic concept. You have visions, and work to make them come true. It could be argued, I suppose, from a purely mathematical basis, that the money spent in transforming Brasilia into a new capital could better be spent in other ways. Actually, the genius of Brasilia is that it evokes a new vision, a new effort and greater dynamism which will make its influence felt to improve the lot everywhere.

I hope that "Pan-American Operation" will concentrate primarily upon the injecting into this hemisphere of increased determination to evolve peacefully but vigorously in a way which will improve the lot of all men.

2. I hope that allusions critical of the United States can be avoided. I believe that the record of the United States during these postwar years is one of which we can be proud. The difficult task is to assure that our national course will proceed along these lines. If what we have done merely evokes criticism, then there will be a tendency to revert to isolationism.

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<sup>1</sup> Source: Department of State, Central Files, 363/8–758. Personal and Confidential. Drafted by Dulles and Rubottom. Delivered by Briggs to Kubitschek on August 12.

President Eisenhower has now almost daily the hard task of vetoing bills passed by the Congress to develop local projects and to cure our own local "underdevelopment". He does this in order that we may maintain the fiscal stability needed to enable us more vigorously to pursue the grave international tasks and discharge the heavy international responsibilities that devolve upon us. You can appreciate that this is not altogether easy, and if the vast contribution which we have been making to international welfare evokes only criticism abroad, it will lead to an increasing tendency in our own nation to concentrate upon our own "underdevelopment". I believe this would be a very short-sighted and dangerous course to follow, but you as a political leader of another great democracy can, I think, appreciate the significance of what I say.

Let "Pan-American Operation" therefore be an operation which would extend in this hemisphere the dynamic spirit which is so characteristic of you yourself and which will encourage the United States to continue on in measures which, often at the immediate sacrifice of local concerns, dedicates us to the preservation of the great spiritual values characteristic of Western civilization.

I have asked Assistant Secretary Rubottom to make certain specific suggestions, designed primarily to reflect the above thinking.<sup>2</sup> These are of course merely suggestions. I think it important that the proposal reflects your own views and your own resolution.

Sincerely yours,

**John Foster Dulles**<sup>3</sup>

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<sup>2</sup> Telegram 219 to Rio de Janeiro, August 11, transmitted ARA's edited version of the Brazilian aide-mémoire on Operation Pan America. (*Ibid.*, 363/8-1158). Briggs delivered it with the letter to Kubitschek.

<sup>3</sup> Printed from a copy that bears this stamped signature.

256. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>

*Rio de Janeiro, August 7, 1958—4 p.m.*

230. For the Secretary. On your departure last night I rode back from airport with President Kubitschek, Foreign Minister, Finance Minister and Ambassador Peixoto. President and Foreign Minister questioned me closely (and apparently somewhat apprehensively) about whether you were "satisfied" with results of your visit and what is your "real opinion" about Operation PanAm. From tenor of remarks I gather they referred to your observations yesterday morning to President regarding draft to be circulated (after text agreed upon by Brazil and United States) to other American Republics,<sup>2</sup> plus certain observations to other Brazilian officials by Rubottom.<sup>3</sup>

I replied that I knew you were gratified to have made trip, highly pleased with reception, and sincerely appreciative of warm and generous hospitality shown by President and all his associates concerned. Operation PanAm I reminded President—and later last night in private talk with Negrao de Lima—that you had expressed certain reservations about draft and had said those would shortly be supplemented by detailed comments from Washington.

*[3 paragraphs (22 lines of source text) not declassified]*

As generally germane to present situation, although not necessarily reflecting views of their separate governments, I gathered from conversations with LA colleagues in Brazilia this morning that whereas Ambassadors not especially happy over being dragged on such short notice into participating in "informal supper" at Palacioda Alvorbdo, nevertheless thesis of under development being root of all evil is likely to be catnip in many Latin American quarters. Hence quicker we can convert it to more acceptable nourishment, better that should be for our relations.

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/8-758. Confidential; Priority.

<sup>2</sup> The memorandum of conversation between Dulles and Kubitschek, designated STB MC/18, August 6, reads in part as follows: "In the Secretary's opinion the draft is couched too greatly in vein of criticism of the U.S. for alleged shortcomings in respect of Latin American developments." (*Ibid.*, 110.11-DU/8-658)

<sup>3</sup> In a memorandum of conversation with Brazilian officials, designated STB MC/12, August 6, Rubottom was reported to have commented on the Brazilian draft aide-mémoire as follows: "He had some doubts about the almost exclusive emphasis on underdevelopment as the root of all evils including that of communism." He also expressed the view that "too much credit was accorded to communist activities and too little of those of the free world." (*Ibid.*)

Finally, I questioned my Chilean colleague regarding legalization of Communist Party. Kubitschek obviously having Chile particularly in mind in his reluctance to include reference to communism in "Declaration of Brasilia".<sup>4</sup> His reply was not impressive. It did however fortify my conviction that insistence on conclusion of reference to communism was eminently sound in our relations with other republics, in addition to its importance regarding American public opinion.

**Briggs**

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<sup>4</sup> Reference is to the joint communiqué on multilateral subjects issued at Brasília, August 6.

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**257. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, August 18, 1958—5 p.m.*

272. Department circular telegrams 145 and 1043.<sup>2</sup> Following approved by Ambassador before his departure.

Increases proposed in IMSP [MSP?] military and non-military programs for Brazil FY 1960 are appropriate to US objectives. My evaluation of military program was transmitted Embassy despatch 1423<sup>3</sup> since which additional aid offered Brazil. Technical cooperation 1960 program, although nearly double 1958, seems appropriate considering Brazil desires, capabilities and achievement of US objectives.

However, MSP programs exert less immediate and less identifiable influence on attainment US objectives than non-[M]SP programs, particularly EXIM Bank loans which more urgently and directly related to Brazilian economic situation. Recently \$100 million BOP loan (together with \$58 private commercial)<sup>4</sup> has called forth reiteration Brazil

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<sup>1</sup> Source: Department of State, Central Files, 732.5-MSP/8-1858. Confidential.

<sup>2</sup> Circular telegram 145, August 11, not printed. (*Ibid.*, 700.5-MSP/8-1158) Circular telegram 1043, May 5, requested an analysis of aid programs for fiscal year 1960. (*Ibid.*, 120.171/5-558)

<sup>3</sup> Not printed. (*Ibid.*, 732.5-MSP/6-1058)

<sup>4</sup> The Export-Import Bank of Washington authorized \$100 million credit to Banco do Brasil and the Government of Brazil on August 7 to refinance purchase of equipment in the United States. For further information, see Export-Import Bank of Washington, *Report to the Congress for the Twelve Months Ending June 30, 1960* (Washington, 1960), p. 84. In telegram 209 to Rio de Janeiro, August 8, the Department reported the details of the negotiation of the Export-Import Bank and commercial bank loans. (Department of State, Central Files, 103-XMB/8-858)



commitments to combat inflation, set priorities for development work toward reform of exchange system, and improve control coffee marketing. Our participation in international forums such as coffee study group and GATT also important. PL-480 purchases and loans helpful to Brazil economy. US recently expressed willingness study means of combatting under development cooperatively other LA countries also useful,<sup>5</sup> as was Secretary's recent visit and joint-Brazil-US communiqués. Role of USIS is also extremely important in this style context.

Objectives of US in Brazil continue to be those enunciated previously and include following. 1. Effective collaboration by Brazil with US in support common objective world peace and security, notably in UN, OAS, and other international organizations.

2. Cooperation by Brazil with US in peaceful solution hemisphere problems and constant development and strengthening inter-American relations.

3. Continued awareness Brazil interests best served by close political, military, economic, scientific and cultural cooperation with US.

4. Recognition Communist threat under its many disguises and if use of ultra-nationalism, anti-Americanism and neutralism to attain its objectives.

5. Development increased political stability based on democratic foundation.

6. Sound economic development providing maximum freedom movement of goods, services and capital and maximum free enterprise.

Extent to which US efforts help achieve foregoing objectives obviously depends upon coordinating and maximum effectiveness all US programs. With DCM<sup>6</sup> assistance I give daily attention to coordination all US elements in Brazil. Economic and technical programs are coordinated by director USOM who is also my principal economic officer.<sup>7</sup> Military programs are coordinated with chief US element JBUSM<sup>8</sup> or with direct liaison Embassy political section. USIS director<sup>9</sup> works closely with all US elements. While there is no mechanism for

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<sup>5</sup> Reference presumably is to the statement made by Dillon before the Inter-American Economic and Social Council in Washington, August 12, announcing U.S. readiness to consider establishment of an inter-American regional development institution. For text, see Department of State *Bulletin*, September 1, 1958, p. 347.

<sup>6</sup> Deputy Chief of Mission Woodruff Wallner.

<sup>7</sup> Howard R. Cottam, Counselor for Economic Affairs, Embassy in Brazil, and Director, United States Operations Mission in Brazil.

<sup>8</sup> Major General William J. Verbeck, USA, Chairman, U.S. Delegation, Joint Brazil-United States Military Commission.

<sup>9</sup> John P. McKnight, Counselor for Public Affairs, Embassy at Rio de Janeiro, directed the U.S. Information Service in Brazil.

coordination of US and non-US programs appropriate account is taken of known non-US programs (such as UN technical assistance) in US programming.

Technical cooperation is directed at improvement of human element upon which both democratic institutions and economic development depend. The FY 1960 program, which I have reviewed, concentrates on high priority sectors where effective utilization of US aid seems most likely. Brazil is more interested and better coordinated to use such aid than heretofore and recently made direct approach to Secretary Dulles re expansion thereof.<sup>10</sup>

**Wallner**

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<sup>10</sup> Reference presumably is to the program presented to Dulles by Lopes at Rio de Janeiro, August 5; see Document 253.

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**258. Memorandum From the Ambassador in Brazil (Briggs) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, October 30, 1958.*

SUBJECT

Call on the President<sup>2</sup>

I called on the President early this morning and made the following observations:

The President's prompt and cordial response last June to President Kubitschek's letter not only produced an excellent effect at that time but has also provided us with continuing dividends. In particular, our response to the "Operation Pan America" suggestion, followed by the Secretary's visit, had done much to stem the tide of virus nationalism, which has in fact appeared to recede and was not an issue of prime consequence during the electoral campaign terminating early this month.

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<sup>1</sup> Source: Department of State, Central Files, 611.32/10-3058. Confidential. Drafted by Briggs.

<sup>2</sup> In an October 23 memorandum to the President, Acting Secretary Herter stated that Ambassador Briggs would be on consultation in Washington, October 27-31, and had asked for a brief appointment with the President. (*Ibid.*, 611.32/10-2358)

Future development with respect to "Operation Pan America" of course remain to be seen, although it is evident that the excellent preliminary foundations have been laid. I observed that we should not under estimate the attractiveness to Brazil and other Latin American countries of Kubitschek's thesis that under-development is the root of all evil, that under-development exists at least in part because of U.S. "neglect" of Latin America since the war, and hence the way to solve that problem is to obtain additional U.S. aid. I said we would undoubtedly hear more of this at the meeting to be held next month.<sup>3</sup>

I also remarked that although important measures in the economic field have been taken by the new Finance Minister,<sup>4</sup> nevertheless Brazil probably faces difficult economic sledding during the next few years and Brazil will come to us in 1959, probably early in 1959, for additional assistance. I expressed the view that, notwithstanding the clouds on the near horizon, my confidence in the future of Brazil remains unimpaired.

I likewise made a brief reference to the Brazilian elections, indicating that the results were more favorable, in terms of Brazil's future and Brazil's relations with the United States, than we had anticipated.<sup>5</sup>

The only other subject discussed was woodcock.

In view of the early hour of the appointment—8:30 a.m.—reporters were scarce. I was waylaid by Kenworthy of UP and the France Presse representative, who asked only routine questions including my travel plans. I indicated that the President and I had discussed Brazilian-American relations and said they are in excellent shape. I answered in the affirmative the question whether Operation Pan America had been discussed.

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<sup>3</sup> Reference is to the First Meeting of the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation (Committee of 21) at Washington, November 17–December 12. Documentation on this meeting is *ibid.*, File 363. For text of the remarks made before the Committee by Under Secretary Dillon on November 18, see Department of State *Bulletin*, December 8, 1959, p. 918.

<sup>4</sup> Lucas Lopes.

<sup>5</sup> On October 3, Brazil held elections for a new Chamber of Deputies, one-third of the Federal Senate, 11 state governors, and numerous state and municipal assemblies. The elections resulted in little change in the strength of political parties in the Congress. Documentation on the elections is in Department of State, Central File 732.00(W).

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**259. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, November 18, 1958—6:57 p.m.*

501. Embtel 684.<sup>2</sup> Following statement prepared for Department Press Officer Briefing but not used as no questions posed.

"If queried about the Brazilian Embassy statement<sup>3</sup> that Brazil has accepted a U.S. offer of arms in connection with the U.S. use of the missile tracking station on Fernando de Noronha Island, you may say as follows:

"The Governments of the United States and Brazil have been holding discussions pursuant to Article Six of the Guided Missiles Tracking Station Agreement of January 21, 1957.<sup>4</sup> This provision called for an examination of the extent to which Brazilian responsibilities for hemisphere defense may have been increased by virtue of the establishment of the tracking station in Brazilian territory. This jointly operated tracking station, established on Brazil's Fernando de Noronha Island, is manned by a small group of technicians. It is part of the link of such stations forming the U.S. tracking range from Cape Canaveral, Florida to Ascension Island, and is equipped to follow the flight of missiles fired over the range. As a result of these discussions, agreement in principle has been reached on mutually satisfactory adjustments in the level of military cooperation for hemisphere defense between the two countries, including the furnishing of certain arms, as provided in the Mutual Defense Assistance Agreement of 1952."<sup>5</sup>

Embassy may reply any queries in sense foregoing. If pressed for data on type arms, quantities, or details types of cooperation involved Embassy should state security reasons preclude disclosure such information.

**Dulles**

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<sup>1</sup> Source: Department of State, Central Files, 711.56332/11-1458. Official Use Only. Drafted by Ingersoll and signed by William T. Briggs.

<sup>2</sup> In telegram 684 from Rio de Janeiro, November 14, Wallner requested any press releases or information on U.S. offer of arms in connection with U.S. establishment of a missile tracking station on Fernando de Noronha Island. (*Ibid.*)

<sup>3</sup> Not further identified. In a note, November 6, to Secretary Dulles, Ambassador Peixoto agreed to the U.S. offer of military equipment but called for conversations to reevaluate the demands of continental defense. (*Ibid.*, 732.5-MSP/11-658)

<sup>4</sup> For text, see 8 UST 87.

<sup>5</sup> Reference is to the Military Assistance Agreement signed at Rio de Janeiro, March 15, 1952; for text, see 4 UST 170.

**260. Editorial Note**

In a memorandum of November 20, John A. Birch, Chairman of the Interdepartmental Committee on Trade Agreements, recommended that President Eisenhower approve the results of tariff renegotiations with Brazil establishing a new schedule of Brazilian tariff concessions under the General Agreement on Tariffs and Trade. (Department of State, Central Files, 411.3241/11-2058) The renegotiations had been conducted pursuant to a decision of November 16, 1956, by the Contracting Parties to the General Agreement, authorizing Brazil to put into effect a new and generally higher tariff, subject to Brazil's undertaking to negotiate with interested Contracting Parties a new schedule of Brazilian tariff concessions under the General Agreement. On December 17, President Eisenhower approved the results of the U.S. negotiations with Brazil. For the Protocol Relating to the Negotiations for the Establishment of a New Schedule III—Brazil—to the General Agreement of October 30, 1947, done at Geneva December 31, 1958, entered into force for the United States February 7, 1969, see 20 UST (pt. 2) 2407; for the Procès-Verbal Containing Schedules (Brazil and the United States) To Be Annexed to the Protocol, done at Geneva February 10, 1959, entered into force for the United States, February 7, 1969, see 20 UST (pt. 2) 2458.

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**261. Memorandum From the Assistant Secretary of State for Economic Affairs (Mann) to the Under Secretary of State for Economic Affairs (Dillon)<sup>1</sup>**

*Washington, January 26, 1959.*

**SUBJECT**

Brazil and Operation Pan-America

***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

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<sup>1</sup> Source: Department of State, Central Files, 811.0020/1-2659. Official Use Only. Drafted by Adair, Carr, and Propps.

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.

*Discussion:*

The United States Government recognizes the need for continuing coordinated action to further economic development in Latin America, especially in view of the facts that Latin America got a late start in increasing productivity and its population has tripled in the last fifty years, and is expected to triple again in the next forty, reaching the 590 million mark by the turn of the century. However, the United States Government is neither willing nor able to undertake a commitment of the sort which Brazil appears to have in mind.

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.

*Recommendations:*<sup>2</sup>

1. That you 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. That you review orally with the Brazilian representative the enclosed outline (Tab A)<sup>3</sup> as a preliminary skeleton draft of a general declaration or Resolution setting forth a program of action for Operation Pan-America.

3. That you tell the Brazilian representative that 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 in the Working Group of the Special Committee of 21<sup>4</sup> may also be taken into account in formulating a final version for consideration by the Special Committee of 21.

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<sup>2</sup> There is no indication on the source text of Dillon's action on the recommendations.

<sup>3</sup> Not printed.

<sup>4</sup> The Working Group, established by the Committee of 21 during its first meeting in Washington, November 17–December 12, 1958, began meeting at Washington on January 15, 1959. Documentation on its work is in Department of State, Central File 363.

4. That you indicate to the Brazilian representative that you hope that Brazil will agree to the general approach indicated in the suggested Resolution and that Brazil and the United States may, in collaboration with the other countries participating in Operation Pan-America, agree upon a series of more detailed resolutions directed toward the implementation of the operative clauses of this general Resolution.

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**262. Telegram From the Department of State to the Embassy in Brazil<sup>1</sup>**

*Washington, February 2, 1959—7:40 p.m.*

724. Rubottom today gave Peixoto US note<sup>2</sup> replying Brazilian note November 6, thus formally terminating discussions under Fernando Noronha agreement. Rubottom made following points to Peixoto:

1. Brazilian acceptance US equipment offer means US has no commitment or obligation furnish additional equipment under Noronha agreement;

2. While we always ready consider Brazilian requests equipment under 1953 MAP agreement,<sup>3</sup> Brazil should understand US budgetary stringency greatly increases difficulties furnishing additional matériel;

3. US ready consider any Brazilian proposal defense planning submitted JBUSDC Washington.

Re Embairgram G-112<sup>4</sup> following is text suggested press statement for release by Department Washington and Embassy Rio:

“The US and Brazil today formally concluded discussions held pursuant to Article six of the Guided Missile Tracking Station Agreement of January 21, 1957. This provision called for an immediate examination of the extent to which Brazilian responsibilities may have been increased by virtue of the establishment of the tracking station in Brazilian territory. This jointly operated tracking station, established

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<sup>1</sup> Source: Department of State, Central Files, 711.56332/12-1058. Secret; Priority. Drafted by Spencer and approved and signed by Rubottom.

<sup>2</sup> Signed for the Secretary by Dillon on January 24.

<sup>3</sup> Military Assistance Agreement of March 15, 1952, entered into force May 19, 1953.

<sup>4</sup> Airgram G-112, December 10, recommended issuance of a statement on the satisfactory conclusion of negotiations for extra military equipment pursuant to Article 6 of the Fernando de Noronha missile tracking station agreement of January 21, 1957. (Department of State, Central Files, 711.56332/12-1058)

on Brazil's Fernando De Noronha Island, is manned by a small group of technicians. It is a link in the chain of such stations forming the US tracking range from Cape Canaveral, Florida, to Ascension Island, and is equipped to follow the flight of missiles fired over the range. As a result of these discussions certain mutually satisfactory adjustments have been made in the level of military cooperation for hemisphere defense between the two countries, as provided in the Mutual Defense Assistance Agreement of 1953. The increased military equipment which the Brazilian Armed Forces will receive will be programmed over a four-year period. Priorities for delivery of specific items are the subject of discussions now in progress."

Security regulations preclude more specific information to public.

Rubottom showed text to Peixoto who requested it be cleared with Foreign Office. Request you consult Foreign Office and inform Department its reaction foregoing text, also your suggestions release date.<sup>5</sup>

**Dulles**

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<sup>5</sup> In telegram 1050 from Rio de Janeiro, February 6, the Embassy stated that the proposed public statement would have "little positive effect while inviting renewed attention Brazilian nationalists to Fernando Noronha," and therefore suggested dropping the whole idea. (*Ibid.*, 711.56332/2-659) The Department concurred in telegram 756 to Rio de Janeiro, February 10. (*Ibid.*)

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### 263. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>

*Rio de Janeiro, February 3, 1959—7 p.m.*

1032. Reference Embassy telegram 1023.<sup>2</sup> In long talk with President Kubitschek this morning I found him far more concerned over economic situation than on any previous occasion and also more adequately informed about it. Substance of his presentation is that he will take every step recommended in Washington (except "complete exchange reform" which he declared his government could not survive). He offered reduce imports still further, slow down industrialization

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<sup>1</sup> Source: Department of State, Central Files, 832.10/2-359. Confidential.

<sup>2</sup> In telegram 1023, February 2, Ambassador Briggs stated that he would respond to the Department's questions regarding the feasibility of a currency stabilization program for Brazil after he met with President Kubitschek. (*Ibid.*, 832.10/2-259) In despatch 974, February 26, Briggs reported on the political feasibility of certain stabilization measures. (*Ibid.*, 832.10/2-2659)



(specifically mentioned the expanding automotive industry), restrict credits, et cetera. (On all this I gather last night's Lucas Lopes briefing sunk in.)<sup>3</sup> He spoke on budget cuts, including armed forces. On coffee he says he is helpless and inheritor of situation that now can only be handled internationally; on petroleum he is willing establish rationing "if that considered necessary".

To do this, Kubitschek says he must go to people, difficult though that will be for him. Prior thereto he is trying line up political support and that of armed forces. He has summoned Vice President (who was at his house during my visit) and said would do his best with his own party and opposition. He promised full support to his Finance Minister Lucas Lopes and also mentioned Roberto Campos currently under bitter nationalist attack over Bolivian arrangements,<sup>4</sup> declaring that Campos would be maintained in office but, asserted President, when all these steps have been taken "and if your government has any further recommendations, please tell me what they are", he will still need approximately \$300 million balance of payments assistance, which can only come from US.

In parenthetical reference to Argentina at that point, Kubitschek spoke warmly of Frondizi US visit,<sup>5</sup> observing that latter's austerity measures while notable were nevertheless politically "not so difficult" as his own, and he repeated his offer to attempt all steps undertaken by Argentina,<sup>6</sup> except "freeing exchange" which he repeated would lead to such sudden price increases as would be insupportable in Brazil.

I made two points only (details of what ought to be done having of course been covered in recent talks between Lucas Lopes and Treasury Attaché May): I said US Government sympathetic and desires be as helpful as possible; our assistance however would have to be based on prior arrangements between Brazil and IMF so that if his Finance Minister contemplating early trip to Washington it should be specifically for negotiations with Fund, rather than US Government.

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<sup>3</sup> Treasury Attaché May informed Finance Minister Lopes of the substance of Department of State telegram 717 to Rio de Janeiro, January 30, that a currency stabilization agreement with the IMF was a prerequisite to negotiations for credit from the Export-Import Bank. (*Ibid.*, 832.10/1-2859)

<sup>4</sup> In despatch 856 from Rio de Janeiro, January 30, the Embassy reported on a student rally against Roberto de Oliveira Campos, President of the Brazilian National Economic Development Bank, for having permitted foreign financing of Brazil's Bolivian oil concession. (*Ibid.*, 732.00(W)/1-3059) The referenced concession, granted to Brazil by Bolivia in 1938, permitted Brazilian exploration and exploitation of Bolivian oil fields on 8.6 million acres.

<sup>5</sup> President Frondizi of Argentina visited Washington, January 20–23; see Documents 164 ff.

<sup>6</sup> Reference is to the stabilization plan adopted by Argentina in December 1958 with the support of the International Monetary Fund and public and private U.S. agencies. See Document 161.

How about, asked Kubitschek, proposed visit EXIM Bank representative? Would it not be possible, since Lucas Lopes knows what should be done and has so recently talked to IMF representative (Costanzo),<sup>7</sup> for us to talk about credit arrangements directly, based on assumption Fund will agree on terms? I sought to discourage that, pointing out Fund discussions—and agreement—must precede.

To make sure foregoing clearly understood, I am asking May follow-up immediately with Finance Minister.<sup>8</sup>

I believe President may (at long last) be coming around. Suggest parallel talk with Peixoto might be helpful at this juncture.<sup>9</sup>

**Briggs**

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<sup>7</sup> In telegram 999 from Rio de Janeiro, January 28, the Embassy reported on the conference between Finance Minister Lopes and G.A. Costanzo, Deputy Director, Western Hemisphere Department, International Monetary Fund, at Rio de Janeiro, January 26–27. (Department of State, Central Files, 832.10/1–2859)

<sup>8</sup> The meeting took place on the same day and is reported in telegram 1033 from Rio de Janeiro, February 3. (*Ibid.*, 832.10/2–359)

<sup>9</sup> The talk is reported in a memorandum of conversation between Peixoto and Bernbaum, February 4. (*Ibid.*, 832.10/2–459)

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**264. Memorandum From the Director of the Office of International Financial and Development Affairs (Adair) to the Assistant Secretary of State for Economic Affairs (Mann)<sup>1</sup>**

*Washington, February 10, 1959.*

SUBJECT

Brazil's Balance of Payments Problem

In my memo of February 2,<sup>2</sup> I reported that Brazil was thinking of sending a mission to Washington within two weeks to negotiate with the IMF and the Eximbank for assistance to cover a balance of payments deficit for 1959 estimated at some \$300 million. I also noted that the Department had cabled Embassy Rio that Brazil should complete arrangements with the IMF before approaching the Eximbank and that before sending a mission to talk with the IMF, Brazil should be sure the IMF is ready and considers Brazil ready for discussions.<sup>3</sup>

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<sup>1</sup> Source: Department of State, Central Files, 832.10/2–1059. Confidential. Drafted by Young and Eaton.

<sup>2</sup> Not found in Department of State files.

<sup>3</sup> Reference is to telegram 717 to Rio de Janeiro, January 30. (Department of State, Central Files, 832.10/1–2859)

There have been subsequent conversations between Ambassador Briggs and President Kubitschek, Treasury Attaché May and Finance Minister Lucas Lopes, and Department representatives and Ambassador Peixoto. The results of these conversations were encouraging in that they indicated Brazilian understanding of the position being taken by the United States and Brazilian willingness to work first with the IMF. Particularly encouraging was the fact that President Kubitschek appeared to have been well briefed and to have addressed himself seriously to the problem. On the other hand, the President did not talk in terms of a thoroughgoing stabilization effort including a full exchange reform which is especially needed. He also said that even after doing everything it can, Brazil will still need \$300 million in balance of payments assistance.

The next step probably will be a visit by Brazilian technicians to Washington to talk with the IMF (if and when the IMF agrees to this). Ambassador Peixoto has said that he intends to talk with Mr. Jacobson this week. The Ambassador is scheduled to return to Rio for consultations about the end of this week.

The IMF feels strongly that Brazil should modify its unrealistic exchange system: yet Kubitschek has said that he cannot do much in this field since he believes devaluation would be politically difficult. We agree with the IMF that unless Brazil modifies the exchange system there is not much hope that it will be able to balance its international accounts, and thus cease coming to the U.S. every year for balance of payments assistance. Whether in the final analysis the IMF will yield on this vital part of a stabilization program remains to be seen.

It is to be noted that when the U.S. tells Brazil to complete arrangements with the IMF before approaching the Eximbank, there is an implied commitment on the part of the U.S. that if Brazil comes to terms with the IMF the U.S. will assist Brazil.

I believe that the U.S. should take a firm line against U.S. financial assistance without an adequate stabilization program. The problem is, of course, complicated by relations with Brazil on other matters. We stood firm with Argentina, Turkey and other countries, and the Brazilian case is being watched by other countries.

It is desirable that the U.S. position on the matter be determined at least in general terms and that our views be made known to the IMF, also to the Embassy. Any misconception that President Kubitschek may have on the importance of exchange reform should be removed. Ambassador Briggs in accordance with Deptel 717 told Kubitschek February 3 in substance "The U.S. Government is sympathetic and desires to be as helpful as possible; our assistance, nevertheless, would need to be based on prior arrangements between Brazil and the IMF so that if the Finance Minister is contemplating a trip to

Washington, the purpose should be specifically for negotiations with the Fund, rather than with the U.S. Government."<sup>4</sup>

On the same day Treasury representative May told Finance Minister Lopes in substance: "Agreement between Brazil and the Fund is a precondition for any possible subsequent discussions with the U.S. Government, but there is no U.S. Government commitment for balance of payments assistance even if Brazil should reach agreement with the IMF."<sup>5</sup> Despite this statement it is probable that the Brazilians expect U.S. assistance if they reach agreement with the IMF. It is therefore desirable that the IMF understand that the U.S. is prepared to support a strong stand, if this is the case, on an adequate stabilization program.<sup>6</sup>

<sup>4</sup> See Document 263.

<sup>5</sup> The conversation between Lopes and May, February 3, was reported in telegram 1033 from Rio de Janeiro, on that day. (Department of State, Central Files, 832.10/2-359)

<sup>6</sup> In a February 16 memorandum to Adair, attached to the source text, Mann agreed "to take a strong stand in support of the IMF recommendations regarding Brazil," and instructed Adair to "pass the word along."

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## 265. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>

*Washington, March 27, 1959—10 a.m.*

1299. Following family dinner on eve wife's departure of [for] US,<sup>2</sup> President Kubitschek spoke to me about government's financial problems:

1. He is "disappointed" IMF technicians who although well-disposed and technically highly competent "fail to understand" facts of Brazilian political life.<sup>3</sup> Here am I, said President, endeavoring develop this great country, and forces have got out of balance. Brazil is not Argentina; steps demanded of that country are not relevant to Brazil.

2. If IMF continues not to understand, President is sure US Government will (i.e., when promenade with Fund reaches dead end, it will be our turn—we have foreseen). In view fact that situation at this

<sup>1</sup> Source: Department of State, Central Files, 832.10/3-2759. Confidential.

<sup>2</sup> Documentation on Sara Kubitschek de Oliveira's trip to the United States with her two daughters is *ibid.*, File 732.11.

<sup>3</sup> A report on the IMF mission, headed by G.A. Costanzo, to Brazil, March 16-25, was transmitted in despatch 1113 from Rio de Janeiro, March 26. (*Ibid.*, 832.10/3-2659)

juncture is between Brazil and Fund, and our belief as set forth final paragraph Embtel 1265<sup>4</sup> that it is up to IMF to carry ball I refrained from arguing on behalf IMF proposals. On other hand I naturally made no comment which President could interpret as encouraging his resistance thereto.

3. Over and above these considerations, said President, is Operation Pan-America and demand of underdeveloped people for better life. Our Communist enemies are eagerly waiting for moment to get into the act.

4. Ambassador Peixoto is returning to Washington this weekend.

Later I spoke separately to Peixoto who impressed me as somebody uneager have last days in Washington occupied by dialogue along foregoing lines, and to Finance Minister Lucas Lopes who appeared depressed. Lopes is of course thoroughly versed in IMF attitude without however having sold Fund medicine to President. When I left, President, Peixoto and Lucas were continuing discussion. Lucas also told me Pooch and Ribeiro are returning Washington after holidays.<sup>5</sup>

**Briggs**

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<sup>4</sup> Not printed. (*Ibid.*, 832.10/3–2359)

<sup>5</sup> Reference is to discussions with the IMF staff in Washington during May–June by Paulo Pooch Correa, Director of the Foreign Exchange Department, Bank of Brazil, and Casimiro A. Ribeiro of the Brazilian Ministry of Finance. Documentation on these discussions is *ibid.*, 832.10.

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## **266. Memorandum of a Conversation, Department of State, Washington, April 8, 1959<sup>1</sup>**

### **SUBJECT**

Brazilian Economic Problems

### **PARTICIPANTS**

Brazilian Ambassador Ernani do Amaral Peixoto  
Mr. Octavio Paranagua, Brazilian Director of International Monetary Fund  
Minister-Counselor Henrique Rodrigues Valle of the Brazilian Embassy  
ARA—Mr. R. R. Rubottom, Jr.  
EST—Mr. C. A. Boonstra  
EST—Mr. W. T. Briggs

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<sup>1</sup> Source: Department of State, Central Files, 832.10/4–859. Confidential. Drafted by Briggs.

Ambassador Peixoto called April 8 at 4:00 p.m. at Mr. Rubottom's request. After the usual exchange of courtesies, Mr. Rubottom asked Ambassador Peixoto as to his future plans. The Ambassador said that he has resigned his post and that his resignation will become effective in approximately one month, at which time he plans to depart for Rio. He pointed out that, with the 1960 presidential election in the offing, it is necessary for him to be in Brazil to carry out his duties as National Chairman of the Social Democratic Party. He indicated that there was nothing definite to say at this time with respect to his possible successor.

Ambassador Peixoto then remarked to Mr. Rubottom that the financial situation in Brazil is serious. He said that fortunately coffee exports during the first three months of this year had increased considerably above the prevailing level, so that the balance of payments situation had noticeably improved. Nevertheless, he went on, the Brazilian Government considered that it would not be possible to count on this high rate of coffee exports for the remainder of the year so that with heavy payments which will come due toward mid-year, the balance of payments situation will probably become acute some time during May. He therefore had arranged an appointment with Mr. Waugh of the Export-Import Bank, whom he would see immediately after his talk with the Department's representatives.<sup>2</sup> The Ambassador hoped that the Export-Import Bank would be willing to make available a line of credit to Brazil which would relieve the situation during the next several months.

Mr. Rubottom replied that although the Department and the various financial agencies of the United States Government are fully aware of and sympathetic with Brazil's financial problems, he thought it only fair to tell Ambassador Peixoto that there is a strong feeling among these agencies that agreement between the Government of Brazil and the International Monetary Fund on a sound program to combat inflation and to bring the balance of payments deficit into line would be an essential prerequisite to discussions looking to financial assistance from this Government. He pointed out that while the United States is desirous of assisting Brazil's economic development, it

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<sup>2</sup> In telegram 975 to Rio de Janeiro, April 10, the Department reported that Ambassador Peixoto left an aide-mémoire with the Export-Import Bank on April 8, requesting a substantial line of credit until the increase in Brazil's IMF quota became effective, after which Brazil planned to ask for IMF assistance. Eximbank President Waugh gave Peixoto little hope for a favorable response in view of the Eximbank's policy to consider credits covering exchange deficits only after a country had reached an agreement with the International Monetary Fund satisfactory to the Export-Import Bank. (*Ibid.*, 383.13/4-1059) The increase in Brazil's IMF quota from \$150 to \$280 million became effective September 1959. For further information, see International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1959* (Washington, 1959), pp. 18, 19, and 189.

finds this exceedingly difficult to do as long as continuing Brazilian Government deficits require large amounts for short-term financial assistance which have no lasting beneficial effect on the economic progress of Brazil.

At the Ambassador's request, Mr. Paranaguá explained that the Brazilian Government considers that consultations with the IMF on a program would be much better undertaken later this year in as much as it is expected that Brazil's quota with IMF will be greatly increased in September. Such a delay would make it possible for the IMF to furnish substantial material assistance in supporting a program at that time, whereas now Brazil could not hope to obtain more than \$37,000,000 from that source, in view of present quota limitations and Brazil's previous drawings. For this reason, he went on, it would be much more feasible to undertake IMF consultations in September than now and Brazil therefore seeks interim assistance to enable the Government to hold the line until that time.

With respect to Brazil's internal inflation, Mr. Paranaguá remarked that Finance Minister Lopes has already accomplished a good deal, having reduced the budget deficit from CR\$47 billion to CR\$12 billion and having substantially reduced the expansion of credit by both the Bank of Brazil and private banks. He said that in fact the IMF and the GOB were in substantial agreement with respect to virtually everything concerned in a stabilization program except exchange rate policy. On this point, he continued, the IMF insists on a unitary rate, which is politically impossible in Brazil at this time, Mr. Paranaguá went on say that Brazil must maintain a pegged rate on coffee exports, because abandonment of this rate would be such a bonanza to coffee producers and exporters that it would result in an immediate upsurge of production, thus further complicating the world coffee market, which is already in serious over-supply. Moreover, he went on, the special rates on wheat and petroleum must be continued in view of the immediate and far-reaching effect which freeing these rates would have on the cost of living. He went into some detail on this subject. (He forebore mentioning that according to our sources, the Monetary Fund is willing to consider special rates on coffee, wheat, and petroleum for the immediate future within the framework of the program which the Fund staff is recommending. He likewise refrained from mentioning that, although Minister Lopes has indeed worked heroically to reduce the budget and to restrict credit, he has been unable to obtain the President's interest and support, so that his efforts have been largely nullified by slippages in other sectors and on balance the over-all Brazilian effort to contain inflation has been relatively flaccid and ineffective.)

Mr. Rubottom reiterated his previous point and stated that while he could see a certain advantage in the possibility of greater support from the Fund, he believed that little, if anything, could be gained by postponing until September measures which were better taken immediately. He added that he was not at all optimistic as to the prospects that the United States financial agencies would be willing to consider further credits to Brazil in the absence of a satisfactory agreement with the IMF.

Mr. Rubottom then remarked that he was anxious to call to the attention of Ambassador Peixoto, particularly in his capacity as a national political leader, the potential harm inherent in recent statements of high-level officials of the Brazilian Government with respect to remittances on foreign private capital. He said that both Minister of War Lott and Vice President Goulart have been recently quoted to the effect that remittances on foreign investments in Brazil are constituting a serious drain on the country's foreign exchange reserves, with at least the implication that measures should be considered to restrict such remittances. He added that he had had an opportunity to talk with Minister Lott on this subject during the latter's recent visit here,<sup>3</sup> who had listened attentively but did not indicate that his viewpoint was changed. Mr. Rubottom then quoted the SUMOC figures on remittances of profits through the free market during the first quarter of this year and pointed out that these remittances were considerably outweighed by new investment. He also remarked on the damage which a campaign of this sort could cause to Brazil's prospects for obtaining the additional capital needed for economic development and the fact that these statements are not consonant with Brazil's views as expressed in Operation Pan America. Mr. Rubottom hoped that Ambassador Peixoto could use his influence to combat these sentiments and expressed the thought that statements by well informed high-level Brazilian government officials might be useful in countering these views. Ambassador Peixoto appeared to agree, saying that most of the "excessive nationalists" who express such sentiments really do not know what they are talking about.

Ambassador Peixoto said that he had heard in Rio that the United States delegation to the Buenos Aires conference of the Committee of 21 will be headed by Secretary Anderson of Treasury. He asked Mr. Rubottom whether this could be confirmed and what additional information Mr. Rubottom could give him on the composition of the United States delegation. Mr. Rubottom replied that the makeup of the delegation is still not fully decided but that he could say in confidence that

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<sup>3</sup> No memorandum of Rubottom's conversation with War Minister Lott has been found. In a letter of August 4 to Ambassador Cabot in Brazil, Clarence A. Boonstra reviewed Lott's conversation with Rubottom in Washington earlier in 1959. (Department of State, Rio de Janeiro Embassy Files: Lot 68 F 77, 320 Brazil-U.S. 1959)



it is tentatively planned that Mr. Mann will head it and that he, Mr. Rubottom, and Assistant Secretary Upton of Treasury will also be members. He explained that the pressure of business precludes Secretary Anderson's absence from Washington at the time and that Mr. Dillon, who will shortly return from the SEATO meeting, will be needed here because of the Acting Secretary's absence at the meeting of Foreign Ministers in Paris.

Ambassador Peixoto thanked Mr. Rubottom for the information.

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**267. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, April 29, 1959—5 p.m.*

1509. For Acting Secretary, Henderson<sup>2</sup> and Snow. President, Foreign Minister and members Kubitschek's civil cabinet each separately brought up question of Mrs. Luce<sup>3</sup> while I was at presidential office on farewell call this morning.<sup>4</sup>

President said he was frankly bewildered; did news mean she was coming or was not coming, and if former he hoped she would get here soonest because his economic situation deteriorating, he must have American help et cetera. He did not seem overly disturbed by Washington publicity and political turmoil.<sup>5</sup>

Foreign Minister evidently assumed that in view Henry Luce public statement,<sup>6</sup> Mrs. Luce might resign—otherwise why would he have made statement.

Member civil household, with whom I spent twenty minutes between greeting President on way to receive credentials of new Cuban Ambassador and end that ceremony, was more explicit. He volun-

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<sup>1</sup> Source: Department of State, Central Files, 123 Luce, Clare Boothe. Confidential; Niact; Limit Distribution.

<sup>2</sup> Loy W. Henderson.

<sup>3</sup> Clare Boothe Luce was appointed Ambassador to Brazil, April 28.

<sup>4</sup> Ambassador Briggs left Rio de Janeiro, May 2, and Woodruff Wallner assumed charge of the Embassy.

<sup>5</sup> Reference is to adverse reaction by certain Senators to a statement by Ambassador Luce critical of Senator Wayne Morse at a press conference on April 28, following her confirmation as Ambassador to Brazil. For the referenced statement, see *Congressional Quarterly Almanac, 1959* (Washington, 1959), vol. XV, p. 670.

<sup>6</sup> Henry R. Luce issued a statement on April 28 referring to the Senate vote for confirmation as vindication of his wife but asking for her to offer her resignation because her usefulness as Ambassador had been jeopardized by the "vendetta" against her. For additional information, see *ibid.*

teered opinion that post-confirmation development, especially Henry Luce statement, might create difficult situation if Mrs. Luce comes. Gist of it was "We Latins take dim view of wives who disregard admonitions of husbands." Likewise *Time Empire*, which unpopular in Latin America, undoubtedly a handicap.

To all three I said, pursuant telephone conversation with Henderson this morning, that I had no idea what Mrs. Luce would decide to do but that I assumed decision would be announced without delay.<sup>7</sup>

**Briggs**

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<sup>7</sup> Ambassador Luce's letter of nonacceptance, April 20, was accepted by President Eisenhower on May 1.

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## 268. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>

*Rio de Janeiro, May 11, 1959—6 p.m.*

1604. Mann arrived Rio last night and departs via Braniff for Washington tomorrow. By agreement with Brazilians his visit presented to press as stopover to inform Embassy Rio of conference developments<sup>2</sup> during which he paid courtesy call on President for general exchange of impressions concerning developments since Mann's last visit in August with particular reference to OPA,<sup>3</sup> same applying to lunch given him by Foreign Minister attended by Finance Minister and Presidents Bank of Brazil and Development Bank.<sup>4</sup>

During 2 hour call on Kubitschek this morning, latter spoke strongly toward dispelling any impression Mann might have that Brazilians' OPA policy was intended isolate US, but he concentrated principally on Brazilians financial predicament and need for balance of

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<sup>1</sup> Source: Department of State, Central Files, 110.15-MA/5-1159. Confidential.

<sup>2</sup> Mann headed the U.S. Delegation to the Second Meeting of the Special Committee of the Council of the Organization of American States to Study the Formulation of New Measures for Economic Cooperation (Committee of 21) at Buenos Aires, April 27-May 8. For text of his address at the meeting on April 30, see Department of State *Bulletin*, June 22, 1959, p. 931. For texts of the 33 resolutions of that meeting approved by the OAS Council on July 8, see Council of the Organization of American States, *Decisions Taken at the Meetings, January-November 1959* (Washington, 1964), vol. XII, pp. 71-134.

<sup>3</sup> Mann accompanied Secretary Dulles during his visit to Brazil, August 4-6, 1958; see Documents 252 ff.

<sup>4</sup> Reference is to Francisco Negrão de Lima, Lucas Lopes, Sebastião Paes de Almeida, and Roberto de Oliveira Campos, respectively.

payments loans without the total exchange reform being required by IMF. Pointing to what he termed 95 percent compliance with Fund's terms, he made personal appeal to avoid final steps in exchange reform which would inevitably raise price of petroleum and bread and thereby incur political and social movements which his government would be unable control. Such movements, led by extreme nationalists whose ideological platforms had Communist origins, but who were for the most part non-Communist patriots, would inevitably be directed against US and do irreparable harm to US–Brazil relations in addition to disastrous internal consequences and were particularly difficult to control in months preceding presidential succession which had been the period of instability throughout Brazil's history. He made strong plea for US understanding and support within Fund for formula which would take account Brazil's political problem.

Kubitschek spoke with simplicity and self-control, marshalling his facts and arguments without theatrical effects, but there is no mistaking the intensity of his convictions and the depth of his fears.

Mann spoke flatteringly of OPA concept and said our differences with Brazil (and his with Schmidt) had been over procedures, not objectives. He only wished that these differences could have been worked out privately rather than under glare of publicity.

He then spoke of US dilemma—one horn of which was desire help its biggest partner in the hemisphere and other its need promote financial stabilization throughout free world without which effective common cause could not be made against Soviet threat. He well understood Brazil's internal problems and felt that renewed efforts should be made to find formula to reconcile them with sound stabilization measures. While US did not control Fund, it respected latter's technical competence and had followed policy of making balance of payments loans only on basis of other country's prior agreement with Fund. To break this front would result in avalanche of demands for balance of payments loans which would divert limited public resources from economic development. He suggested two courses of action. On one hand, that Brazil prepare and submit to Fund new proposals attempting reconcile its stabilization requirements with political realities here. On his side, Mann promised immediately study what US could do assist Brazil once substantial agreement with IMF achieved. He saw no reason why subsequent conversations could not run concurrently.

Full memo conversation follows.<sup>5</sup>

**Wallner**

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<sup>5</sup> A memorandum of this conversation between Mann and Kubitschek on May 11 was transmitted under cover of despatch 1314 from Rio de Janeiro, May 12. (Department of State, Central Files, 832.10/5–1259)

**269. Memorandum From the Deputy Director of the Office of East Coast Affairs (Briggs) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Washington, May 14, 1959.*

SUBJECT

Expropriation of American and Foreign Power Company Properties in Rio Grande do Sul, Brazil

For your background, the following is what I consider to be the probable political motivation of the sudden and seemingly poorly timed expropriation of the American and Foreign Power Company holdings in Rio Grande do Sul.<sup>2</sup>

Janio Quadros, former Governor of São Paulo and newly elected Federal Deputy on the Brazilian Labor Party (PTB) ticket, is at this moment an odds-on favor in the 1960 presidential race. He has great popular appeal and his election on the PTB slate means that he will draw support from that party, which has been virtually the personal vehicle of Vice President João Goulart, its national chairman.

Realizing this threat to his leadership of the PTB and therefore to his own political future, the intensely ambitious Goulart is determined to stop Quadros. He and his advisers have therefore begun maneuvers to this end, the first of which is the formulation of a PTB "program". The whole tenor of this so-called program is ultra-nationalism, with emphasis on the need for Brazil to reduce or eliminate the power of foreign economic "trusts" and to stop the drain on Brazil's resources which remittances of profits by foreign companies allegedly cause. It is beginning to be clear that Goulart and the PTB, in order to stop Quadros, plan immediately to begin the creation of a mass sentiment of ultra-nationalism which Goulart can head and which might give him sufficient political appeal not only to maintain his hold on his own party but also to attract nationalist elements of all parties to his banner.

The State of Rio Grande do Sul is Goulart's home state. It is controlled by the PTB and its Governor, Leonel Brizzola, in addition to being a member of the party, is Goulart's brother-in-law. American and Foreign Power has been having difficulties in that state for years,

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<sup>1</sup> Source: Department of State, Central Files, 232.1141/5-1459. Confidential. Drafted by Briggs and sent through Boonstra. The source text bears the following notation from Rubottom to Hill: "Mr. Hill: Please see me re this pronto. 5/14/59 RRR".

<sup>2</sup> The Rio Grande do Sul State Government, with the approval of the Federal Mines and Energy Ministry, expropriated the concession and assets of Rio Grandense Light & Power Corp. (Companhia de Energia Electrica Rio Grandense), a subsidiary of American & Foreign Power Co., on May 11. The State Government of Rio Grande do Sul reportedly had decided not to pay the \$15 million at which it had evaluated the properties.

owing to the state government's desire to keep power rates low during a decade of steadily rising costs. The result has been that, principally for political reasons, the company has suffered greatly insofar as public opinion is concerned. It is therefore logical that, in line with Goulart's political objectives, the American and Foreign Power Company holdings in Rio Grande do Sul should be the first target.

The move against American and Foreign Power is probably only the opening gun in the PTB election campaign. We may expect that the party will make U.S. interests in Brazil increasingly a campaign issue and that U.S. interests in states controlled by the PTB will be subject to constant political pressures. Moreover, it is doubtful that President Kubitschek or his administration will or can have any significant moderating influence on Goulart and his supporters.

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**270. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, June 9, 1959—11 a.m.*

1782. President Kubitschek received me for half hour with Foreign Minister last night. After some violent preliminaries concerning the political difficulties in Rio Grande and Minas Gerais caused by American Foreign Power cases in those states (reported separately)<sup>2</sup> which he felt had psychological bearing on main purpose of his calling me, he spoke as follows with more contained emotion.

There would be no more Brazilian mission to Fund. He had made his final proposals and they had been rejected. This to-and-fro business had had a deplorable effect on the public. The Brazilian delegate Mr. Paranagua remained in Washington for liaison purposes. The Fund continued to insist on exchange reform in a manner which was politically impossible for him to carry out in the present mood of the Brazilian people. The result would be strikes and violence with which he would not have the constitutional means to cope. It was all very well to talk about Argentina, where Frondizi was beginning his administration while he (Kubitschek) was ending his and where the alternative to a drastic internal program was the return of Peron, so that Frondizi found support from the military and was able to operate

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<sup>1</sup> Source: Department of State, Central Files, 398.13/6-959. Confidential; Niact.

<sup>2</sup> Telegram 1784 from Rio de Janeiro, June 9, reported President Kubitschek's angry comments to Chargé Wallner regarding the American and Foreign Power Company. (*Ibid.*, 832.2614/6-959)

under a state of siege. It would be blindly unrealistic for the US to compare the two situations for it was to the US that he as a constant supporter of the western causes and consistent defender of close Brazil-American relationship must now address himself.

Whatever distinction might be made on paper between the US Government and the IMF, they were one in the minds of the Brazilian people. Brazil needed desperately \$300 million, not as a gift but as a loan. Because of recent oil strikes and anticipated increased production therefrom, this was probably last year balance of payments loan would be required. (This was news to me.) He asked the US Government to weigh carefully the alternatives giving this loan under conditions politically acceptable to him (and he reiterated the extent to which he had gone to meet IMF conditions) and a situation where he would be obliged to choose the only alternative available to him and which he felt sure the Brazilian people would understand but which would cost the US and Brazil their long friendship. This alternative was a graduated default of Brazil's external obligations and an arrangement to keep the country going at a reduced economic tempo for the next few months. He claimed to have the internal means to handle this. Once the cards were on the table they would cry bankruptcy from outside but the Brazilian people would understand. The issues were now drawn between nationalism and anti-nationalism in Brazil and the electoral campaign would revolve around them. His policy had been to avoid this but he was now backed into a corner and there was no choice for him.

Obviously he would not for the moment wish to make a public break with Fund and with US. He had about a month ahead of him during which he must arrive at a political solution with the US in whose power it lay to grant or reject the loan which Brazil needed. He had thought of writing a letter to President Eisenhower but instead had decided to appeal to the US Government more quietly and discreetly through me. He would be prepared to send a political mission to Washington to work this out but only if a solution was in sight. Otherwise he would be obliged to place his alternative plan into operation and he was now drawing it up. For this purpose he was waiting to receive (I had been chatting with the Embassy before I went in) the President of the Bank of Brazil and acting Finance Minister,<sup>3</sup> the President of the National Petroleum Council,<sup>4</sup> Pooock Correa, Casimiro Ribeiro, and other high officials. He said part of plan would be extensive borrowing from foreign oil companies.

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<sup>3</sup> Sebastião Paes de Almeida.

<sup>4</sup> Colonel Alexino Bittencourt.

I resumed the US position very much as had Assistant Secretary Mann<sup>5</sup> and said I was imperfectly informed as to US views since IMF's rejection of latest Brazilian proposals. I said I would faithfully report his views. Reiterating what I had told him many times before that I considered the balance of payments crisis as lying at the heart of Brazil-American relations, I warned him too to weigh the consequences for Brazil and to avoid any precipitous publication which could crystallize public opinion here and abroad. He assured me that he would maintain the present public line (Embtel 1779)<sup>6</sup> and would await with serenity my reply from Washington to his appeal.

Comment follows.<sup>7</sup>

**Wallner**

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<sup>5</sup> See Document 268.

<sup>6</sup> Telegram 1779 from Rio de Janeiro, June 6, reported that Paes de Almeida had stated publicly that he would continue to follow the policies of Finance Minister Lucas Lopes. (Department of State, Central Files, 832.10/6-659)

<sup>7</sup> In telegram 1783, June 9, Wallner expressed the opinion that President Kubitschek "will seize eagerly on a reasonable compromise" revolving around "a tolerable accommodation of the three factors mentioned paragraph 7, Embtel 1690." (*Ibid.*, 398.13/6-959) The three factors mentioned in telegram 1690 from Rio de Janeiro, May 25, were the measures desired by the Fund, Kubitschek's political situation, and the amount of the loan he could expect after he came to an agreement with the IMF. (*Ibid.*, 832.10/5-2559)

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## 271. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>

*Rio de Janeiro, June 13, 1959—5 p.m.*

1842. Department telegram 1280.<sup>2</sup>

President received Herbert May and me with FonMin this morning. I made presentation along following lines talking from a paper but leaving nothing in writing.

Begin talking paper. The United States Government has considered, carefully and sympathetically, situation created by the impasse between the Brazilian Government and the International Monetary

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<sup>1</sup> Source: Department of State, Central Files, 398.13/6-1359. Confidential; Priority.

<sup>2</sup> In telegram 1280 to Rio de Janeiro, June 12, the Department affirmed its instruction in telegram 1267, June 10, and listed the advantages to Brazil of rescheduling its U.S. Government debt. (*Ibid.*, 398.13/6-1159) Telegram 1267 instructed the Embassy to propose discussions in Washington on rescheduling the Brazilian debt. (*Ibid.*, 398.13/6-959)

Fund, and President Kubitschek's appeal for direct conversations with the United States Government. The public debate which has raged around this issue in Brazil has made it more difficult for the United States Government to reach a decision. Nevertheless, the United States Government has considered various suggestions which have been brought forward as means of helping Brazil meet its present financial crisis. We have thought about the advantages and disadvantages for Brazil of seeking to finance its current imports on a shorter credit basis or of defaulting on its debt, and we have reached the conclusion that neither of those procedures would be in the best interest of Brazil.

After careful consideration of this matter, we have decided that a partial solution of Brazil's financial problems might lie in a re-scheduling by Brazil of its debt obligations to its principal creditors. The United States Government is accordingly prepared to enter into direct conversations with the Brazilian Government aimed toward a re-scheduling of the debts owed by Brazil to the United States Government. We believe that such re-scheduling would have various advantages among which are the following:

To the extent that debt payments are postponed, dollars destined for that purpose would become available for essential dollar imports, thereby relieving the pressure on Brazil's balance of payments, while avoiding the necessity for default. It may be expected also that evidence of willingness by the United States Government to discuss a re-scheduling of the debts owed to it should significantly influence European and other creditors to do likewise; this would, of course, be a matter for Brazil to work out with her other creditors. The re-scheduling of Brazil's international debt would also serve the purpose of easing the pressure on the Brazilian cruzeiro budget insofar as cruzeiros would otherwise be necessary for the purchase of foreign exchange with which to make those debt payments. End talking paper.

Explaining that our decision to enter into direct talks was a new departure in policy for us in order to face unprecedented situation, I told the President that behind all this lay the fervent wish of my government, a wish he no doubt shared, that interruption of talks with Fund was interruption only and that ultimate solution would include accommodation between his government and IMF. President said he had prepared government statement of yesterday (Embassy telegram 1839)<sup>3</sup> in order to clearly separate Fund from United States Govern-

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<sup>3</sup> Telegram 1839 from Rio de Janeiro, June 12, transmitted the text of the Brazilian Government's statement issued on that day regarding IMF discussions. The statement referred to the recall by President Kubitschek of Brazil's representatives in the discussions after the Brazilian Government verified the fact that its representatives could not change the opinion of Fund technicians regarding the need for Brazil to adopt certain measures as a prerequisite for IMF assistance in financing Brazil's balance-of-payments deficit. (*Ibid.*, 398.13/6-1259)



ment in public mind, since he considered it most important that United States not become embroiled in quarrel between Brazil and Fund. He would make every effort to get out of impasse with Fund but his limits to further accommodation were well known and unfortunately had entered in political arena under slogan “Nacionalismo Contra Frondizismo”. He wanted at all cost to preserve United States-Brazilian relations, consequently he welcomed our decision open direct talks and would send Walter Moreira Salles’ as his emissary. He reiterated great importance of rapid solution in view of political repercussions already evident throughout Brazil.

Walter Moreira Salles was then summoned from adjoining room and I congratulated President on his excellent choice of the former Ambassador as his emissary to Washington where he would again find warm welcome. After further discussion of points in talking paper, it was agreed that President would consult his financial advisors and then announce Moreira Salles’ departure.<sup>4</sup> May and I emphasized importance of correct presentation to press particularly avoidance interpretation that by accepting direct talks United States Government had altered its policy re IMF.

There was no direct talk of new money. President did say deferment United States Government debts would not be enough to meet his financial obligations.

May will be talking this weekend to Kubitschek’s financial advisors to ensure they get story straight.<sup>5</sup>

**Wallner**

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<sup>4</sup> In telegram 1874 from Rio de Janeiro, June 17, Wallner reported that Brazil would not send a special emissary to Washington for the debt rescheduling talks. Instead, the talks would be conducted through the Brazilian Embassy at Washington after Brazil’s Chargé Valle had returned to his country for a briefing. Moreira Salles, who had been previously selected as the emissary, had accepted appointment as Ambassador to the United States. (*Ibid.*, 601.3211/6-1759) He had previously served as Ambassador there, 1952–1953.

<sup>5</sup> The conversation between May and Pooock Correa was reported in telegram 1844 from Rio de Janeiro, June 15. (*Ibid.*, 389.13/6-1559)

**272. Memorandum of a Conversation, Department of State,  
Washington, July 8, 1959, 11 a.m.<sup>1</sup>**

SUBJECT

Brazil's Financial Problems

PARTICIPANTS

Henrique Rodrigues Valle, Brazilian Chargé d'Affaires, a.i.  
Maury Gurgel Valente, Counselor of Embassy, Brazilian Embassy  
The Secretary  
Mr. R.R. Rubottom, Jr., Assistant Secretary for Inter-American Affairs  
Mr. John J. Ingersoll, Acting Officer in Charge of Brazilian Affairs

Minister Valle called on the Secretary, by appointment, at 11:00 a.m., today to deliver a personal letter to the Secretary from the Brazilian Foreign Minister and an Aide-Mémoire prepared at the Brazilian Foreign Ministry.<sup>2</sup>

Valle thanked the Secretary for taking the time to receive him. He said that Brazil has been going through an extremely serious financial crisis and that President Kubitschek is very worried about the state of affairs. He explained that Brazil has been industrializing and developing economically since the turn of the century, but that Kubitschek had adopted as the principal focus of effort of his administration the rapid development of his country under "forced draft." He explained that Brazil has, in recent years, experienced serious balance-of-payments deficits and has sought outside assistance, most of which has come from the United States. He said that Brazil had been negotiating with the technicians of the International Monetary Fund, whom he knows personally and respects highly for their technical competence. However, these talks, which were aimed at agreement on a stabilization program for Brazil, reached an impasse a few weeks ago. Valle said that President Kubitschek realizes that some arrangement will have to be worked out with the IMF eventually, and he has every wish to

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<sup>1</sup> Source: Department of State, Central Files, 832.10/7-859. Confidential. Drafted by Ingersoll. The source text bears the notation that it was "approved by Secretary's office per service message from Geneva—7/21/59." Secretary Herter had gone to Geneva for the meeting of the Foreign Ministers of the United States, the United Kingdom, France, and the Soviet Union.

<sup>2</sup> In the June 30 letter, Foreign Minister Francisco Negrão de Lima called on Secretary Herter to help solve the problem of Brazil's balance-of-payments difficulties. In the aide-mémoire of the same date, the Brazilian Government stated the reasons for the impasse in Brazilian talks of May-June with the International Monetary Fund, and it called for joint action by the two governments toward finding a solution. The aide-mémoire stated that the new Brazilian Ambassador, Walter Moreira Salles, was instructed to initiate conversation with the U.S. Government upon his arrival in the United States. Copies of the Brazilian documents are attached to another copy of this memorandum of conversation, *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199.

reach such an arrangement. However, Valle pointed out, President Kubitschek felt very strongly that he could not at the present time undertake some of the measures advocated by the IMF technicians. For this reason, the President and the Foreign Minister had wanted to bring the Brazilian plight to the attention of Secretary Herter and request that he accord favorable consideration to their needs.

The Secretary said that he was well aware of the seriousness of balance-of-payments deficits, the insidious way they creep up on a country and the extreme difficulty of eliminating them and restoring order. He read the English translation of the Foreign Minister's letter and assured Minister Valle that he and Mr. Rubottom, who was more closely acquainted with the specifics of the matter, would certainly approach the problem in a cooperative spirit.

Mr. Rubottom said that he had talked with Minister Valle just before the latter had departed for Rio and had assured him that we wished to accord all possible consideration to achieving a constructive solution to the financial problems besetting Brazil.

Minister Valle thanked the Secretary for his time and added that the new Brazilian Ambassador, Walther Moreira Salles, would arrive in New York July 9 and would shortly thereafter come to Washington. He said that the first-priority mission of the new Ambassador would be to try to negotiate for financial assistance and credits to help relieve Brazil's acutely serious problems.

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**273. Letter From the Chargé in Brazil (Wallner) to the Director of the Office of East Coast Affairs (Boonstra)<sup>1</sup>**

*Rio de Janeiro, July 10, 1959.*

DEAR CLARE: Your letter of July 2<sup>2</sup> came in this morning. While I hasten to reply, the classified pouch service is so slow that the situation may make certain parts of this letter meaningless. However, there are fundamental principles involved which I think will bear reading a week hence.

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 61 D 332, Official Correspondence. Confidential; Official-Informal.

<sup>2</sup> In his July 2 letter, Boonstra affirmed the idea of rescheduling Brazilian debts as the principal means of assistance rather than encouraging Brazil with hopes for new money as an incentive for an agreement with the International Monetary Fund. (*Ibid.*, Rio de Janeiro Embassy Files: Lot 68 F 77, 501 Financial Matters, General, July-December 1959)

First of all I should like to clear up an apparent misconception in your mind: We have spoken frequently of an eventual accommodation between Brazil and the Fund but have never in our wildest dreams imagined, much less suggested, that all the give should come from the Fund's side. Our conception was that it would be a Canossa for Kubitschek and we have tried to show that Kubitschek's public statements have not firmly committed him.

In my letter of June 26 to Dick Rubottom<sup>3</sup> I spoke of "an accommodation with the Fund which will not impugn the Fund's authority and yet will provide a formula which will be acceptable to Kubitschek and consonant with the political, social and economic situation here." This is our concept and I believe it is Moreira Salles' concept. Presumably Kubitschek would have to go a long way but also presumably the IMF terms have not been frozen. If this last is wrong we should know it.

My second point relates to the idea in your third paragraph of making sure an IMF agreement doesn't become the basis for an argument about new money: No one here has encouraged the Brazilians in this belief; nor has anyone discouraged them—including Tom Mann; what we have done is continuously to make it clear to the Brazilians that we would not help out on balance of payments unless they reached agreement with the IMF. On June 9, following the Fund's rejection of the latest Kubitschek proposals, the President appealed to us for a loan without such an agreement. We in effect rejected this appeal by agreeing to reschedule the debt but making no mention of new money. In presenting this counteroffer to Kubitschek on June 13 I stated that it was the fervent wish of our Government that he eventually come to terms with the Fund. The absence of any offer of new money underlined the assumption that this was a precondition to a balance of payments loan in accordance with standing US policy toward friendly free world countries, including Brazil, who are in serious difficulties. Certain statements made earlier by the Eximbank about parallel conversations with the Brazilians reinforced the assumption. To reverse the concept, to say that there is no point in coming to terms with the IMF because we will not give a balance of payments loan under any conditions would be to open up a crisis whose consequences here could be very serious.

At the very best it would strengthen those elements here who sought a break with the Fund, consolidate the break and in Brazilian eyes make us the villain of the piece. What worries us most is how it could be explained to our friends here and to the supporters of the Moreira Salles school. His assignment is being described as an "opção" i.e., a deliberate choice, a conscious return to the old, traditional,

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<sup>3</sup> Not found.

confident way of doing business with the United States as an alternative to new school that preaches defiance, threats, neutralism or dealing with the Russians. Moreira Salles left here heavily mortgaged. But the underlying assumption of his mission was that the US had not changed and that its policy would be to continue to help Brazil out of its financial difficulties. We here can figure no way by which this can be done without new money which is in turn dependent on prior agreement with IMF.

But I am not a technician; neither, I assume, are you. In any case ARA and the Embassy are responsible for the Brazil–US relationship. The technical means to carry out policy must be devised by the technicians to fit into the overall concept. What concerns me is that this overall concept is vague and it is constantly shifting in response to each new technical suggestion. There is just a hint of tail-wag-dog.

Your letter implies a change of policy which is nothing short of revolutionary and which if practiced on Brazil for the first time at the present juncture, should be preceded by a reappraisal of our whole relationship with this country. I can't think of a more serious step and before it is taken (or more than whispered about) I believe it should be reviewed at Cabinet level.

With the imminent arrival of the new Ambassador, I strongly recommend that anything drastic be given us for comment before it is frozen in Washington.<sup>4</sup>

Very best.

**Woodie**

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<sup>4</sup> In a letter, a copy of which is attached to the source text, July 17, Boonstra assured Wallner that should Brazil "reach agreement with the Fund we would then consider how and to what extent we could be of help."

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**274. Special National Intelligence Estimate<sup>1</sup>**

SNIE 93-59

*Washington, July 21, 1959.***THE FINANCIAL CRISIS IN BRAZIL****The Problem**

To estimate the political and economic consequences of the Brazilian financial crisis, over the next few months.

**The Estimate***I. The Current Situation*

1. Brazil is in a financial crisis. During the next five months, in addition to normal current payments for imports, Brazil is obligated to pay \$140 million in principal and interest on its foreign debt, which totals over \$2.2 billion. (Of this total, about three-fifths is accumulated commercial indebtedness.) As of mid-July, Brazil's current dollar exchange availabilities were down to about \$26 million; its uncommitted gold reserve was about \$70 million.<sup>2</sup> Moreover, foreign exchange income during the rest of 1959 will be low, since the bulk of payments for coffee exports will not be received until after the first of the year. Finally, Brazil has stretched its credit close to the limit. In these circumstances, unless Brazil obtains US assistance or a moratorium on its debt payments, it will be forced to default.

2. The present financial crisis in Brazil is a repetition of similar crises in the postwar period. A primary source of these difficulties has been Brazil's effort to sustain a high rate of economic development in the face of declining foreign earnings—Brazilian GNP increased at an average annual rate of about six percent in the period 1946 through 1954, and at a rate of about four percent in 1955 through 1958. About 1955, however, the price of coffee began to fall, and with it the value of Brazilian exports. To maintain the high rate of imports necessary for development, Brazil has drawn down its foreign exchange reserves and has borrowed large amounts on short and medium term arrange-

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<sup>1</sup> Source: Department of State, INR-NIE Files. Secret. According to a note on the cover sheet, the Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. The United States Intelligence Board concurred in this estimate on July 21.

<sup>2</sup> A portion of this reserve must be considered to be potentially committed in that Brazil has agreed to increase its contribution to the International Monetary Fund and to provide its share of the capital of the newly-created Inter-American Development Bank. [Footnote in the source text.]

ments. Its financial position has been weakened further by the failure of successive Brazilian governments to control inflation. Prices have nearly trebled since 1953. Major causes of the inflation have been large-scale deficit spending by the government<sup>3</sup> and a continuing rapid expansion of private credit—the Brazilian money supply almost tripled from 1953 to the end of 1958. There is little hope for improvement in this situation, at least through 1960—Brazil's balance of payments deficit will run at about \$300 million per annum in 1959 and 1960, a rate comparable to that in 1958. The bill for servicing foreign debts will continue to be a major cause of this deficit; in 1960 it will be about \$350 million.

3. In 1958, in a similar situation, Brazil asked the US for balance of payments assistance. The US granted this request, but only after Brazil had agreed to adopt a stabilization program acceptable to the International Monetary Fund (IMF). The US has followed a similar course of action with respect to other Latin American countries, including Argentina, Chile, Peru, and Bolivia. However, because of domestic political pressures, President Kubitschek was unwilling fully to implement the stabilization program. In January of this year Brazil again indicated that it required US assistance in financing a prospective 1959 balance of payments deficit of over \$300 million, and again Brazil was told first to develop a stabilization program with the IMF.

4. At the present time negotiations between the IMF and Brazil have been broken off, primarily because President Kubitschek is unwilling to reduce subsidies on certain essential imports, especially petroleum, petroleum products, and wheat. He argues that such action would substantially increase the cost of living, and that this would cause widespread unrest and internal strife. He is almost certainly apprehensive of the effect these developments might have on his party's prospects in the October 1960 elections.

5. The resolution of the disagreement between President Kubitschek and the IMF is made extremely difficult because of a basic difference in philosophy. He is committed to rapid economic development, as well as to the building of the new capital city, Brasilia. In view of the shortage of domestic capital, most of the leaders in his government believe such development can be accomplished only by large-scale deficit financing through the national budget and by an easy credit policy.

6. The Brazilian Government has now asked for US assistance in the absence of an agreement with the IMF. President Kubitschek almost certainly is counting on the US relenting somewhat and being

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<sup>3</sup> The internal debt of the federal government is roughly estimated to be 100–125 billion cruzeiros (i.e., roughly \$700–860 million at the current free rate of exchange). [Footnote in the source text.]

willing either to put enough pressure on the IMF to cause it to modify its position or, in the end, coming to Brazil's assistance without an IMF agreement. He probably believes that the US, apprehensive regarding the security of US military rights and US investments in Brazil (about \$1,000 million), will act as he desires, lest a continuation of the impasse open the floodgates of ultranationalism and anti-Americanism. He appears to believe these considerations will outweigh US reluctance to make an exception to the IMF stabilization program approach.

7. In the following paragraphs we estimate the consequences of the Brazilian financial crisis, over the next few months, if: (a) Brazil refuses to meet IMF conditions and receives no stabilization assistance from the US; (b) Brazil refuses to meet the IMF requirements, but the US agrees to reschedule debt repayment; and (c) Brazil agrees to meet the IMF requirements and receives additional assistance from the US.

## *II. Consequences Over the Next Few Months*

*Assumption A: Brazil refuses to meet the IMF requirement and receives no stabilization assistance from the US.*

8. *Economic Prospects.* Even under these circumstances, Brazil could probably avoid default for the next few months. It has already obtained a \$50-million credit from the Federal Reserve Bank of New York, using part of its gold reserve as collateral, but on a disappointingly short 60-day term. It can probably negotiate the rescheduling of some of its commercial debts. Moreover, Brazil might be able to maintain roughly the current level of its two largest and most costly imports, petroleum and wheat. Foreign petroleum companies would probably be willing to extend further credits in order to maintain their share of the Brazilian market. Despite the US position on the stabilization problem, Brazil might obtain additional PL 480 wheat shipments. Furthermore, while European countries (West Germany, France) have recently indicated that they are unwilling to discuss Brazil's debt problem until Brazil has reached an agreement with the IMF, it is probable that some European credits will be obtained.

9. However, these measures would only be palliatives. Brazil would have to cut its imports sharply, an action which would adversely affect many important projects and which would give a boost to already critical inflationary pressures. Moreover, before the end of the year Brazil would almost certainly have to default on some of its foreign debts.

10. *Political Prospects.* In the short run, Kubitschek could probably avoid much of the onus for the deteriorating economic conditions by blaming everything on the US. He would charge that the US, under cover of the IMF stabilization agreement, had sought to interfere in Brazil's internal affairs, and he would assert that he had acted to



defend Brazilian national sovereignty. The major effect of the deteriorating economic situation on the campaign for the 1960 elections, which has already begun, would be to increase both the shrillness of the anti-American speeches and the number of politicians making them. By the end of the year, the economic situation would have so deteriorated that serious civil disturbances would be likely. It is probable that the military could and would sustain the government in these circumstances, pending the 1960 elections. However, if they came to conclude that order could not be maintained without a change of administration, the military, as in 1955, might call upon the president to resign and install a caretaker regime to conduct the elections.

11. *Brazil's Attitude Toward the US.* It is possible that, if Kubitschek concluded that the US would not relent on its conditions for assistance, he would come to terms before the situation had deteriorated too far. He would, of course, seek to present any agreement as a political success rather than as a capitulation. It is more likely that he would maintain his position and institute a series of retaliatory actions, including perhaps the blocking of remittances by US concerns and the expropriation of some US holdings. He might even come to abrogate US military rights. Such actions are among those included in a so-called "disaster plan"<sup>4</sup> which has apparently been formulated by certain of Kubitschek's more radical advisors. In the assumed circumstances, they would probably have wide popular support. But at the same time there would probably be many elements of the business community, the military, and the government that would oppose jeopardizing seriously Brazil's relations with the US. We believe it unlikely that any Brazilian government could long sustain an anti-US policy like that of Argentina under Peron.

12. *Brazil's Attitude Toward the Soviet Union.* Kubitschek would be under heavy pressure to seek assistance from the Soviet Union. At the same time, there would be opposition to such action by conservative groups, especially by the military. Nevertheless, if there were no amelioration of economic conditions within the year and if the Soviet Union volunteered substantial assistance, it is probable that Brazil would accept. While Brazil's leaders are fully aware of the importance

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<sup>4</sup> Telegram 1909 from Rio de Janeiro, June 22, stated: "Tad Szulc has just informed me that he is sending story for tomorrow's *New York Times* which can be briefly summarized as follows: Brazilian Government considering series of drastic steps which could lead to critical change in basic US-Brazil relations if US unwilling bypass Fund and furnish desired credits. Measures are mostly financial but include rescinding agreement on our use Fernando de Noronha. These steps would only be taken after Fund had formally turned down new proposals from those recently considered inadequate by Fund's staff and after US Government had refused balance-of-payments loans following IMF's formal refusal.

"Szulc said he had story direct from official close to President who stated that by giving it to *New York Times* Brazilian Government hoped to influence American public opinion." (Department of State, Central Files, 398.13/6-2259)

of their economic relations with the US, in the assumed situation they would probably feel that, even though the US would be displeased, they had no choice but to accept Soviet aid.<sup>5</sup> They would also believe that such action would bring pressure on the US to reconsider its position.

13. *The Attitudes of Other Latin American Countries.* Latin American opinion makes no distinction between the US and the IMF. There would probably be widespread popular sympathy for Brazil in its stand against "dollar imperialism." Initial comment in those countries which have accepted IMF stabilization requirements has been to the effect that Kubitschek's rejection of such terms has proved that their governments need not have surrendered to IMF dictation. On the other hand, the governments which have obtained US assistance by accepting IMF stabilization requirements must, in self-justification, support the US position and, indeed, insist that Brazil be made to comply with the same requirements which they have met at considerable political cost to themselves. Popular understanding and acceptance of this point of view would tend to increase if economic conditions in the cooperating countries actually improve while those in Brazil deteriorate. Nevertheless, nationalistic and anti-US extremists throughout Latin America, especially those under Communist influence or control, would continue to denounce the US for intervention in the internal affairs of Brazil through dollar diplomacy and to call for united Latin American support for the Brazilian position.

*Assumption B: Brazil refuses to meet IMF requirements, but the US agrees to reschedule debt repayment.*

14. *Economic Prospects.* Under these conditions, Brazil could probably limp through the next 18 months. It would probably avoid debt default, but, unless Kubitschek took actions on his own further to reduce imports and to expand exports, Brazil at the end of 1960 would almost certainly be faced with a crisis similar to the present one. Internally, inflationary pressure would almost certainly continue and the price of bread and petroleum would increase—the very thing Kubitschek has sought to avoid in refusing to accept IMF conditions.

15. *Political Prospects.* Kubitschek would be able to squeeze some favorable publicity out of what he would claim to be a successful defense of Brazilian sovereignty. However, unless he takes major action toward establishing a greater degree of internal economic equilib-

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<sup>5</sup> Soviet assistance could not do much to ease Brazil's current crisis unless the Soviet Union were willing to grant some balance of payments credits or to supply a major portion of Brazil's petroleum requirements on a credit basis. [Footnote in the source text.]

rium, a course which is unlikely, he and his party will become increasingly vulnerable to charges of economic mismanagement. It is possible that this could become a decisive factor in the 1960 elections.

16. *Effect on Brazil's Attitude Toward the US and the Soviet Union; on the Attitude of Other Latin American Countries.* US-Brazilian relations would probably not be significantly affected in the short run; however, as the economic difficulties continued there would probably be an increase in Brazilian irritation with the US because of its failure to be more generous. While it is likely that Brazil would at any time accept from the Soviet Union assistance which Brazil considered useful, under the assumed conditions Brazil would almost certainly scrutinize possible Soviet offers more closely than it would under Assumption A. In most other countries of Latin America, there would be a tendency to admire the success of the Brazilian action against the US effort to impose distasteful conditions. However, in the countries now operating under IMF arrangements the governments could probably defend their own actions by pointing out how much more assistance they obtained than did Kubitschek.

*Assumption C: Brazil makes an agreement with the IMF and receives assistance from the US.*

17. *Economic Prospects.* There would be some improvement in Brazil's economic outlook. If the changes within the Brazilian economy are for the most part gradually imposed, the reaction to any austerity measures would probably be mitigated. Kubitschek would probably not press vigorously measures designed to curtail credit, to reduce deficit financing, or to act substantially to raise prices of basic items such as bread, petroleum products, or transportation—all of which, because of subsidy arrangement, are major burdens on the national budget. Generally speaking, we believe it likely that under the assumed conditions Brazil would maintain through 1960 a rate of growth of GNP of about four percent. Inflation would have been curtailed somewhat, and exports might show some improvement. But Brazil would almost certainly still require external assistance, including balance of payments support, in 1961.

18. *Political Prospects.* Regardless of the facts, the Brazilian Government would believe it essential to present the IMF agreement as a victory for Kubitschek. Provided no serious economic crisis developed before the elections, Kubitschek's party would probably make a net gain from an agreement with the Fund and receipt of US aid. However, if economic conditions should deteriorate, he would attempt to place the full blame on "inadequate" assistance from the IMF and the US.

19. *Effect on Brazil's Attitude Toward the US and the Soviet Union.* Brazil's relations with the US would continue to be basically friendly, although the charge that conditions had been imposed by the US would add fuel to the anti-American campaign, which is already strong and will increase during the election period. While Brazil would be under less pressure to accept Soviet offers of assistance, it would probably still accept at any time an offer which it considered favorable.

20. *Effect on the Attitude of Other Latin American Countries.* If Brazil should reach an agreement with the IMF, the result would be to eliminate Brazil as a rallying point in Latin America for agitation against US-IMF stabilization programs. It would also tend to reduce criticism in other Latin American countries of their own stabilization programs. However, should the other governments come to believe Brazil had gotten a better deal than they had, some would be likely to press for an easing of the conditions of their own agreements.

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**275. Memorandum of a Conversation Between the Assistant Secretary of State for Inter-American Affairs (Rubottom) and the Brazilian Ambassador (Moreira Salles), Department of State, Washington, July 24, 1959<sup>1</sup>**

SUBJECT

United States-Brazil Relations

During the course of a luncheon conversation today with the Brazilian Ambassador, the following points were discussed:

1. The Ambassador said that he was now ready to do business, following presentation of his credentials yesterday, and he seemed rather optimistic; Brazil probably would not have to use the gold loan from the Federal Reserve Bank due the month of August because of unusually favorable coffee market conditions in July and August.

2. The coffee outlook is good; Guatemala and Costa Rica will come along with the agreement eventually; the real problem is Ecuador, Ambassador Chiriboga having said that while President Ponce would like to cooperate, the Ecuadorean Minister of Economy is stubborn and will not accept a quota of 460,000 bags; Brazil would like the

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<sup>1</sup> Source: Department of State, Central Files, 611.32/7-2459. Confidential. Drafted by Rubottom.

United States to help put pressure on Ecuador. (I told him that the United States had given constant support, moral and real, to the Latin producers to help facilitate reaching an agreement.)

3. The Ambassador took the job here because he is a “moderate” and did not want to see relations between the two countries deteriorate.

4. The Ambassador thought President Kubitschek’s Club Militar speech<sup>2</sup> was moderate in tone; I was non-committal except to observe that the President still seems to believe that economic development and sound fiscal policies are incompatible which, in my view, is a completely mistaken position.

5. At present, Quadros<sup>3</sup> stands the best chance of being elected president and he would make a good president, according to Moreira Salles; Quadros has always appointed excellent men on his team, picking well-known experts even when he did not know them personally; Lott is also running hard for the presidency; when I mentioned the use of American private investment as a political football in the campaign, the Ambassador told me not to worry, seeming to think that no great damage would be done by this tactic.

6. I insisted that this was damaging, as well as the position taken by the President regarding sound fiscal policies (I did not use the word stabilization), since we were straining the fabric of good relations so carefully built up between Brazil and the United States during the past half century; he agreed that we should not place too much strain on the fabric.

7. Lucio Meira<sup>4</sup> will make a good head of the Development Bank, although the Ambassador hates to see Campos go. Meira will respond to Lafer and Amaral Peixoto, the latter still playing a very key role in interpreting policies of the United States, the Export-Import Bank, and the International Monetary Fund to the important Brazilians.

Lafer will probably become Minister of Finance or Foreign Affairs and Negrão de Lima will likely go to Portugal as Ambassador.<sup>5</sup>

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<sup>2</sup> In despatch 93 from Rio de Janeiro, July 24, the Embassy commented on President Kubitschek’s speech of July 21 as follows: “The President’s speech was part of Administration’s broad campaign to muster public support for its ‘tough’ position vis-à-vis the IMF (and by implication the US). In addition there is discernible in the speech a clear intent to create a favorable psychological environment for any extremist moves which the Government may decide to take in the event its loan aspirations should be defeated. The speech was applauded repeatedly and enthusiastically, and there is little, if any, doubt that the President will have the Military Club’s firm support for any move in a nationalist direction.” (*Ibid.*, 732.00(W)/7–2459)

<sup>3</sup> Jânio da Silva Quadros.

<sup>4</sup> Admiral Lúcio Meira, President of the National Bank for Economic Development, from July 1959.

<sup>5</sup> Horácio Láfer replaced Francisco Negrão de Lima as Minister of Foreign Affairs on August 4.

8. Lafer and Schmidt work closely together, in fact Lafer directs Schmidt rather than the reverse. [1 sentence (1 line of source text) not declassified]

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**276. Letter From the Under Secretary of State for Political Affairs (Murphy) to the Assistant Secretary of Defense for International Security Affairs (Irwin)<sup>1</sup>**

*Washington, October 14, 1959.*

DEAR MR. IRWIN: Despatch No. 127 of July 31, 1959 from our Embassy at Rio de Janeiro<sup>2</sup>—copies of which have been distributed to the Department of Defense—reviews the considerations bearing on a renewal of our Agreement with Brazil for the maintenance on the Island of Fernando de Noronha of a United States Air Force missiles tracking facility. The Embassy considers that if continuance of this facility is essential for military reasons, the negotiations for renewal of the Agreement should be deferred until after the next Brazilian president has taken office in January 1961, when the climate for renegotiating the Agreement would probably be more favorable.

We agree with the Embassy and would, therefore, prefer deferring any approach to the Brazilian Government regarding renegotiation until after January 1961. Since the present Agreement does not expire until January 1962, the deferral contemplated would still leave ample time for the negotiations.

We hope, however, that a renewal of the Agreement will not be required. As is well known to the Department of Defense, it has been necessary to provide Brazil substantial amounts of grant military assistance in connection with the present Agreement and for the maintenance and operation of the facility. Members of the relevant Congressional committees have already reacted unfavorably to the provision of such sizable amounts. It seems likely that this reaction would be intensified by a Brazilian request for additional funds or military assistance, in any amount comparable to the present United States commitment, in connection with renewal of the Agreement. In addition, negotiations for renewal could touch off another campaign similar to the one which took place during the negotiations of the present

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<sup>1</sup> Source: Department of State, Central Files, 711.56332/7-3159. Confidential. Drafted by Hembra and Spencer on September 22.

<sup>2</sup> Not printed. (*Ibid.*)

Agreement. At that time the Agreement became a heated political issue which anti-United States nationalists and Communists were able to exploit in Brazil on a national scale. The revival of the issue would certainly be damaging to United States interests.

I would appreciate your reviewing the military need for continuing the facility beyond the life of the present Agreement. Should you determine that a facility other than the one on Brazilian territory could be utilized, without sacrificing an essential United States military requirement, I would appreciate the concurrence of the Department of Defense in informing Brazil that the United States does not intend to renew the Agreement.

Sincerely yours,

**Robert Murphy**<sup>3</sup>

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<sup>3</sup> Printed from a copy that bears this stamped signature.

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**277. Letter From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Ambassador in Brazil (Cabot)**<sup>1</sup>

*Washington, November 27, 1959.*

DEAR JACK: Thank you for your thoughtful letter of November 5.<sup>2</sup> I certainly agree with you that the maintenance of our traditional close and friendly relations with Latin America has become progressively more difficult as events in other areas increasingly impinge upon the United States consciousness and as the complexities of communications between governments increase. Like you, I am concerned by this trend and anxious to do everything possible to stem or at least to diminish it.

As you so aptly note, many of the major decisions which are taken at the highest levels in our Government without consultation with or prior knowledge of ARA cannot help but have an immediate effect on our Inter-American relationships, and I join with you in the

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<sup>1</sup> Source: Department of State, Rio de Janeiro Embassy Files: Lot 68 F 77, 320 Brazil–U.S. 1959. Confidential; Official–Informal. Drafted by William T. Briggs on November 24.

<sup>2</sup> In this letter, Cabot stated that President Eisenhower's trip to Asia and Africa resulted in feelings of neglect in Latin America. He strongly urged a visit to Latin America by the President or, if this was not possible, by the Secretary of State at the time of the inauguration of the new capital in Brazil. (*Ibid.*)

hope that we will be able to obtain for Latin America a greater voice in major foreign policy decisions. We shall certainly continue to work toward this end.

As to your specific recommendations with respect to what we might do in order to improve the climate of relations with Brazil and to reduce the impact on Brazilian sensibilities of some of the most recent developments, we are keeping very much in mind the inauguration of Brasilia next year and I have already broached the subject with the Secretary. It seems fairly definite that we will not be able to obtain a visit by the President<sup>3</sup>—paradoxically, in fact, his present trip may make a future Latin American tour even more unlikely than might otherwise have been the case. However, we do intend to do everything possible to arrange for a visit by the Secretary. I would very much appreciate your suggestions as to alternate personages in this Government who might suitably either accompany the Secretary on such a trip or substitute for him in the event his presence turns out to be impossible.

We have been considerably bothered by recent reports, apparently emanating from Augusto Frederico Schmidt, to the effect that Brazil is not receiving proper consideration from this Government, that Ambassador Moreira Salles must deal with “underlings” in the Department, et cetera. In view of these reports, which have appeared recently in the United States press, as well as of the general feeling in Brazil which you describe, I had hoped that it might be feasible for the President, on returning from his forthcoming trip to Asia and Africa, to follow the wartime route and stop at Natal or at some other airport in northern Brazil en route home. Such a stopover was strongly recommended by Ambassador Moreira Salles,<sup>4</sup> who viewed it not only as a friendly gesture to Brazil but also as an opportunity for Presidents Eisenhower and Kubitschek to have an informal meeting. We explored this idea thoroughly, but it was determined that it was not feasible, due not only to the great distances involved but also to the lack of airfield facilities in northern Brazil capable of handling a jet plane of

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<sup>3</sup> Dillon stated in a memorandum of telephone conversation on November 25 that President Eisenhower suggested an OAS heads of government meeting in Brasilia just before or after its dedication as the new capital of Brazil in April 1960. (*Ibid.*, Central Files, 711.11-EI/11-2559) The idea of Eisenhower’s visiting Brasilia for its dedication was supported by Rubottom in a November 27 memorandum to Dillon. (*Ibid.*) In a memorandum, November 27, Merchant stated that he “telephoned General Goodpaster at noon to say that recent messages make the proposed April date for the Summit appear firm and that accordingly a trip to South America centered in April would be out of the question.” (*Ibid.*, 711.11-EI/11-2759) Regarding Eisenhower’s trip to South America, February 23–March 7, 1960, see Documents 68 ff.

<sup>4</sup> Moreira Salles’ invitation for President Eisenhower to stop in Brazil on returning from his forthcoming trip to Asia and Africa is recorded in a memorandum of conversation between the Ambassador and Rubottom on November 13. (Department of State, Central Files, 611.32/11-1359)



the type which the President will use. Inasmuch as Moreira Salles had not yet had an opportunity to call upon the Secretary, who was in Europe when he presented his credentials, we seized upon this occasion to arrange for him to call, and Secretary Herter explained to the Ambassador the reasons why the stop in Brazil would not be feasible.<sup>5</sup> I mention this as illustrative of the concern that we have for Brazilian feelings.

We shall certainly try to arrange matters so that in the future important announcements such as the President's trip will not reach your hands late because of security classifications or priorities. I hope that the next time you will have a full opportunity to discuss such matters with the appropriate Brazilian officials.

Sincerely,

**Dick**

P.S. I am not giving up on the idea of a trip by the President to Brazil (and some other places in Latin America) in the late summer or early fall of next year.

**RRR**

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<sup>5</sup> In the memorandum of a conversation on November 20 with Moreira Salles, Secretary Herter stated that "the President had reluctantly decided against a stop in Brazil because of technical problems such as the length of runways and refueling incident to the large jet aircraft in which the President would travel." (*Ibid.*, 601.3211/11-2059)

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**278. Letter From the Ambassador in Brazil (Cabot) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Rio de Janeiro, December 4, 1959.*

DEAR DICK: Four months have now gone by since I arrived in Brazil and, to my great surprise, the shoe has not dropped, either on my toe or, so far as I can see, anywhere else. I had assumed on coming here that I should be confronted with a harassing campaign to get large loans without any undertaking in return that they would be properly spent. I will not say that broad hints have not been cast out from time to time; for example, you will recall that the President

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<sup>1</sup> Source: Department of State, Rubottom–Mann Files: Lot 62 D 418, Brazil 1960. Confidential.

button-holed me the very day I presented my credentials;<sup>2</sup> and Schmidty may have been looking for loans when he had lunch with me, though he said he wasn't.<sup>3</sup> Nevertheless, I cannot say that the pressure so far has been heavy.

Brazil has been able to scrape by for six months primarily because of coffee exports which were much bigger than expected. This is a process which can scarcely continue. Brazil has probably wanted to scrape by, partly in response to Walter Moreira Salles' idea that there should be a breathing spell and partly because having thumbed its nose very publicly at the IMF, it did not choose to go round again in public asking for money which probably would not be forthcoming except on terms which Brazil had just rejected.

I do not think that we should be deceived by this lull. The situation is gradually deteriorating, and I would say that our relations with Brazil were deteriorating also. In part, this was inevitable. It was a risk which we took with our eyes open when, after Brazil publicly stuck out its tongue at the IMF, we refused to furnish any new money. I have no doubt that we then thought the Brazilians would grab the gold loan which they insistently sought and also would snatch at our offer to reschedule debts. These things have not yet happened.

From our viewpoint, the most discouraging thing is that the internal financial position of the Government is going from bad to worse. There is no evidence that I can see that President Kubitschek has any real intention of economizing. On the contrary, his whole philosophy is one of all-out development and the hell with the economic consequences. He is not alone in this. I would say that the great majority of Brazilians believe almost hysterically in development and that they are not emotionally able to appreciate the very direct relationship between development at too rapid a pace and the price of *feijão*. Of course, the more literate and conservative elements do understand this relationship, but they are not running the show at the present time.

The deterioration can be shown in various ways. The drop in the cruzeiro from 150 when I arrived to about 200 today is one symptom. The decision of the Government to buy beans and meat abroad and to put \$1 million a week extra into the official exchange market is another. A third is the increasing rate of inflation associated with the increasing rate of paper money issuance. Our Treasury Attaché thinks that by one sleight-of-hand measure after another the present administration can probably ride out the storm until a new one comes into office, but in that event the new administration will take over with the

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<sup>2</sup> In telegram 135 from Rio de Janeiro, July 22, Cabot reported on his presentation of credentials on that day to President Kubitschek. (*Ibid.*, Central Files, 611.32/7-2259)

<sup>3</sup> A memorandum of the conversation between Schimdt and Cabot at a luncheon in Rio de Janeiro is *ibid.*, Rio de Janeiro Embassy Files: Lot 68 F 77, 320, Brazil-U.S. 1959.

ship of state on the point of sinking. I find this a very disturbing thought, particularly when one of these fine days we may be confronted with the problem of synthetic coffee.

We should realize that Brazil's financial record is not quite as bad as it has often been pictured. For example, in Washington I heard a good deal of talk about the "billion dollars in balance of payments help which Brazil has received since 1953."<sup>4</sup> In point of fact, the net balance of payments help has been barely half of this and a good deal of the gross has actually been paid. Thus, nearly two-thirds of the \$300,000,000 which Brazil borrowed in 1953 has been repaid. There has as yet been no default on Brazil's obligations. Herbert May, our Treasury Attaché, prepared some figures for us on total foreign loans and repayments from 1953 to 1958 which showed a heavy deficit only in the last year; until then, income approximately balanced outgo. Brazil has sharply curtailed imports, particularly of luxury items; more drastic curbs would cut into essentials or development. Brazil's balance of payments problem has been only partly due to extravagance, and it has been in very substantial measure due to heavy short term maturities. (Of course, this is not to deny Brazil's need to take the measures necessary to expand its exports, particularly in the face of the probable continuation of decline in world coffee prices.)

The cold shoulder we have given the Brazilians in their economic plight has had its inevitable repercussions on the political orientation of the Brazilian Government. One symptom of this is the trade mission which is now in Soviet Russia.<sup>5</sup> A second is the meeting at Itamaraty which I described in my telegram No. 770 of November 20.<sup>6</sup> A third is the temperament so often displayed at inconvenient moments by Augusto Frederico Schmidt. A fourth is the way in which President Kubitschek impatiently harps on the need for development in practically every major speech he makes. A fifth is the way in which we have been blamed for the meat and feijão crises. (The American bean scandal begins to look like a Communist masterpiece, but if it is I hope we can make it boomerang.) I think we must anticipate a rough going

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<sup>4</sup> The quotation has not been further identified.

<sup>5</sup> In despatch 594 from Rio de Janeiro, December 11, the Embassy reported on a Soviet-Brazilian trade agreement signed at Moscow, December 9, which provided for \$208 million in trade during 1960–1962. (Department of State, Central Files, 832.00/12–1159)

<sup>6</sup> In telegram 770, Cabot reported on a hastily called meeting between diplomatic representatives of all the American Republics and Brazilian officials including Foreign Minister Láfer and Presidential Adviser Schmidt at the Brazilian Foreign Office on that day. During the discussion of Operation Pan America at that meeting, Cabot stated that he thought it would be helpful to know specifically what Operation Pan America envisaged, since he had "seen no concrete plan." (*Ibid.*, 363/11–2059)

over at the Quito Conference, with the Brazilians, who have so often in inter-American conferences acted as moderators, now taking the leadership in turning the heat on us.

The question is: What, if anything, should we do about it? It would seem to me that there are really two problems. One concerns the long-term development of Brazil, which is obviously a matter of great importance to us. This involves the subsidiary problem of making it clear to the Brazilians that, although we have our temporary differences with them in regard to financial policy, we nevertheless hold firmly to the historic concept of continued cooperation between our two great countries and that we want to see Brazil strong, prosperous, progressive, and respected. In his anxiety to be loved, Schmidtty expresses a national Brazilian yearning which, I am afraid, we have not adequately satisfied in recent years. [*remainder of paragraph (6 lines of source text) not declassified*]

Our short-term objective is obviously to see that Brazil gets through the present administration without some major over-turn and survives in such shape that a new government taking office can restore Brazil's economic stability. We have, if I understand correctly, refused to loan Brazil new money for balance of payment purposes, partly because we did not wish to break a pattern we had established with many other nations, but partly also because we did not wish to have the new administration's financial head pushed under water even before it took office. I think this was a wise decision, since we cannot fill a bottomless pit with gold.

While we must keep long-term objectives in mind, it seems to me there is little reason at present to do any specific planning about them; we do not now know even who the next president will be. Our present concern should be to get through the next fourteen months with as little damage as possible to Brazil's economy and development, and to the relations between the two countries.

It does not seem to me that our present negative attitude is a very satisfactory way of attaining these aims. It lends itself to such charming interpretations as Hanson's Letters have been putting on it<sup>7</sup>—and the Brazilians in their sensitive mood are likely to accept such artful distortions as gospel. It runs counter to the Brazilian yearning to be loved by us—and the more I think of Alzira Peixoto's phrase the truer I realize it is for Brazilian psychology, however strange we may find it. More important, it does nothing to stop the economic rot here; and it hobbles Brazilian development.

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<sup>7</sup> In a November 25 letter to Rubottom, Cabot called attention to two issues of *Hanson's Latin American Letter*, October 31 and November 21, dealing with U.S.-Brazilian relations. (*Ibid.*, Rio de Janeiro Embassy Files: Lot 68 F 77, 320 Brazil-U.S. 1959) Rubottom's reply of December 10 is *ibid.*

I feel that we do not adequately appreciate that, if there has been graft and waste, Brazil's progress under Kubitschek has been very rapid. The figures of increases in the production of steel, electric power, alkalis, ships, oil, etc., are very impressive. Roads and railways are being built. In oil, we thought six years ago that Petrobras would be a flop; in that time oil production has gone up twenty times. Though I am still skeptical that they will become self-sufficient in oil in the next few years as they anticipate, it seems to me we would find it difficult to argue now that we were right and they were wrong; on the contrary, I doubt that private initiative would have developed Brazil's oil resources as fast. In short, they have spent a lot of money, but they have a lot to show for their money.

Even their "extravagances" don't appear so reckless on examination. The principal reason for their inflation is coffee financing—and this administration inherited this problem, though it has certainly not contributed to its solution. Brasilia is expensive, but it is only a small part of the broad development picture, and by securing for the government a good part of of land values increment (they bought up a block of 5000 square kilometers and are now selling it in lots) they will recover much of their outlay, if not the inflation it engendered. The Brazilians suffer from our defect of talking too much about their defects—and finding that foreigners take their exaggerations seriously.

You naturally wish suggestions as to what we should do. Here are some:

(1) It would be most helpful if the President could come to the inauguration of Brasilia. By that time the airport there should be able to take the President's jet, and if he came on to Rio he could presumably do so in a prop plane. The Secretary should also visit Brazil at an early opportunity and not repeat Acheson's and Dulles' mistake of waiting too long.

(2) I am glad to see that the Secretary invited in Moreira Salles. An invitation to Lafer to come to Washington to discuss Quito would be most helpful, also any similar gesture to show how important we consider Brazil. They yearn to be considered a great power, and they feel we have treated them on a par with Honduras. Even 25 years ago we consulted them first on practically all inter-American and on many world problems—are they less important to us now? (Your letter of November 27 has just come in. I am very pleased that we have such very similar views.)

(3) If the Inter-American Bank gets going soon, could we intimate to them that we would support a loan to Petrobras? For many Brazilians our attitude towards Petrobras is the test of our real purposes regarding Brazil. Our refusal to grant loans to Petrobras, plus the campaign of our oil companies against it (I hear Standard is now burying the hatchet), has convinced a good many Brazilians that our

government is dominated by the "oil trust" and that the present squeeze on Brazil is really an effort to get our clutches on Brazil's oil resources. We have good reason to be chary of direct loans, but if New York private banks will lend to PEMEX, why shouldn't the Inter-American Bank with our blessing lend to Petrobras, which never expropriated any of our property? On the positive side, this would help to solve a very important balance of payments problem and, depending on how clearly we were willing to show our hand, would be a good refutation of many of the most damaging nationalist arguments against us.

(4) While opposing balance of payments loans under present circumstances, it seems to me that we should be willing to make sound development loans. I understand none are now pending, but I imagine this is because the Brazilian Government thinks it would be rebuffed if it asked for one. Considering the immense needs of this country for development and the many sound projects on which money might be spent, it seems to me inadvisable for us to sulk while the situation in Brazil, and their relations with us, deteriorate. I do not think we should intervene in Brazil's internal financial affairs as we inevitably would in connection with a balance of payments loan—and get all the blame for anything that went wrong. I do think, however, that it is essential that we should continue to identify ourselves with sound Brazilian development, since practically all Brazilians are nuts on the subject. It seems to me most inadvisable to turn off the spigot for any length of time if only because, with Brazil's heavy maturities, this would be draining dollars rapidly out of Brazil.

In this connection a particularly suitable project would be the development of the additional units for the Peixoto Power Project. I understand that there is likely to be a power shortage in the area unless this is done, since Furnas will not be ready as soon as these additional Peixoto units might be. In view of the large component of dollar equipment, the inflationary impact of this would be relatively minor. We would presumably insist on formal assurances that no further expropriation of American Foreign Power properties be contemplated.

(5) If the Brazilian concept of OPA is merely a technical plan drawn up with our help for the multilateral development of the Latin American republics, then it seems to me we can scarcely refuse it our positive support—we have warbled too often publicly of the high regard we have for OPA. In fact, if that is all that is involved, surely we should sound as enthusiastic as possible rather than as defensive as possible. If, however, this is just the first step towards getting us sucked in, then we might refer blandly to the Inter-American Bank and the proposed International Development Association as new sources for financing projects. Our gold outflow, of course, puts us in a

stronger position to resist pressures, but so long as we continue to foot the budget deficits of Nationalist China, Korea, Vietnam, Jordan, etc., we cannot expect our Latino friends to be happy at getting nothing but loans at a high rate of interest. (I don't favor grant aid except through PL 480, but I do think we should lower interest rates to the point that Exim operates as an instrument of national policy rather than a lush banking operation.)

The Brazilians assert that OPA is more political than economic, and are resentful of what they consider our negotiation attitude. We must of course resist signing a blank check for financing development and also to my mind anything too reminiscent of the old Mixed Commission, to which the Brazilians look back nostalgically. It seems to me on this account the more important to find out what the Brazilians want and take a friendly position attitude on all of the specific proposals that we endorse. Insofar as I have been able to get any positive information as to what OPA envisages, it would seem to me to be precisely what we have been trying to do for years, with only a reservation re the financing we can make available.

(6) To refute nationalist allegations re the alleged lush profits, remittances, etc., of American business in Brazil, we need the figures—and I hope they won't show that the Nationalists are right. Herb May, our Treasury Attaché, has requested data from Washington, and I hope ARA can insist that we be sent the essential facts.<sup>8</sup>

(7) We should surely make the local currency derived from PL 480 sales available to Brazil and every other Latin American country for development on a grant rather than a reimbursable basis. This would in an immediate sense cost the American taxpayers nothing; on a long term basis the amount the taxpayer may recover is problematical, particularly now that the maintenance of value clause has been abolished. Why not get credit for what we are in fact doing? Moreover, we are making PL 480 local currency grants to such countries as India; I cannot too strongly emphasize that I think this further evidence of discrimination between the third force, Johnny-come-lately countries and our tried and true friends in Latin America is inexcusable and intolerable. Here is a field in which we can help Latin American development without affecting in the slightest our balance of payments problem.

(8) While a solution for Brazil's basic coffee problems must remain her own, we might help them and secure credit for ourselves by offering to cooperate with them in a comprehensive, scientific study of all kinds of possible uses of this product. I feel it would be essential to have this a strictly cooperative project in order that no suspicion might exist in Brazilian minds that this was a cover of the development of

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<sup>8</sup> Neither May's request nor the reply has been found in Department of State files.

synthetic coffee. If properly played, it would presumably be a psychological boost to the Brazilians as an indication of our interest in their problems.

(9) In connection with the readjustment of sugar quotas, it would seem to me appropriate to act favorably on Brazil's request for an increase of its quota,<sup>9</sup> considering the increase in Brazilian production, its substantial stocks, and the state of our relations with Cuba. I imagine that the Department may be considering alternative sources of sugar supplies in the event that a full-dress show-down with Cuba should occur.

(10) The possibilities for increased technical assistance and special programs are enormous. Brazil is awakening in the need for accelerating industrial technical development and realizes that her educational system needs revising from top to bottom. We could make a grand gesture by making loans for both technical training and limited amounts of scientific and teaching equipment, including publications. A considerable amount of cruzeiros from PL 480 could be applied to construction of school buildings.

(11) Dramatic assistance in advanced fields of scientific and/or military technology might well be considered. Assistance might be given in the form of, e.g., a large atomic energy plant, a large astronomical observatory, a cancer research center, fertilizer plants, etc.

(12) With reference to the proposed world-wide program for improving community water systems, perhaps a special case for this program, as it applies in Brazil, would accelerate its approval and serve a useful purpose in Brazil.

This is a horribly long letter for which I apologize, but I did wish to place before you a rounded picture of the situation as I see it after four months here. I have addressed this letter to you personally to be certain you saw it, but I have no objections to its being circulated as you see fit, and I have had it made up with that thought in mind. I do hope it will be helpful to you.

With warmest good wishes of the Season,

Very sincerely,

**John M. Cabot**

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<sup>9</sup> The Brazilian request for a sugar quota increase was not further identified. Brazil ordinarily did not have a quota but after the President cut back the Cuban quota pursuant to Public Law 86-592, approved July 6, 1960 (74 Stat. 330), 100,347 tons of the Cuban quota for 1960 was reassigned to Brazil. For additional information, see *Congressional Quarterly Almanac, 1961* (Washington, 1961), vol. XVII, p. 126.



**279. Editorial Note**

In an oral briefing by the Director of Central Intelligence, Allen W. Dulles, on significant world developments affecting United States national security, at the 429th meeting of the National Security Council on December 16, Brazil was one of the subjects discussed. According to the memorandum of this discussion, Dulles stated that there was pressure in Brazil on President Kubitschek and his principal aides to change from a pro-United States policy toward closer relations with the Soviet Union. Brazil had signed a trade agreement with the Soviet Union for \$107 million trade each way during 1960–1962. Dulles felt that this trade was an opening wedge for the Soviets who were dealing with Brazil for purely political reasons since they would obtain mostly coffee which they did not drink. Dulles also stated that diplomatic relations would probably be resumed between the two countries in about 6 months. (Eisenhower Library, Whitman File, NSC Records) In NSC Action No. 2164, approved by the President on December 23, the National Security Council noted and discussed Dulles' oral briefing on this subject. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, NSC Records of Action)

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**280. Letter from the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Ambassador in Brazil (Cabot)<sup>1</sup>**

*Washington, January 18, 1960.*

DEAR JACK: Assuming you have noted the absence so far of a specific reply to your letter of last December 4, I want to send forward at this time the assurance that your helpful suggestions toward improving relations with Brazil have been widely distributed and discussed in the Department and that the area of agreement with your thoughts is large indeed. Fortunately there has been substantial progress in recent months already along the lines of certain of your suggestions; as time passes, we can push forward further on these items and endeavor to add others.

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<sup>1</sup> Source: Department of State, Rio de Janeiro Embassy Files: Lot 68 F 77, 320 Brazil–U.S. 1960. Confidential; Official–Informal. Drafted by Hembra and Boonstra, January 15. Received in Rio de Janeiro on January 25.

As your letter suggests, we took certain risks in handling the Brazilian financial approach last May and undertook knowingly the possible subsequent short-term deterioration in our relations. On the other hand, we had very much in mind the establishment of safeguards against risks which might involve a long-time deterioration of relations. The problem thus has been one of assuring that a deterioration resulting from our handling of the financial situation—a handling which I think is confirmed by hindsight to have been the most suitable one—did not become more than a strictly temporary fluctuation. This seems to have been the case.

I think it is safe to say that our over-all relations with Brazil are better now than they were a year ago. With respect to financial matters, Ambassador Moreira Salles has stated in at least two recent conversations with us that Brazil is no longer facing a balance of payments crisis.<sup>2</sup> On the other hand, I think that we all sense that the day of reckoning has been postponed rather than averted. On each problem that we now have with Brazil, we face the very real responsibility of looking forward to the way in which our handling will affect the next Brazilian Government. This responsibility is made all the greater by the often demonstrated disregard of the Kubitschek Government of the problems of its successor.

The coming visit of President Eisenhower to Brazil<sup>3</sup> undoubtedly is one of the most beneficial things which could be done at this time. Even so, however, we must be realistic in recognizing that the improvement in relations resulting from the trip is more likely than not to be followed after a few months by another dip, given the well-known human proclivity against maintenance of any sustained high emotional pitch. The fact that the trip comes at a strategic time in our relations with Brazil should nevertheless carry us through many of the problems which we face during the last year of the Kubitschek regime. One could go on for some time in this speculative course of thinking but you have already thought much about these things.

Perhaps it would be more helpful to refer at this point specifically to the numbered suggestions in your December 4 letter, and to outline our comments on them:

1. Your suggestion that the President might come to the inauguration of Brasilia has, of course, been overtaken by events. We shall do our best to obtain a suitably appropriate and distinguished citizen to

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<sup>2</sup> In the memorandum of November 20 on a conversation with Secretary Herter, Ambassador Moreira Salles stated that although Brazil had a balance-of-payments deficit at the end of October, it was expected that no deficit would exist at the end of 1959 because of the volume of coffee sales. (*Ibid.*, Central Files, 601.3211/11-2059)

<sup>3</sup> On December 30, Under Secretary Dillon informed Moreira Salles of the prospect of a visit to Brazil by President Eisenhower in February. (Department of State, Memorandum of Conversation, Secretary's Memoranda of Conversation: Lot 64 D 199)

head our delegation when Brasilia is inaugurated. As a first choice we are submitting the name of Governor Rockefeller of New York, and if this does not prove feasible, we should like to obtain consideration of your cousin, Ambassador Henry Cabot Lodge. We are thinking along lines that the delegation could suitably include you, a high-ranking Departmental officer, two Senators, and one or two other persons designated by the White House.

2. We have been continuing our special efforts to assure treatment of Brazilian officials reasonably in line with their aspirations. Now that the Quito Conference has been indefinitely postponed, the proposal for Foreign Minister Lafer to visit Washington takes on added significance. Lately we have not heard any more concerning his intentions to visit Canada, but we are prepared to extend him an invitation to come to Washington whenever he makes the trip. As he already has the invitation to Canada, it is difficult to see how we could extend him a separate invitation to visit the United States alone; therefore, it may be best for us to wait and see whether he takes up our already known intentions to invite him here at the time he decides to go to Canada. Any further views that you may have will be appreciated.

3. I am afraid that it is not feasible at this time for us to prejudice in any way the attitude of the Inter-American Bank on any specific project, such as a loan to Petrobras. The Bank will simply have to be given time to work out its own policy. Meanwhile, we shall have to work within the framework of the statement made by Assistant Secretary Graydon Upton on June 23, 1959, in response to a question by Senator Morse<sup>4</sup> (copy attached).<sup>5</sup>

4. I don't think that there is any serious problem respecting our willingness to make sound development loans. On the other hand, there is inescapably the need for Brazil and the United States jointly to consider what "sound" means. Certainly we are disposed to talk with the Brazilians on anything they wish to bring up. In the event that we cannot mutually agree that a given project is "sound," this does not mean that the United States is rebuffing the Brazilians. Much of this is psychological and one of the important things is to get back on a basis where the Brazilians and we can talk reasonably and dispassionately concerning economic development. You know, of course, that the Eximbank has been more than willing to discuss specified projects such as the possible purchase by Brazilian airlines of jet aircraft. The principal delay in this particular project has been the apparent reluctance of the Brazilian Government to decide as to which airline it

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<sup>4</sup> Senator Wayne Morse.

<sup>5</sup> Not filed with the source text and not further identified.

wishes to support in getting jets. We hear now that the Varig application has the edge and is under active consideration by Eximbank.<sup>6</sup>

5. Our previous exchanges of views on Operation Pan America have been helpful and have contributed much toward the attitude now developing here concerning a possible meeting of the Committee of 9 or perhaps the Committee of 21.<sup>7</sup> We are not certain at this point as to whether or not we should initiate such action or concur in Brazilian action but probably by the time this letter reaches you we will already have forwarded you some definite instructions in this regard.

6. The delay which has taken place in forwarding to you data helpful in refuting nationalist allegations of lush profits draining from Brazil has worried us also and we have kept up pressure to get the data from the technical people here. It is hard to document precisely such matters, although our case appears generally very good, and I am not certain that we can extract precisely the type of thing you want. A draft instruction is now ready but has not been cleared. I have asked the Brazilian desk to send informally the draft to you in the hope that it will be helpful even in this form.<sup>8</sup>

7. PL-480 has been a useful instrument and we have hopes for more flexibility respecting its use in the future than in the past. Certainly we will want to review very carefully the possibility of PL-480 local currency grants, as has been done in India, for the purpose of promoting economic development. Perhaps a more immediate problem is whether or not Brazil wants additional PL-480 assistance at this time. Our guess is that, at the expiration of the present PL-480 agreement next June 30,<sup>9</sup> Brazil may ask for a new agreement to run for three to five years more. An agreement of this magnitude certainly will bring up the serious policy question as to the most advantageous way to use the local currency.<sup>10</sup>

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<sup>6</sup> The Export-Import Bank of Washington authorized a \$6.9-million credit to VARIG on February 4 to finance purchases from the Boeing Aircraft Co. For further information, see Export-Import Bank of Washington, *Report to the Congress for the Twelve Months Ending June 30, 1961* (Washington, 1961), p. 118.

<sup>7</sup> The Committee of 21, as the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation came to be known, established a Subcommittee of 9 members (including the United States) to expedite implementation of new measures recommended at its Second Meeting in Buenos Aires, April 27-May 8, 1959.

<sup>8</sup> Not further identified.

<sup>9</sup> Reference is to the agreement amending the Surplus Agricultural Commodities Agreement of December 31, 1956, signed by representatives of Brazil and the United States at Washington, September 2, 1959; for text, see 10 UST (pt. 2) 1638.

<sup>10</sup> The agreement was extended until December 31, 1960, by the Surplus Agricultural Commodities Agreement of December 9; 11 UST (pt. 2) 2532; and until June 30, 1961, by the Surplus Agricultural Commodities Agreement of December 29, 1960; 11 UST (pt. 2) 2559.

8. All of us would like to see Brazil and other countries embark on comprehensive, serious studies pointing toward expanded uses for principal products such as coffee. For us to initiate such studies could be counter-productive, as you suggest, but anything we can do to encourage them along these lines could provide a real opportunity for productive cooperation. Tom Mann has urged getting Latin American chemists here to study the work on synthetic coffee, particularly in connection with the work of the Scientific Department of the Coffee Brewing Institute at New York, but we must go slowly on this to avoid provoking suspicions of any ulterior motives on our part. The Stanford Research Institute recently made a study concerning the utilization of coffee for production of oil and cattle feed<sup>11</sup> and it is to be hoped that Brazil will show an active interest in this and other initial projects.

9. It is too early to predict just what is going to happen on sugar legislation but we are alert, in case there are reallocations of quotas, to the desirability of doing something for Brazil.

10. We have always before us the need for more dynamic and productive programs in technical assistance. Evaluation of the manner in which technical assistance and special programs can be used for reaching long-range objectives must indeed be emphasized more. I feel that too often it is subordinated to the daily routine of working on the mass of current demands.

11 and 12. Dramatic assistance on large-scale projects is something to be considered in the context of over-all administration policies and feasible Congressional appropriations. None of us should ever become so enmeshed in these limitations, however, that we cannot see the larger horizons.

In reviewing all of the above, I have the impression that I have left more unsaid than said. There will be opportunities soon I hope to go over this orally with you and I feel this will be more productive than anything I can write.

During the next several weeks, with the President's visit coming up, perhaps we should concentrate most on doing the best possible job in the psychological field.

With all best wishes.

Sincerely yours,

**Dick**

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<sup>11</sup> Not further identified.

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**281. Editorial Note**

President Eisenhower visited Argentina, Brazil, Chile, and Uruguay, February 23–March 3. While in Brazil, February 23–26, he and Secretary Herter and Assistant Secretary Rubottom, who accompanied him, met with President Kubitschek, Foreign Minister Láfer, and other Brazilian officials. Memoranda of their conversations are printed here. See Documents 68 ff., 204, 302, and 350. Documentation on the trip is in Department of State, Conference Files: Lot 64 D 559, CF 1596–1609. For texts of the statements issued during the visit to Brazil and the President's radio and television report to the American people on the trip, March 8, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, pages 210–230 and 282–287. For the account of the trip in his memoirs, see Dwight D. Eisenhower, *The White House Years: Waging the Peace, 1956–1961* (Garden City, N.Y., 1965), pages 525–533.

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**282. Memorandum of a Conversation, Presidential Palace, Brasilia, February 23, 1960, 8:30–10:30 a.m.<sup>1</sup>**

 US/MC/27<sup>2</sup>

SUBJECT

U.S.-Brazilian Relations

PARTICIPANTS

*U.S.*

 The President  
 Secretary Herter  
 Ambassador Cabot  
 Dr. Eisenhower  
 Gen. Goodpaster  
 Col. Walters

*Brazil*

 President Kubitschek  
 Foreign Minister Lafer  
 Ambassador Moreira Salles  
 Et al.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. No drafting information is given on the source text. The source text bears the notation: "Received from the White House 3/12/60."

<sup>2</sup> The designation US/MC indicates a U.S. memorandum of conversation. Thirty-three memoranda of conversation (US/MC/1–33) dealing with Brazil were generated during President Eisenhower's trip to South America. They are all filed *ibid.*

Toward the end of the dinner President Kubitschek said he wished to express his great satisfaction for the President's visit to Brazil. He also said the President would get a tremendous reception the following day in Rio as the representative of the American people and also as the Commander of the Armies of Democracy. The President's personality was so revered in Brazil that had he not been President of the United States, he would still have received the same warm welcome.

President Kubitschek said that he regarded the President and Sir Winston Churchill as the two greatest men of the century. They had been the paladins of the cause of freedom and thanks to them it had survived. The President expressed his gratitude for the kind words the Brazilian had spoken. He said this was his second trip to Brazil. His first had been in 1946 when he had come to thank the Brazilian people for their efforts during World War II. And now he had come to express the warm interest of the American people in the development, prosperity and increasing living standards for all the people of Brazil. He had been deeply impressed by the vision and tremendous drive which he had seen in Brazil and the construction of this great city was an inspiration to the world.

President Kubitschek said that he felt there was not a single serious problem at the present time to mar US-Brazilian relations and they were, in fact, better than at any time he could remember. The Brazilians were anxious to develop their country and would welcome foreign capital which would be treated on exactly the same basis as national capital. He himself believed in free enterprise and his belief in it had been strengthened with every year he had spent in the presidency. In only one field of activity had there been any increased state participation since he became president.

President Kubitschek said that he had campaigned on the slogan that he would try and advance the progress of Brazil 50 years in 5 years. He had fixed a series of developmental goals and in nearly all cases they were up to schedule or ahead of schedule. He had pushed a great road building program and a great hydroelectric program. The desire to speed development was great in Brazil and throughout Latin America. This was one of the reasons why he had proposed Operation Pan America and he welcomed the support the President had given this.

Discussing the choir which sang at the dinner (Madrigal Renascentista) the two presidents agreed that exchanges of groups such as this were very desirable. They also agreed that exchanges of this type were greatly beneficial to both countries and increased the knowledge of both concerning the other.

After further amenities, the dinner concluded.

**283. Memorandum of a Conversation Between the Assistant Secretary of State for Inter-American Affairs (Rubottom) and the Chief, Economic and Commercial Department, Brazilian Foreign Office (Barbosa da Silva), Rio de Janeiro, February 24, 1960<sup>1</sup>**

SUBJECT

P.L. 480 Agreement and Brazil-USSR Trade Negotiations

After an exchange of pleasantries at today's luncheon given me by Barbosa da Silva, I asked him whether he had been pleased with the results of his trip to Moscow. He answered affirmatively.

The Ambassador talked quite a while on this subject placing more emphasis on the atmospheric than on the substance of the Brazil-USSR agreement. [*remainder of paragraph (16 lines of source text) not declassified*]

I asked the Ambassador about Brazilian economic conditions. He said that he would not have believed it possible that 1959 could have ended as satisfactorily as it did. The economic goals set by the government had seemed impossible of achievement but they had come close. The prospects for the future were satisfactory in view of the likelihood of a reduced coffee crop. The only unfavorable factor was the poor prospect for wheat.

At this point Barbosa said that Brazil would be interested in talking to us about another PL-480 agreement. I asked about the approximately 300,000 tons remaining to be purchased under the old agreement. He said that they would be buying this soon and that they would need a great deal more wheat. The outside figure they had in mind would possibly reach 200,000,000 dollars. There were two problems in this connection which he wanted to mention. First, the maintenance of value clause which was complicating things enormously under the old agreement,<sup>2</sup> leaving millions of cruzeiros tied up in the bank as a result, and, second, the loans to U.S. investors under the Cooley amendment.<sup>3</sup> I asked the Ambassador whether he realized the extent to which these and other requirements were the result of laws passed by the U.S. Congress. He acknowledged the role of the Con-

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 62 D 308, ARA: EST/B 1960 Files Folder #8. Confidential.

<sup>2</sup> For text of the Surplus Agricultural Commodities Agreement signed by representatives of Brazil and the United States at Washington, December 31, 1956, see 7 UST (pt. 3) 3475.

<sup>3</sup> The Cooley amendment in the 1957 renewal of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) provides that up to 25% of the local currency proceeds from Title I sales shall be made available for loans to U.S. and foreign private investors through the Export-Import Bank (section 1040). For text, see Public Law 85-128, approved August 13, 1957; 71 Stat. 345.



gress but said that he knew we had changed our policy regarding the maintenance of value of the proceeds of purchase of PL-480 goods; he knew also that we had waived the Cooley amendment requirement in a PL-480 agreement with Poland.<sup>4</sup> When I mentioned that that waiver had been due to the obvious fact that there was no U.S. investment in Poland, he countered by pointing to the harm that would be done the United States in Brazil by the strong reaction from the ultra-nationalist group if we insisted that a certain percentage of the proceeds be loaned to U.S. companies. He said that our companies should have the same treatment as Brazilian companies and that all of them are now feeling the pinch of credit restrictions.

We had not finished our discussion regarding PL-480 when the time came for me to leave the luncheon in order to attend the special meeting of the Brazilian Congress to hear President Eisenhower.<sup>5</sup> I did, however, say to Barbosa that we should explore very carefully the outer limits under which his government and mine might negotiate another PL-480 sale; there were emotional overtones on both sides that needed to be taken into account, matters which might be beyond the control of the executive branches of the government; it was not quite as simple as our having surplus wheat and other products to sell to Brazil and their needing these products, although these were the basic facts; it would be better not to start a serious negotiation if there were requirements from the U.S. side which would make an agreement unacceptable to Brazilian public opinion.

The Ambassador had little opportunity to react to the above line but he indicated that they were still interested in PL-480 and hoped that something could be worked out.<sup>6</sup>

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<sup>4</sup> For text of the Surplus Agricultural Commodities Agreement signed by representatives of Poland and the United States at Washington, June 10, 1959, see 10 UST 1058.

<sup>5</sup> For text of an address by President Eisenhower before a joint session of the Congress of Brazil, February 24, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, p. 216.

<sup>6</sup> Regarding extension of the Surplus Agricultural Commodities Agreement, see footnote 9, Document 280.

**284. Memorandum of a Conversation, Brazilian Foreign Ministry, Rio de Janeiro, February 25, 1960, 11:10 a.m.<sup>1</sup>**

US/MC/2

PARTICIPANTS

|                              |                                   |
|------------------------------|-----------------------------------|
| <i>US</i>                    | <i>Brazil</i>                     |
| Secretary Herter             | Foreign Minister Horacio Lafer    |
| Assistant Secretary Rubottom | Ambassador Walther Moreira Salles |

SUBJECT

Economic Topics Discussed by the Secretary with the Brazilian Foreign Minister

*1. Argentina*

Foreign Minister Lafer said that Argentina was "wonderful, terrible and difficult". Frondizi should not be allowed to fail, he added. He believes that Argentina is a case where the IMF has tried to go too far too fast in a stabilization program. The IMF has lost its earlier sensitivity to political situations.

*2. Brazil's Financial Situation*

The Foreign Minister said that he had taken the lead in deciding that Brazil should not accept the IMF demands for a stabilization program last year and had made a public speech to that effect.<sup>2</sup> Brazil's financial situation is good and is improving. He expressed appreciation for the Secretary's favorable response during the Santiago Conference to his request for a rescheduling of Brazil's debt payments to the United States but this had not been necessary.<sup>3</sup> Ambassador Moreira Salles said that Brazil would not have a foreign exchange deficit this year. He said that the cost of living had not gone up for two months. Crops look better this year except for coffee and lower production of this product would be helpful in view of their vast surplus. The Foreign Minister said that Brazil was achieving stabilization with popular support rather than over popular protest as in the case of Argentina.

<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Rubottom. The source text bears the typed notation: "Approved: S 2/27/60." This conversation was recorded by Rubottom in two memoranda. The other memorandum, dealing with Argentina, Bolivia, Cuba, the Dominican Republic, Paraguay, and other subjects, is quoted in part in footnote 7, below.

<sup>2</sup> A translation of the speech by Brazilian Federal Deputy Horácio Láfer in the Chamber of Deputies, June 12, was transmitted as an enclosure to despatch 1474 from Rio de Janeiro, June 18. (*Ibid.*, Central Files, 398.13/6-1859)

<sup>3</sup> No record of Secretary Herter's favorable response to Láfer's request has been found in Department of State files. Regarding the Fifth Meeting of Consultation of Ministers of Foreign Affairs at Santiago, August 12-18, 1959, see Documents 79 ff.

The Secretary recalled the meat shortage in the United States in 1947–48 when he had traveled over the country with a Congressional committee investigating the situation; the popular outcry over the shortage had contributed to the Democratic defeat in the Congress in 1948.

### 3. EEC and EFTA

The Foreign Minister handed the Secretary a talking paper regarding multi-lateral problems under the above heading,<sup>4</sup> a paper which stressed Brazil's concern that Brazil and other producing countries in Latin America might be discriminated against by the new trade arrangements developing in Europe. The Secretary said that the United States had acted vigorously to avoid precisely this danger, this being the principal reason for Under Secretary Dillon's recent trip to Europe.<sup>5</sup> He recalled the problem that had been faced by NATO on precisely this subject and that we were moving strongly to protect liberal trade policies, through GATT, and to avoid increased protectionism. The Secretary referred to the establishment of an informal committee of representatives of the European countries concerned; a subcommittee of this group would meet soon in Washington to discuss what industrialized countries might do to assist less developed countries; two other committees dealing with trade problems would meet later. These committees would not be empowered to move against the government concerned but should play an important role.

### 4. Coffee and PL-480

The Foreign Minister thanked the United States for its highly constructive role in the evolution of the international coffee agreement.<sup>6</sup> He referred to the Brazilian desire for another PL-480 sales agreement for wheat. The Secretary pointed out the desirability of moving carefully in such discussions before any formal negotiations were started since both of us have problems to take into account on this score. The Foreign Minister said that the discussions would be carried out in Washington by Ambassador Moreira Salles.

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<sup>4</sup> A copy of the referenced paper is in Department of State, Rio de Janeiro Embassy Files: Lot 68 F 77, 320 Brazil-U.S., 1960.

<sup>5</sup> Dillon attended a 13-nation Special Economic Committee meeting, January 12–13; a meeting of the 20 members or associates of the Organization for European Economic Cooperation (OEEC), January 14, and a ministerial meeting of the OEEC Council on the same day in Paris.

<sup>6</sup> Reference presumably is to the International Coffee Agreement signed at Washington September 24, 1959; the United States was not a party to the agreement.

### 5. *Operation Pan America*

The Foreign Minister turned to the Aide-Mémoire of February 23 delivered to the Secretary yesterday. He said that Operation Pan America was a great psychological concept, "a flag around which the public can rally." The Secretary referred to Point 1 on "Strengthening of Processes to Finance Latin American Development, Preferably through the Inter-American Development Bank", adding that we were concerned over any possible change in the structure of the bank which had just been organized and had yet to make even its first loan. The Foreign Minister assured the Secretary that Brazil had not meant to suggest any serious change in the bank, saying that this point had emerged from talks held with President Lopes Mateos of Mexico when he had visited Brazil recently. He said that the Mexican President had told President Kubitschek that any allegations that Mexico was opposed to Operation Pan America were untrue. The Brazilian President had replied that he was coming to the end of his term of office whereas the Mexican President had over four years to go and that he was, therefore, handing the baton Operation Pan America over to the Mexican President and others to use as they saw fit.

### 6. *Food Production*

The Foreign Minister stressed the need for a program to increase food production throughout the Americas (undoubtedly alluding to Point 2 of the Aide-Mémoire). The Secretary referred to the cost of providing one industrial job, approximately \$20,000 of capital investment, and the surprising fact that it costs even more to provide one agricultural job.

The Foreign Minister suggested that the group adjourn temporarily while the table was set up in his office for luncheon.<sup>7</sup>

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<sup>7</sup> A memorandum by Rubottom on the conversation at this luncheon reads in part as follows:

"During the luncheon, Mr. Rubottom raised the Cuba problem. He pointed to the steady deterioration of U.S.-Cuban relations, the violation by the Castro government of most of the principles of the Inter-American system, the threat which Castro was beginning to pose for all the Americas, and the possible need for action under the Caracas Resolution because of the Communist threat. The Foreign Minister said that Brazil too was deeply concerned. Any action would have to be carefully studied and prepared, he added. To the Secretary's inquiry as to which steps the U.S. might consider taking, and specifically the problem respecting the return of Ambassador Bonsal, the Brazilians were unresponsive. The Foreign Minister said that their Ambassador to Cuba was home on consultation but he'd seen him for only 15 minutes. Their Ambassador felt that Castro, once he had shown Cuba's independence of the U.S., would then turn on the Communists. Mr. Rubottom said that this might not happen and involved great dangers." (Department of State, Conference Files: Lot 64 D 559, CF 1596)

285. **Memorandum of a Conversation Aboard Columbine III  
Between Sao Paulo and Rio de Janeiro, February 25, 1960,  
4:05–5:05 p.m.**<sup>1</sup>

US/MC/28

SUBJECTS

Cuba, Inter-American Affairs, Brasilia

PARTICIPANTS

*U.S.*

The President

Lt. Col. Walters

*Brazil*

President Kubitschek

President Kubitschek opened the conversation by thanking the President for inviting him to ride back to Rio with him.

*Cuba*

He asked what the United States intended to do about Cuba and the President said that he regarded Cuba as a problem for the OAS as a whole rather than a purely US problem. He could not foresee the US making any active intervention in Cuba. President Kubitschek said he agreed that it was a problem for all of the Americas and asked how important Guantanamo Base was to the US as the Cubans had been spreading abroad that it was vital for the US for nuclear war. The President said that he believed that we had a perfectly legal right to the base and he believed there was a missile tracking station there. President Kubitschek said that he had talked to the Cuban Ambassador to Brazil<sup>2</sup> and advised moderation. Similarly he had called the Brazilian Ambassador to Cuba<sup>3</sup> back for consultation. Castro's sister<sup>4</sup> had taken refuge in the Brazilian Embassy during the Batista<sup>5</sup> regime so that the Brazilian Ambassador was in a particularly good position to talk to Castro. President Kubitschek said that the Brazilians were also greatly concerned with Communist infiltration in Cuba and asked whether the US would welcome an effort at mediation or good offices by Brazil and other Latin American countries.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Secret. No drafting information is given on the source text. The source text bears the notation: "Received from White House 3/12/60."

<sup>2</sup> Rafael García Barcena.

<sup>3</sup> Vasco Tristão Leitão de Cunha returned to Brazil, February 19.

<sup>4</sup> Lidia Castro.

<sup>5</sup> Major General Fulgencio Batista y Zaldívar, President of Cuba until January 1, 1959.

The President said he felt anything the Latin American nations could do to bring Castro to a more amenable frame of mind would be helpful.

### *Pan American Conference*

President Kubitschek, speaking of the forthcoming Pan American conference,<sup>6</sup> then said he felt it would be more useful if the meeting were held at the level of 21 nations rather than 9. Cuba was represented on the 9 and would be in less of a minority in 9 than they would be in 21. He did not feel too strongly on this but he did feel that a meeting of 21 could give a general directive and guidance to the 9 that would serve as a basis for their work. If all went well, perhaps towards the end of the year they might hold a meeting of presidents of American nations. The President said he would look into this matter and spoke of the difficulty he would have in finding time to attend such a meeting. He felt it should be held in some place other than the US or Brazil.

President Kubitschek then spoke again of the importance of the President's journey to Latin America. He said that Brazil had excellent relations with all of her neighbors and that he was watching with great sympathy the efforts of President Frondizi of Argentina. The President also praised President Frondizi's efforts and President Kubitschek said that anything the US could do to help and strengthen Frondizi would be a great contribution to the development of entire area and said, "do everything you can to help him."

He then asked the President's opinion concerning the world situation and the President spoke briefly on this subject outlining his views on what might be expected from the Summit Meeting.<sup>7</sup>

### *Brasilia*

President Kubitschek then spoke of Brasilia and said that he intended to move the capital on the 21st of April. He intended to move some 6,000 government employees in the first echelon of the move and he already had 30,000 volunteers. These government employees would also bring their families with them which meant that the actual number of people who would move was much larger than 6,000. Progressively, as housing was completed, the remaining government

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<sup>6</sup> Reference presumably is to the Third Meeting of the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures of Economic Development (Committee of 21), held at Bogotá, Colombia, September 5-13; see the microfiche supplement to this volume.

<sup>7</sup> Reference is to the Meeting of the Heads of Government (Summit Conference) of the United States, the United Kingdom, France, and the Soviet Union at Paris, May 16-17.

ministries would move to Brasilia. He himself would move permanently on April 21st. He expressed gratitude for the US' prompt action in starting work on the new US Embassy in Brasilia.

The two presidents then spoke at some length concerning their plans after finishing their terms which expire ten days apart.

There was a further brief discussion of Cuba along the same lines as earlier in the conversation.

#### *Air Disaster*

Mr. Hagerty<sup>8</sup> suggested to the two Presidents the desirability of a joint statement on arrival in Rio concerning the air crash involving a Brazilian commercial airliner and a US Navy plane, and there was agreement by the two presidents that a statement would be issued when they had ascertained the facts on arrival in Rio.<sup>9</sup>

Both presidents expressed their deep sorrow over the air disaster.

The aircraft then landed in Rio and the conversation by the two presidents concluded.

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<sup>8</sup> James C. Hagerty.

<sup>9</sup> A U.S. Navy transport plane and a Brazilian airliner collided in the air over Guanabara Bay near Rio de Janeiro, killing 61 of 64 persons aboard both planes, February 25. For text of a letter from President Eisenhower to President Kubitschek, February 28, regarding the crash, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, p. 243.

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## **286. Memorandum of a Conversation Between Secretary of State Herter and President Kubitschek's Adviser (Schmidt), Rio de Janeiro, February 25, 1960<sup>1</sup>**

US/MC/3

SUBJECT

US-Brazilian Problems

On three separate occasions Mr. Schmidt sought me out in order to talk to me about the situation in Brazil. The first was at the reception before dinner in Brasilia;<sup>2</sup> the second was before President Kubi-

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1596. Confidential. Drafted by Herter.

<sup>2</sup> The reception in Brasilia took place on February 23; for President Eisenhower's remarks on that occasion, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, p. 210.

tschek's dinner;<sup>3</sup> and the third at the Foreign Office just after I had concluded luncheon with Foreign Minister Lafer.<sup>4</sup>

On the first occasion, Mr. Schmidt told me that he was not a tactful man but that he believed in speaking the truth; that the problems between the United States and Brazil were not primarily economic problems but essentially psychological and political. He told me that a greater awareness of Brazil and a better understanding of her desire to be considered a great power entitled to consultation on world problems was of paramount importance and that economic problems would take care of themselves. He added that he had become a very good friend of the United States and that he felt the atmosphere between our two countries had improved very materially during the last year. He expressed the hope that in any talks with Brazil the element of consideration for Brazil as a friend and partner should be strongly stressed.

On the second occasion, Mr. Schmidt again sought me out and told me that the President's speech to the Chamber of Deputies had had a profound effect and, in particular, the President's stress on the aspirations contained in Operation Pan America as well as his eloquent exposition of the similarities in our respective ideologies had been particularly welcomed.

On the third occasion, Mr. Schmidt said he wanted to talk to me alone for a few minutes. He then told me that he was basically a poet and that he approached the problems of his country from that point of view rather than as a statesman. He first emphasized that the inflation which Brazil had gone through and was going through was an essential part of the dynamic economic programs which President Kubitschek had put into operation and that those dynamic programs were essential in order to retain popular support and maintain a democratic form of government in the country. He said it was essential for us to understand this since it was the key to the whole relationship between Brazil and the International Monetary Fund which was thinking in terms of conventional economics and not in terms of political necessities. Even though I told him that Mr. Rubottom and I had had talks with Mr. Lafer along the same lines this morning for over an hour, Mr. Schmidt continued on this theme for some time. Finally, he told me that while he was not a statesman he could be frank with me as a friend. He then said he thought it was very unfortunate that the President had mentioned the two and a half billion dollars worth of loans to Brazil and had also referred to our efforts to relieve starvation. These remarks of the President were likely to play into the hands of

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<sup>3</sup> The dinner took place at Rio de Janeiro, February 24; for text of a toast by President Eisenhower at that dinner, see *ibid.*, p. 223.

<sup>4</sup> The luncheon took place at Rio de Janeiro, February 25; see *supra*.



the left-wing which continuously harped on our rubbing in the amount which we had contributed in the way of loans, etc. Mr. Schmidt then expostulated on the fact that the United States was the most generous nation in the world but that this was purposely left unrecognized by the left-wing groups and that we must be careful not to give them any ammunition lest Brazil turn into a larger and more dangerous Cuba.

Finally, Mr. Schmidt volunteered the fact that the American banks in Brazil were utterly selfish; did not have the interests of the Brazilian people at heart; and were conducted solely for the purpose of making money for their home offices in the United States.

As we parted, Mr. Schmidt said he was very tired and was going to Europe for a rest.

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## 287. Editorial Note

Horácio Láfer, Brazilian Minister of Foreign Affairs, made an informal visit to Washington, March 18–20, at the invitation of Secretary of State Herter. A briefing memorandum of March 16 on these discussions from Roy R. Rubottom, Jr., to Secretary Herter is in Department of State, Rubottom–Mann Files: Lot 62 D 418, Brazil 1960. A memorandum of their conversation on March 18, indicating Brazil's desire to open negotiations for a new surplus agricultural commodities agreement, is *ibid.*, Central Files, 411.324/3–1860. The memorandum of Láfer's conversation with President Eisenhower is *infra*. For text of the joint communiqué of March 19 on Láfer's talks with Secretary Herter, see Department of State *Bulletin*, April 4, 1960, page 523.

**288. Memorandum of a Conversation, White House, Washington, March 18, 1960<sup>1</sup>**

## SUBJECT

The Brazilian Foreign Minister's Call on The President

## PARTICIPANTS

The President  
Brazilian Foreign Minister Horacio Lafer  
Ambassador Moreira Salles  
Assistant Secretary Rubottom

The Foreign Minister began by telling the President that his trip to Brazil had been a tremendous success. The President expressed appreciation for the reception which had been given him by the Brazilian Government and people, saying that he had told many since his return about the project being carried out at Brasilia. He expressed the hope that it would meet with success and that it would serve as a rallying point for the development of the interior of the country.

The Foreign Minister told the President that he had enjoyed his visit to Canada and was pleased to report that the Canadian Government had, for the first time, stated in the joint declaration<sup>2</sup> released at the time of his departure that Canada would examine all possibilities of increasing cooperation with the rest of the Americas. The President expressed satisfaction with this news, recalling that Canada had traditionally looked to the East and the West rather than southward, even eschewing "America" in its own name and in any references to itself.

The Foreign Minister asked the President his impression of Argentina. The President replied that the Argentines were carrying forward their program steadfastly although they still face many problems. He did not feel that he had quite as much opportunity to know Argentina as he had had to know Brazil, although he had covered quite a bit of territory. The President alluded briefly to his pleasant visits in Chile and Uruguay, deprecating the significance of the two student demonstrations against him in Montevideo as compared with the over-all reception. He stressed the importance, however, of answering directly whatever complaints the students might have regarding the United States, citing the way in which he had replied briefly

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Confidential. Drafted by Rubottom.

<sup>2</sup> A copy of the communiqué, dated March 17, issued in Ottawa is in Department of State, ARA/EST Files: Lot 62 D 308, ARA/EST/B 1960 Files.

but directly to the so-called students' letter in Santiago.<sup>3</sup> He said that he understood that the letter had actually been drafted by one of the leftist professors although signed by two students, leaders of the federation. The President observed that while the letter ostensibly was critical of certain United States policies, it also was quite critical of the Chilean Government by implication. He urged Mr. Rubottom to expedite the Department's preparation of a complete reply to be transmitted to the students through Ambassador Howe.<sup>4</sup>

The President referred to the importance of educating citizens at large in the importance of government stability, especially with respect to fiscal policy. He said that we had work still to do in that respect in our own country. He felt that it was especially important to convey this message to student groups and labor unions.

The President asked the Foreign Minister his views regarding the Cuban situation. Ambassador Moreira Salles pointed out that the Minister, in a CBS interview on his arrival in New York, had replied to a query by the interviewer that he felt Cuba's actions against the United States were not justified. The President recalled a statement made to him in Uruguay that Castro, the revolutionary, had been a hero, whereas Castro, the political leader, was a failure.

Mr. Rubottom told the President that the *New York Journal American* on March 16 had published an interview between President Kubitschek and William Randolph Hearst, Jr., in which the President had offered Brazil's assistance in improving U.S.-Cuban relations. Mr. Rubottom said that the Department on March 17 had, through its press officer, expressed appreciation for this generous offer by President Kubitschek but had explained that it intended to pursue its problems with Cuba through regular bilateral discussions.<sup>5</sup>

The President stressed his view that the Cuban problem was a problem affecting all of the Americas and was not just a United States problem. The Foreign Minister nodded agreement.

Prior to the termination of the discussion and the entry of the photographers, the Foreign Minister leaned over to tell the President that President Kubitschek was very hopeful that Brazil and the United States could work together for the successful culmination of Operation Pan America, including the forthcoming meetings of the Committee of 9 and the Committee of 21.

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<sup>3</sup> The letter to President Eisenhower of February 24 and President Eisenhower's remarks of March 1 in Santiago concerning it are published in the microfiche supplement to this volume; see Document 302.

<sup>4</sup> Ambassador Howe's April 8 letter to Patricio Fernández, President of the Federation of Students of Chile, is published in the microfiche supplement to this volume; see Document 302.

<sup>5</sup> A copy of the Department of State Daily News Conference for March 17 is in Department of State, S/PRS Files: Lot 77 D 11.

## 289. Despatch From the Embassy in Brazil to the Department of State<sup>1</sup>

No. 1019

Rio de Janeiro, April 20, 1960.

REF

Embdesp. No. 689 of January 7, 1960<sup>2</sup>

SUBJECT

Quarterly Political Review (January 1, 1960–March 31, 1960)

[Here follows an outline listing the subjects in the despatch.]

### *I. U.S.-Brazilian Relations*

A series of events concentrated in the first quarter of 1960 combined to effect visible improvement in U.S.-Brazilian relations which, toward the end of the period, in an address to the American Chamber of Commerce in Brazil, President Kubitschek characterized as never better.<sup>3</sup> While the President's statement is a friendly exaggeration, it is entirely valid for the immediate present and marks a reversal in the unfavorable trend apparent for a number of years past. The change is, of course, relatively superficial in that few of the basic differences which led to deteriorating relations have been solved, but the psychological groundwork now exists on which a more permanent relationship can be constructed.

The visit of President Eisenhower which was principally responsible for this change galvanized the attention of all Brazil for days before and after his presence in the country. Despite some minor press and other criticism about too many secret service agents who occasionally had difficulty in making the need for their presence understood, and the President's retinue of planes, cars and helicopters (which led some Brazilians to express disappointment that he was less of a guest of the Brazilians than an independent visitor), the favorable impact was real and basic. One Brazilian noted, in what is believed to be a fair estimate, that the President's visit brought back to Brazilians the feeling of close kinship with Americans which they had before and during the second world war, but which has eroded away in the past 15 years. This same Brazilian cautioned that this sense of kinship would not

<sup>1</sup> Source: Department of State, Central Files, 732.00/4-2060. Confidential. Drafted by Raine.

<sup>2</sup> Despatch 689 contained the Quarterly Political Review (October 1–December 31, 1959). (*Ibid.*, 732.00/1-760)

<sup>3</sup> A report on Kubitschek's March 24 speech before the American Chamber of Commerce and the American Society of Rio de Janeiro, and a copy of the speech in Portuguese were transmitted to the Department under cover of despatch 972 from Rio de Janeiro, April 6. (*Ibid.*, 611.32/4-660)

endure indefinitely and needed firm evidence of continuing U.S. friendship and faith in Brazil without which relations would again soon worsen.

One of the most impressive of the President's successes in Brazil was his address to the Congress which continues to excite comment from people high in executive and legislative branches of the government for its tone of warm friendship, its recognition of maturity and responsibility in the Brazilians. Its enlightened approach provoked the applause even of many ultra-nationalists, some of whom have active flirtations with the Communists.

U.S. aid to victims of the disastrous floods in the Northeast also contributed to deepening the feeling of renewed U.S. interest and friendship for Brazil.

On the less publicized side, but not without its importance, was the visit of ex-Governor Adlai Stevenson.<sup>4</sup> Stevenson apparently satisfied the desires of hundreds of intellectuals of many varieties including journalists, politicians, writers, educators and government officials to see, hear and, if possible, to speak to the leader of the Democratic party whose fame as a thinking man has spread far beyond the borders of the United States. His willingness to listen to the problems and observations of his audience and his ability to give advice not necessarily pleasant but in inoffensive terms, made a real and favorable impression on key elements in Brazilian life.

That the atmosphere of understanding and friendship had improved perceptibly became apparent, if through no other means, by the fact that President Kubitschek considered it useful politically to make a major address on March 28,<sup>5</sup> on U.S.–Brazil relations before the American Chamber of Commerce in Brazil in which, inter alia, he extolled the virtues of private enterprise. That he sought the invitation gave added significance to the President's address.

Foreign Minister Lafer's visit to Canada and the United States gave an impression of continued activity in Brazil–U.S. relations, but so far as the Brazilian Government is concerned must be considered on the debit side. One member of the Foreign Minister's party, presumably reflecting Lafer, informed an Embassy officer that the results were disappointing, the communiqué on the visit in Washington largely meaningless, giving as the reason that Secretary Herter was so preoccupied with the Cuban situation that it was not possible to discuss Brazilian and other hemisphere problems in any depth.

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<sup>4</sup> Adlai E. Stevenson, Governor of Illinois, 1949–1953, and nominee of the Democratic Party for President in 1952 and 1956.

<sup>5</sup> Reference presumably is to Kubitschek's speech; see footnote 3 above.

It may be anticipated that the prevailing "era of good feeling" will carry through most of the campaign period and that the climate will continue to be less propitious for anti-American or opportunistic politicians to attack the United States. However, the suspicion of the U.S. engendered as a result of Janio Quadros' trip to Cuba (see below) may work against this trend.

[Here follow items II-VII regarding subjects other than U.S.-Brazilian relations.]

For the Ambassador:  
**Philip Raine**

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**290. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Under Secretary of State (Dillon)<sup>1</sup>**

*Washington, June 13, 1960.*

SUBJECT

Financial Policy Toward Brazil

*Problem*

In March, Ambassador Moreira Salles informally sounded out Assistant Secretary of the Treasury Upton on whether the U.S. would be favorably disposed to a balance-of-payments loan to Brazil of about \$50 million should the need arise this year.<sup>2</sup> The Ambassador stated that it was touch and go as to whether Brazil would find itself in a serious exchange crisis this year and that he would like some indication of the U.S. position before making any further approach. He indicated that if a formal request were made, U.S. insistence that Brazil first work out a satisfactory stabilization program with the IMF would cause his government serious political problems, in view of the current Brazilian presidential election campaign. On May 4 he told Mr. Waugh

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<sup>1</sup> Source: Department of State, ARA/REA Files: Lot 62 D 302, Brazil 1960. Confidential. Drafted by Hemba, William T. Briggs, and Post on June 9. A footnote to the concurrence by Export-Import Bank President Waugh in the source text reads as follows: "The Export-Import Bank desires to reaffirm that it has believed that assistance to Brazil should be in the form of deferral of payments on existing obligations rather than new balance of payments credits." A background paper attached to the source text is not printed.

<sup>2</sup> No record of this conversation between Moreira Salles and Upton in March has been found in Department of State files.

that Brazil might need exchange assistance later on this year, mentioning at the same time the need for the U.S. to give serious consideration to the “political implications” of the Brazilian scene and not impose “unpalatable conditions” for assistance.<sup>3</sup> The Brazilian Minister of Finance, Sebastiao Paes de Almeida, is now in Washington because of the meetings of the Board of Directors of the International Coffee Agreement. While here he may desire to exchange views on Brazil’s financial situation.

In view of the foregoing, it is timely that we review again the financial situation in Brazil and summarize the position which we should take in the months ahead.

### *Discussion*

The policy adopted and expressed to Brazil in 1959 to the effect that the adoption and implementation of a satisfactory stabilization program in conjunction with the IMF would be necessary if U.S. financial assistance to Brazil were to be effective, and that therefore under present circumstances such assistance could not be considered, continues sound and should be maintained. The recent drawing of \$47.7 million granted by the IMF for a period of six months, to complete the first credit tranche, is not an exception to this policy, and this was stressed by U.S. officials while the drawing was under consideration. Moreover, the Fund’s press release states “the present transaction, which is thus of a short-term character and not part of a general stabilization program, is for the purpose of mitigating current difficulties in Brazil’s situation.[”]<sup>4</sup>

While continuing to refuse balance of payments loans in the circumstances, we should maintain a sympathetic and helpful posture by offering to assist Brazil by means other than balance of payments loans.

In this connection, in the letter of understanding which the Export-Import Bank has with the GOS covering repayment of the \$300 million loan of 1954 [1953],<sup>5</sup> there is a provision that Brazil may automatically suspend its monthly repayment in any month during which dollar purchases by the Bank of Brazil from exports fall below \$50 million. A recent change in Brazilian exchange regulations has the effect of reducing substantially the scope of Bank of Brazil dollar

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<sup>3</sup> A copy of the memorandum of conversation between Waugh and Moreira Salles is in Department of State, ARA/EST Files: Lot 62 D 308, ARA:EST/B 1960 Files.

<sup>4</sup> Documentation regarding the Brazilian 6-month drawing of \$47.7 million from the Fund is *ibid.*, Central File 398.13. See also International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1961* (Washington, 1961), p. 25.

<sup>5</sup> For documentation on this loan, see *Foreign Relations, 1952–1954*, vol. iv, pp. 607 ff.

purchases. This is a technicality and in effect alters the basis of the original understanding with the Export-Import Bank and, if unchallenged by that Bank, would permit the Bank of Brazil to suspend monthly repayments on the basis of the new purchasing criteria. As these repayments are in the amount of \$4 million monthly, the present situation provides a virtually automatic rescheduling of Brazil's debt to the Export-Import Bank which would amount to some \$24-28 million during the remainder of this calendar year. In the face of Brazil's prospective 1960 balance of payments crisis, the Bank has brought this to the attention of the Brazilian Ambassador and might be disposed to refrain from questioning the Brazilians on this point and thus to permit this automatic rescheduling for the balance of 1960. However, it would not be willing to amend the original letter of understanding to this effect.

Should the recent drawing granted by the DS, plus the above-mentioned easement on repayments to the Export-Import Bank, prove insufficient to stave off a major crisis in Brazil, we might at that time be prepared to repeat to the Brazilians our offer of 1959 to discuss proposals they might advance concerning a rescheduling of Brazil's current payments on its debt to the Export-Import Bank. However, should such rescheduling become necessary, and should it have to be undertaken by the U.S. alone, it should result only in a short-term postponement of debt payments due to the Export-Import Bank this year. This would preserve for the Export-Import Bank a proper negotiating position vis-à-vis European and other creditors of Brazil, in any debt moratorium or rescheduling, which may have to take place in the early months of the new Brazilian administration. In addition, we should be in a position to suggest that Brazil approach the Federal Reserve Bank of New York to seek again the short-term gold collateral loan which the Federal Reserve Bank approved in 1959 but which Brazil did not use when coffee earnings improved. The amount that Brazil could raise by a gold loan would be only about \$14 million (the amount of Brazil's free gold holdings in New York) and Federal Reserve would not be happy to make a gold collateral loan to Brazil at the present time. These two points, however, should be held in reserve for as long as possible, in view of the temporary relief which Brazil has obtained from the IMF and seems likely to obtain from the Export-Import Bank.

To emphasize our desire to be helpful and cooperative we should also reassure Brazil that Export-Import Bank financing is still available to assist in the financing of sound development projects on a selective basis. The recent Varig loan and other loans now under consideration by the Bank can be cited in this regard. The Export-Import Bank considers that in general such projects, in order to qualify for financ-



ing, should make a direct contribution to a solution of the balance of payments problem. The Bank, although it feels strongly that this general criterion is needed, would have to judge each case on its merits.

On June 10 the Brazilian Ambassador requested the initiation of negotiations leading to a new PL-480 Agreement to replace the present one which expires June 30, 1960.<sup>6</sup> In line with our agreed position, we replied that exploratory discussions should be held initially in view of the probability that Brazil may object to certain features which the U.S. will require in any new PL-480 Agreement. Informal discussions will begin in the Department on June 14.

### *Recommendation*

That you authorize U.S. officials at Washington and at Rio de Janeiro to respond along the following lines, as appropriate, to further Brazilian initiatives for U.S. financial assistance:

1. The U.S. continues to be sympathetic toward the financial and development needs of Brazil, as witnessed by our substantial assistance over the years;

2. Brazil has already, through its letter of understanding with the Export-Import Bank, a conditional means of easement of its repayments schedule whenever dollar purchases by the Bank of Brazil fall below \$50 million monthly;

3. The Export-Import Bank continues willing to assist in the financing of sound Brazilian development projects, on a selective basis, the general criterion for such projects being that they make a contribution to the foreign exchange problem;

4. Informal discussions are beginning with the Brazilian Embassy toward the negotiation of a new PL-480 Agreement to replace the one which expires June 30;

5. If financial assistance beyond that available under the preceding numbered paragraphs is to be considered, it is our view that an effective stabilization program should first be established so that such assistance could fulfill its purpose. Should the Brazilians raise the question, we should take the position that it is quite clear that IMF agreement to the proposed drawing of \$47.7 million (since it represents only availabilities under the first credit tranche of Brazil's quota) in no way implies such a stabilization program on Brazil's part.<sup>7</sup>

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<sup>6</sup> A memorandum of conversation, June 10, between Brazilian Ambassador Moreira Salles and Assistant Secretary Rubottom on the Brazilian request is in Department of State, Central Files, 611.3241/6-1060. For text of the Surplus Agricultural Commodities Agreement of September 2, 1959, see 10 UST (pt. 2) 1638.

<sup>7</sup> Dillon's stamped approval, June 14, appears on the source text.

**291. Letter From President Eisenhower to President Kubitschek<sup>1</sup>**

*Washington, July 8, 1960.*

DEAR MR. PRESIDENT: On May 28, 1958 you were thoughtful enough to write me to express your own eloquent ideas for a dynamic joint effort in which all of the American Republics could devote themselves.<sup>2</sup> I was happy then, as I am now, to join you in this hemisphere-wide effort which has come to be known as "Operation Pan America".

During the past two years much progress has been made. The Committee of 21 has met twice, first in Washington and last year in Buenos Aires. The steering group for that committee, known as the Committee of 9, has just finished a successful meeting here<sup>3</sup> where the basis was laid for the next meeting of the Committee of 21, scheduled for Bogota in early September.<sup>4</sup> I am sure that we can count on additional concrete accomplishments in Bogota, especially in the field of: (1) financing economic development; (2) the role of technical assistance to achieve increased industrial and agricultural productivity; and (3) further consideration of commodity problems. I understand that economic studies which were authorized at the Buenos Aires meeting, and which have now been requested by eleven countries, are under way and that they will contribute importantly to the knowledge which we need for sound economic and social advancement.

Meanwhile, reports which have come to me regarding the progress being made in the structural organization of the Inter-American Development Bank are most encouraging. In less than two years, this Bank has been planned, its complex structure negotiated, and its charter agreed upon by 20 of our American Republics.<sup>5</sup> Most of the first installment on its capital has been paid in and it is hoped that the first loans will be made prior to the end of this year.

Only three months ago it was a great pleasure to visit you personally in your fine new capital city of Brasilia, and later in your fabulous cities of Rio de Janeiro and Sao Paulo. The discussions which I held with you were most inspiring and contributed to the further review which I have been conducting, during and since that trip, of the

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. No drafting information is given on the source text. Delivered by Cabot to Kubitschek at Brasilia on July 14. The text was released by the Department and published in Rio de Janeiro.

<sup>2</sup> See Document 242.

<sup>3</sup> The Subcommittee of the COAS Special Committee To Study Formulation of New Measures for Economic Development (Committee of Nine) met in Washington, June 6-24.

<sup>4</sup> Regarding the meeting of the Committee of 21 at Bogotá, September 5-13, see the microfiche supplement to this volume.

<sup>5</sup> For text of the Agreement Establishing the Inter-American Development Bank, opened for signature at Washington, April 8, 1959, see 10 UST (pt. 3) 3029.

situation in this hemisphere. I have now concluded that, notwithstanding our past efforts, we all need to exert additional strength in our common program to meet the challenge of this new decade during which our peoples are determined to progress to a new high plane of dynamic living, socially, economically, politically and spiritually. I wanted you to know that I will be announcing within the next few days something of the plans of the United States toward participating more effectively toward our hemisphere objectives.<sup>6</sup> I hope to request authority of the Congress which will be coming back into session early next month to move ahead with this program.<sup>7</sup>

I am asking Ambassador Cabot to carry this letter to you personally.

With warm personal regard,  
Sincerely,<sup>8</sup>

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<sup>6</sup> For the statement read by the President and his replies to questions at a news conference in Newport, Rhode Island, July 11, pledging U.S. cooperation to promote social progress and economic growth in the Americas, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, p. 568.

<sup>7</sup> For text of the President's Special Message to the Congress upon Its Reconvening, August 8, see *ibid.*, p. 612.

<sup>8</sup> Printed from an unsigned copy.

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## 292. Letter From President Kubitschek to President Eisenhower<sup>1</sup>

*Rio de Janeiro, July 19, 1960.*

MY DEAR MR. PRESIDENT: I have received from Ambassador John Moors Cabot Your Excellency's letter of July 8,<sup>2</sup> the high significance of which I have duly appreciated. At the same time, Mr. President, that I thank you for the generosity of some of your thoughts with respect to my country and the importance which Your Excellency attributes to the exchange of impressions which we had during your visit to Brazil, in March (*sic*) of this year, I wish to express my satisfaction particularly for the high consideration which Your Excellency gives to Operation Pan America. I see that the intention with which the problem of a greater and more intimate collaboration was pre-

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<sup>1</sup> Source: Department of State, Central Files, 611.32/7-2060. Official Use Only; Presidential Handling. Transmitted in two sections in telegram 151 from Rio de Janeiro, July 19, which is the source text. Telegram 151 indicates the text of the letter is an Embassy translation.

<sup>2</sup> *Supra*.

sented is receiving just appreciation on the part of Your Excellency. I see also that our points of view begin to grow closer with regard to the dimensions which the projected action should have.

Permit me to reaffirm to Your Excellency what already has been said concerning Operation Pan America: It is not a question of an appeal to generosity, but of reason. Reason dictates the necessity of fighting in the only efficacious manner against the cold war which insinuates itself and seeks to involve our continent. The fight which all of us must undertake together for the common ideals of the Americas will be valid only if we combat the causes of unrest and discontent, without seeking merely to correct and diminish their effects and consequences.

We ought, therefore, to have the courage to draw the conclusions which reality presents to us. The truth is that, despite all previous efforts, not enough has been done and an adequate rate of development for the Latin American people has not been achieved. To wish to attribute the present unrest of these peoples to mere propaganda or agitation by extra-continental agents would be to ignore the fact that poverty and the frustration of economically stagnant peoples have a much greater capability for agitation. The problem therefore consists in giving a new dimension to the work to be accomplished.

Your Excellency knows very well, because you are a statesman among the most illustrious and because you are a man just of heart, that liberty, democracy, the dignity of the human being, such as we conceive them, are words without meaning for the inhabitants of stagnated regions, where life itself is a continual sacrifice and an act of resignation and of patience. That in our regional family there should exist immense underdeveloped zones, I repeat to Your Excellency, is not only a grave danger for peace, but a contradiction of the positions we defend, whose base is human solidarity and whose exclusive guarantee is hope for a better existence.

At no moment in the campaign in behalf of the harmonious development of our hemisphere (Operation Pan America) has the US been considered to blame for the extreme inequalities in the living conditions of the various peoples of this part of the world. On the contrary, we must testify that good neighborliness has always been practiced and that, in one way or another, proofs of fraternal spirit between the great nation over which Your Excellency presides and Latin America have never been lacking. What appears to me to have been missing thus far, if Your Excellency will permit me to say it, is a truly constructive policy and the attribution of greater importance to this part of America.

However, if there is in this convulsed world a natural alliance for the West, it is that which can be offered by our countries, which have known how to fight for the conquest of liberty and have kept faith in

the basic principles inherited from our European ancestors. To relegate to an inferior level almost 200 million men, whose rate of growth is the highest in all the world and whose integration in defense of the democracies is the surest road and inclination, is to commit an error, is to contribute to mutilating still further the security of that western cause, which includes all the political and spiritual values that are common to us. Reasons of a purely strategic order are not always good reasons, and often calculations must be reviewed and tactical criteria modified. What seems to me unquestionable is that there is no greater strategy than the strengthening of natural and not merely occasional allies.

The offer of a new policy of strengthening the American regional family is what I have understood Your Excellency to be announcing in your noble letter. In substitution for gestures of good will and of good neighborliness, Your Excellency has resolved to sponsor a new, fecund and vigorous action, creative of wealth. As I have already had occasion to state, it is not a plan of donations that I believe appropriate or even possible at this moment, but concrete and unpostponable measures of reciprocal interest to the country of Your Excellency and the other American nations and a more active collaboration in our development, through a new policy of public financing, in which would be observed other criteria than that of mere immediate economic profitability.

Your Excellency has demonstrated that you are following with attention the process of Operation Pan America, even to its most recent phase, The three items cited by Your Excellency are really ones that cannot be substituted and I repeat them here:

- 1) Financing of economic development;
- 2) Role of technical assistance for the obtaining of a growing industrial and agricultural productivity;
- 3) Subsequent consideration of the problems of basic products.

These themes were the object of consideration at the recent meeting of the Sub-Committee of Nine which was held in Washington, as Your Excellency pointed out. The results obtained in that meeting are timid, however, and they are below the expectations of many Latin American countries, among them Brazil, which took to the meeting concrete plans for augmenting the financing capability of institutions like the Inter-American Development Bank.

Pardon me, however, if as President of a friendly nation, a natural ally of Your Excellency's country, I insist in reaffirming that the problem of Latin America, although economic, transcends the economic plane, and that there is necessary, without delay, a continental vision which would avoid in the future the many mistakes of the present

hour, establish a route toward an era of security, of peace and social justice, and make impossible extra-continental political interventions, which we must certainly resist.

It is impossible to sum up in a simple letter what is necessary to say in this hour, in which important resolutions must be taken, I beg Your Excellency to accept what I am writing to you as the word of someone who does not forget the North American sacrifices in favor of man. Twice, in this century, the US has offered millions of precious lives, in addition to vast material goods, in defense of the free world. It is in defense of the free world, in fact, that OPA was launched.

May God illumine the person of Your Excellency and all the leaders of the great American nation, on the occasion in which the destinies of humanity are being determined. And may the Creator of the Universe give us all the sentiment of the greatness of our common task and the humility needed for us to serve truth and justice.<sup>3</sup>

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<sup>3</sup> Telegram 151 bears no signature.

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**293. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State<sup>1</sup>**

*Washington, August 11, 1960.*

SUBJECT

Luncheon and Discussion with Foreign Minister Horacio Lafer of Brazil

Foreign Minister Lafer has accepted your invitation for luncheon in your private dining room Friday, August 12, at 1 p.m., and a meeting at 2:00 p.m. to discuss matters relating to the San José Foreign Ministers Meeting<sup>2</sup> and the Bogota Committee of 21 Meeting.<sup>3</sup> In addition to the Foreign Minister, the following will attend: Ambassador Moreira Salles of Brazil; Ambassador Fernando Lobo, Brazil's representative to the OAS; Mr. Mann; Mr. Mallory; and Ambassador Dreier.

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<sup>1</sup> Source: Department of State, ARA/EST Files: Lot 62 D 308, ARA:EST/B 1960 Files Folder #6. Confidential. Drafted by Hembra, August 10. Concurred in by Mann.

<sup>2</sup> Reference is to the Sixth and Seventh Meetings of Consultation of Ministers of Foreign Affairs of American States at San José, August 16–29.

<sup>3</sup> See the microfiche supplement to this volume.

You are, of course, familiar with the issues likely to arise at the San José Meeting. As a possible convenience, however, there is attached the Scope Paper which deals with this meeting (Tab A).<sup>4</sup> Also attached is a paper outlining issues likely to arise at the Bogota meeting (Tab C).<sup>5</sup>

The following additional information may be helpful in your discussion. Since Mr. Lafer took over as Foreign Minister in August 1959, he has tried to follow the traditional, moderate role of Brazilian diplomacy. He is a firm believer in inter-American cooperation. He is seriously concerned with the Communist threat to the Hemisphere. However, President Kubitschek's other main foreign policy adviser and close friend, Augusto Frederico Schmidt, reportedly believes that Brazil should take advantage of our need for her support on the Cuban problem to force concessions. Schmidt reportedly believes that Castro in Cuba and a little Communism in Brazil are desirable from the standpoint of Brazil's bargaining with the U.S. In attempting to maintain a cooperative role, Lafer also has to consider some Brazilian public sympathy for Castro, to which both leading Presidential candidates cater. The administration candidate, Henrique Teixeira Lott, is becoming increasingly outspoken against Castro but has avoided outright support for the U.S. The opposition, and perhaps leading candidate, Janio Quadros, has visited Cuba and praised Castro.

In this setting, it doubtless would be politically useful to Mr. Lafer and enhance his prestige in the Kubitschek administration if he is able to show concrete advantages to Brazil for opposing Castro at the San José meeting.

Principal U.S. concessions specifically desired by Brazil are (1) our support for OPA, including (a) the provision of massive financial support for Brazil as well as for general economic development of Latin America and (b) administration of President Eisenhower's special economic program for Latin America through, and identification of the program with, OPA; (2) generous terms for a new PL-480 Agreement; and (3) additional balance of payments assistance if another balance of payments crisis arises, which is not unlikely.

Mr. Lafer, as well as many other moderate, friendly Brazilians, tends toward the position that we have been negative on every major Brazilian approach during the past two years. That we have been correct and even generous on the whole is no consolation to Brazil.

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<sup>4</sup> None of the tabs is printed. Tab A, a 3-page scope paper drafted by Jamison, August 8, deals with the agenda of the Sixth and Seventh Meetings of Consultation, respectively, on the Venezuelan case against the Dominican Republic and the Communist Cuban threat.

<sup>5</sup> Tab C, a 2-page paper drafted by Turkel, August 10, sets forth the anticipated Brazilian position and the recommended U.S. position on economic development issues likely to arise at the Bogotá meeting of the Committee of 21.

Brazilians think that Brazil, as a third of Latin America, deserves more. From their point of view we have always been negative on OPA and will be negative at the forthcoming Bogota meeting. Brazilian spokesmen have already told us that President Eisenhower's special economic program for Latin America will make little impact on Brazil, for what Brazil wants is massive funds for economic development, not "limited" funds for social-type programs contemplated under the President's special program (housing, education, land reform and additional technical assistance). We have not been able to authorize Brazil (the world's third largest producer of sugar) sugar imports in the magnitude desired by Brazil, nor is it likely that we can meet her desire for a permanent sugar quota.<sup>6</sup> Because of Brazil's refusal to adopt the sort of a stabilization program under which balance of payments assistance could be effective, we refused new balance of payments assistance last year and would probably have to adopt the same negative position should Brazil again request balance of payments assistance.

Perhaps the one area in which we could most easily compromise at this time is PL-480. Brazil has informally requested a new PL-480 Agreement for the purchase of wheat. Informal discussions have revealed such widely divergent views between the two countries that Brazil believes agreement is impossible during the remainder of the Kubitschek administration and that Brazil will be required to purchase wheat outside a Title I Agreement,<sup>7</sup> which Brazil can ill afford. The principal points at issue are Brazil's opposition to the application of the Cooley Amendment,<sup>8</sup> her desire for an unrealistic rate of exchange in the Agreement, and her desire to renegotiate the maintenance of value provision on funds deposited under the previous agreement. Our willingness to accommodate Brazil on these matters could go far toward achieving a good working relationship with Brazil at San José and Bogota, and in helping us weather out the remaining months of the Kubitschek administration. (See Tab B)<sup>9</sup>

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<sup>6</sup> In a July 28 letter to Ambassador Cabot in Brazil, Hembra stated that it was very important that Brazil ship its 100,000-ton sugar allocation without much delay to help reverse rising retail sugar prices. (Department of State, Rio de Janeiro Embassy Files: Lot 68 F 77, 521.35 Sugar 1959-1960)

<sup>7</sup> Reference is to Title I of Public Law 480, approved July 10, 1954, which provides for sales of U.S. surplus agricultural commodities abroad for local currency; for text, see 68 Stat. 454.

<sup>8</sup> Reference is to the amendment in the 1957 renewal of P.L. 480 which provides that up to 25% of the local currency proceeds from Title I sales shall be made available for loans to U.S. and foreign private investors, through the Export-Import Bank of Washington (Section 104e).

<sup>9</sup> Tab B is a 4-page Bilateral Paper of August 9 on Brazil prepared by Hembra for the U.S. Delegation to the Meeting of Foreign Ministers at San José, August 1960.



Brazil has traditionally sought to serve as a mediator between the U.S. and the Spanish-speaking countries of Latin America and also between the other Latin American countries. This has been a factor in Brazil's willingness to go along with the Mexican initiative in offering to mediate between the U.S. and Cuba.

A suggested toast for the luncheon is attached at Tab D.

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**294. Memorandum of a Conversation, Department of State,  
Washington, August 12, 1960<sup>1</sup>**

SUBJECT

Brazilian Views Relating to Sixth and Seventh Meetings of the Foreign Ministers

PARTICIPANTS

The Secretary  
Foreign Minister Horacio Lafer of Brazil  
Ambassador Moreira Salles of Brazil  
Ambassador Fernando Lobo  
Acting Assistant Secretary Mallory  
Assistant Secretary Mann  
Ambassador John Dreier  
Mr. C. A. Boonstra

After speaking briefly on several other subjects,<sup>2</sup> the Brazilian Foreign Minister continued his review of the political situation in the hemisphere and spoke in more detail about the three countries which he considers the trouble spots. With respect to Venezuela and the Dominican Republic, he said that the principal issues are rooted in the deep personal animosity between Trujillo<sup>3</sup> and Betancourt. He said that, along with Betancourt, Venezuelan Foreign Minister Arcaya also has suffered much as an exile, and from Dominican attacks, and this results in a situation where emotion is more powerful than reason. In handling this situation at the San Jose Conference, he said that the only tactic is to permit the fire to flare up in words and speeches at the beginning, and patiently wait for it to subside before moving forward

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Boonstra. Printed from an uninitialed copy. Foreign Minister Láfer returned from a visit to Portugal via the United States en route to the Foreign Ministers Meeting at San José.

<sup>2</sup> Memoranda of conversation between Secretary Herter and Foreign Minister Láfer, August 12, on the subjects "Brazil To Curb Soviet-Sino Artists and Cultural Visitors" and "Brazilian Foreign Minister Asks Support of Stroessner Regime in Paraguay" are *ibid.*

<sup>3</sup> Generalissimo Rafael L. Trujillo Molina.

with constructive action. Venezuela has requested the support of Brazil in breaking diplomatic relations but Brazil is not in favor of this. The Secretary agreed that maintenance of diplomatic missions has a useful purpose, although individual nations may wish to break relations, in addition to those which have already done so.

With respect to Cuba, the Brazilian Foreign Minister agreed that this is the most serious problem in the hemisphere. The Secretary explained the United States view that the hemisphere problem posed by Communist penetration of Cuba is of far more importance than the bilateral problems of Cuba with the United States, mentioning specifically that the latter are principally the expropriation of property and the propaganda and insults directed toward the United States. In this connection, the Secretary stated the appreciation of the United States Government of Brazil's offer, along with Mexico and Canada, to provide its good offices in trying to aid a solution of the bilateral problems. Because of the greater importance of the hemisphere problems, the Secretary said that it appeared necessary first to seek a solution in this area and subsequently the United States would be anxious to avail itself of any opportunities to find appropriate solutions to the bilateral problems. The U.S. does not intend to bring up its bilateral problems with Cuba at San Jose, although there is of course a possibility that such action may be forced by Cuba if it follows through with its apparent intent of accusing the U.S. of economic aggression.

The Foreign Minister indicated his agreement with these views and added that Brazil had not expected anything much to come from its proffer of good offices at this time. The Mexicans had requested the Brazilians to join in making such an offer, and he had thought it would be best to go along to see what might be done. He had instructed Ambassador Moreira Salles to make the offer but not to press the United States on the matter.<sup>4</sup>

At this point the Foreign Minister said that he had jotted down four points as his policy guidance at the San Jose Conference. These are: (1) Brazil will discuss its positions and proposals in advance with the United States before taking positions or introducing resolutions at the Conference; (2) Brazil recognizes the need for actions to counter the Communist penetration of the hemisphere as being the principal objective of the Conference; (3) Brazil will strive to find the base for developing better relations between Venezuela and the Dominican Republic, and between Cuba and the countries with which Cuba has bilateral disputes; and (4) the need to seek social and political stability

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<sup>4</sup> Moreira Salles offered the assistance of Brazil in settling disputes between the United States and Cuba in a conversation with Secretary Herter, August 3. (Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199)

through economic development. Brazil will introduce a resolution on the latter point but will not go into detail or seek discussion. The resolution will be pointed toward the Bogota Conference.

In the course of these remarks, the Minister asked what the U.S. had in mind as to collective action in the Dominican and Cuban problems. In particular he referred to the possibility of economic sanctions. The Secretary pointed out that the OAS, as a regional organization, would require approval of the UN Security Council for such collective measures. It would seem more practical for the San Jose meetings to make recommendations to member states which the latter could implement bilaterally. At present, the U.S. is not thinking in terms of sanctions but is proposing several resolutions which it thinks will contribute toward resolving the problems. Draft copies of the resolutions were given to Ambassador Moreira Salles for the Foreign Minister.<sup>5</sup> The Foreign Minister acknowledged receipt of the drafts but did not comment further on them. The Secretary and the Foreign Minister agreed that it is premature now to attempt to forecast the results of the conferences.

In response to an inquiry by the Secretary, the Brazilian Foreign Minister made clear that Brazil will not go into economic matters in any way that might overlap the work of the Bogota Conference. The Secretary in this connection pointed out that Mr. Dillon hopes to bring to the Bogota Conference a statement of the plans of the United States for contributing more effectively toward economic development. It is hoped that the views of Congress on such participation will be available for the Bogota meeting.

Following up on the last point, the Brazilian Foreign Minister emphasized the great importance which President Kubitschek attaches to Operation Pan America and the urgent need, in President Kubitschek's view, that the United States develop its plan within the framework of OPA. He stressed that the Bogota Conference must be a success. Failure at this time would be disastrous for social and political stability. Because of this, the Minister said, he thought that prior understandings between Brazil and the United States are essential in order to prevent a failure of the Bogota Conference. Accordingly, he wished to propose consultations between the two countries so that they could reach agreement prior to the meeting. In this connection, the Minister stated Brazilian views to the effect that the Committee of 9 had not been much of a success. The United States had failed to show initiative and had abstained on items of importance to Brazil. Such differences must be resolved, and agreements reached before the Committee of 21 meets at Bogota.

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<sup>5</sup> Regarding the San José meetings, August 16–29, see vol. VI, p. 1060.

Mr. Mann said he thought agreements could be worked out in consultations prior to Bogota, and accordingly the holding of such consultations is acceptable to him.

[1 paragraph (3 lines of source text) not declassified]

The Brazilian Foreign Minister stated his satisfaction with the conversation and stated his appreciation of the reception and luncheon with the Secretary. In saying goodbye, he indicated that he would be leaving for San Jose on Saturday evening.<sup>6</sup> Ambassador Moreira Salles will remain in Washington.

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<sup>6</sup> August 13.

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**295. Memorandum of a Conversation, Embassy Chancery, San José, August 18, 1960, 9:30 a.m.<sup>1</sup>**

US/MC/11

PARTICIPANTS

*United States*  
The Secretary  
Mr. Rubottom  
Mr. Mann  
Ambassador Dreier  
Ambassador Willauer

*Brazil*  
Foreign Minister Lafer  
Mr. Pio Correa, Head of Political  
Department of Foreign Ministry

SUBJECT

Meetings of Consultation

Minister Lafer said that today he would ascertain what the Delegations wanted: condemnation of the Dominican Republic or not; sanctions or not; and if sanctions which ones. He said that the Brazilian idea was that sanctions should not be applied if the Dominicans did the following: First, without necessarily accepting the accusation, deplore the attempt on the life of President Betancourt;<sup>2</sup> second,

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Donald F. Barnes, Division of Language Services. The source text bears the following notation: "Approved: S 8/23/60."

<sup>2</sup> For text of a note from the Venezuelan Representative on the OAS Council, Marcos Falcón Briceño, to the Chairman of the Council, Vicente Sánchez Gavito, July 4, requesting a meeting of the Organ of Consultation, pursuant to Article 6 of the Inter-American Treaty of Reciprocal Assistance, to consider the attempt upon the life of President Betancourt, June 24, see *Inter-American Efforts To Relieve International Tensions in the Western Hemisphere, 1959-1960*, p. 213.

agreed to observe the principles embodied in the Santiago Declaration;<sup>3</sup> and third, agreed to welcome an OAS committee, such as the Peace Committee, which would be sent to the Dominican Republic to observe its democratization.

Minister Lafer said that Brazil had two objectives: First, maintenance of the unity of the OAS, which would be broken if the Dominican Republic, for example, left the Organization; and second, recognition of the fact that any punishment would be meaningless. He said that the important thing was to draft these ideas in such a way that they could be signed by all the Delegations, and that they could be proposed by nineteen of the Delegations.

The Secretary said that Minister Lafer had expressed ideas very similar to those held by the United States. He said that if an OAS ad hoc committee to observe whether the Dominican Republic were following the principles of the Santiago Declaration were refused by that country, then it would be pertinent to consider sanctions to be applied in order that a new government would follow those principles.

Minister Lafer said that the approval of the Dominican Republic and of Venezuela was needed, and that he thought that he could obtain the approval of the former. Then, if Venezuela were reasonable, they should also accept, since it would mean a victory for them. He said that if these ideas, backed by nineteen countries, were approved by Venezuela and the Dominican Republic, the conference would have produced good results. He said that by 1:00 o'clock he would know if the ideas were acceptable to his fellow Foreign Ministers.

The Secretary said that the speech of the Argentine Foreign Minister<sup>4</sup> on the preceding day seemed to be along these same lines.

Ambassador Dreier said that any committee to be established would have a big and difficult task, since it would have to supervise not only the balloting, but the electoral process. He said that this task was too much to add to the already heavy duties of the Peace Committee, and that it would be better to set up a special committee with clear powers issued to it by the Meeting.

The Secretary said that the elections would require freedom of speech and of assembly and other civil rights.

Minister Lafer said that the composition of the committee would have to meet with the approval of the Dominican Republic.

Ambassador Dreier said that unless the committee had strong powers, Venezuela and other countries might say that the Dominican Government had made a deal.

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<sup>3</sup> Reference is to Resolution I adopted by the Fifth Meeting of Consultation of Foreign Ministers at Santiago, August 18, 1959; for text, see Fifth Meeting of Consultation of Ministers of Foreign Affairs, Santiago, Chile, August 12–18, 1959, *Final Act*, p. 4.

<sup>4</sup> Diógenes Taboada.

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The Secretary said that the United States felt that a strong condemnation of the Dominican Republic was also necessary.

Minister Lafer said that freedom of expression of thought was needed, in the press, radio, and television, but that this should not include freedom for propaganda contrary to representative democracy.

The Secretary showed Minister Lafer a copy of a possible United States proposal for the Seventh Meeting, pertaining to Item 3 of the Agenda,<sup>5</sup> and having nothing to do with Cuba. Minister Lafer said that his first impression of the proposal was that it was very good.

Mr. Rubottom said that the committee that might be sent to the Dominican Republic should have the right to call on the Member States for assistance. The Secretary said that this would follow the lines of the United Nations resolution on the Congo.<sup>6</sup>

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<sup>5</sup> Agenda Item 3 dealt with economic, social, and cultural factors which contribute to instability.

<sup>6</sup> Reference is to the U.N. Security Council Resolution of July 14, 1960; U.N. Document S/4387.

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## 296. Editorial Note

Jânio da Silva Quadros, supported by the União Democrática Nacional (National Democratic Union) and the Partido Democrático Cristão (Christian Democratic Party), was elected President of Brazil on October 3, defeating Marshal Henrique Baptista Duffles Teixeira Lott, supported by the Partido Social Democrático (Social Democratic Party) and the Partido Trabalhista Brasileiro (Brazilian Labor Party), and Adhemar Pereira de Barros of the Partido Social Progressista (Social Progressive Party).

João Belchior Marques Goulart, candidate of the Partido Trabalhista Brasileiro, elected Vice President, defeated Milton Campos, supported by the União Democrática Nacional and Fernando Ferrari of the Partido Democrático Cristão.

The Embassy in Rio de Janeiro reported on the prospects of the Presidential candidates in despatch 104, August 8. (Department of State, Central Files, 732.00/8-860) In despatch 407, November 16, the Embassy analyzed the election results, attributing Quadros' victory to Kubitschek's neutrality; popular discontent with inflation; and Quadros' political adroitness. (*Ibid.*, 732.00/11-1660) Quadros was inaugurated President on January 31, 1961.

**297. Telegram From the Embassy in Brazil to the Department of State<sup>1</sup>**

*Rio de Janeiro, October 7, 1960—7 p.m.*

478. With election of Janio Quadros as next President of Brazil virtually assured, believe we should begin laying groundwork for effective cooperation with his administration during vital 5 years which lie ahead. In this connection we should be able derive advantage from fact that, as happens only once every 20 years, newly-elected US administration will be taking office at approximately same time as new Brazilian Government, thus providing relatively clean slate on which to record forthcoming phase of US–Brazil relations.

Indications are that Quadros plans take round-world trip prior his inauguration January, including visit to US following US elections. This would provide first major opportunity for serious discussion US–Brazil relations with Quadros, in which we believe our own President-elect should play prominent role. We believe moreover Quadros should be invited visit US as official guest US Government and should be treated in manner befitting his importance to US and his undoubted personal sensitivity to US recognition that importance.

Embassy believes this important juncture US–Brazil relations is appropriate time for thorough going reappraisal those relations, having in mind that forthcoming 5 years of Quadros administration may well be most important in history our relationship with Brazil. While Embassy not undertaking at this point make specific suggestions this regard, believe one essential element in any fruitful policy vis-à-vis Brazil must be recognition on our part of Brazil's preponderant importance in Latin America. Other side of this coin would of course be acceptance on Brazil's part of sobering responsibilities which are concomitant of national power and leadership. Believe time to put these points across, if we are prepared to do so, would be in early discussion between Quadros and US President-elect.

Quadros victory, marking as it does end of 30 years of rule by Vargas and his political heirs, can be expected result in general house cleaning and extensive replacement incumbents at many levels GOB with Quadros followers. While Vargas heir Goulart seems likely be reelected Vice President, Quadros can be expected surround himself with advisors of his own choosing, whose attitudes on problems of concern to US can have almost as important effect on US interest as attitude of new President himself. This suggests importance of effort

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<sup>1</sup> Source: Department of State, Central Files, 732.11/10–660. Secret.

on US part to cultivate sympathy and understanding such advisors through judicious use of leader grants and other means. Embassy will submit recommendations this regard in later message.

While Embassy not yet prepared make recommendations re precise form and timing of US invitation to Quadros, we earnestly hope main burden this message can be given serious consideration in Department and decision in principle re Quadros invitation taken in advance in order make possible prompt issuance when optimum circumstances determined.

**Cabot**

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**298. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, October 29, 1960.*

SUBJECT

Invitation to Brazilian President-elect to Visit the United States

We are aware that the President-elect of Brazil, Janio Quadros, is interested in visiting the United States during the course of a pre-inaugural trip to various countries. He has not yet approached us directly concerning such a visit, and it appears likely that he is waiting for us to make the first advances.

I believe that an invitation to Sr. Quadros to visit this country would assist greatly in promoting close relations with the new Brazilian administration. Brazil's good will and cooperation are essential to us in dealing with hemispheric problems, especially the threat of Communist subversion and the Castro influence.

A state visit by Quadros after he takes office on January 31, 1961, rather than a pre-inaugural visit, would have many advantages for all concerned, but our own election makes it difficult, if not impossible, to extend now an invitation for such a state visit. At the same time, I am concerned that any substantial delay in the extension of an invitation to Quadros may be taken as an affront by him. I believe that the best interests of the United States therefore would be served by an immediate invitation to Sr. Quadros to visit the United States as President-elect, preferably in the latter part of November or the first part of December.

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<sup>1</sup> Source: Department of State, Central Files, 732.11/10-2960. Official Use Only. Drafted by Jackson W. Wilson on October 26.



In connection with any such visit, I believe it would be appropriate for you to send the Columbine III to the port of entry into the United States to bring Sr. Quadros to Washington, to give a dinner in his honor, to receive him for an office call, and to direct the Department of Defense to make a suitable aircraft available on a nonreimbursable basis for the remainder of his visit. Sr. Quadros would, of course, expect to meet also with our own President-elect.

If you approve of the extension of an official invitation to Sr. Quadros on this basis, I shall be glad to arrange for our Ambassador in Brazil to invite Sr. Quadros on your behalf.<sup>2</sup>

**Christian A. Herter<sup>3</sup>**

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<sup>2</sup> President Eisenhower agreed to see President-elect Quadros and host a luncheon for him during the first week of December. (Memorandum of a conversation between Secretary Herter and the President, November 9; Eisenhower Library, Whitman File, DDE Diaries) The source text bears the following notation: "Telegram to London conveying invitation approved 11/10/60 (Gen. Goodpaster to Mr. Stoessel)." Quadros had gone to London reportedly for an eye operation.

<sup>3</sup> Printed from a copy that bears this stamped signature.

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**299. Memorandum of a Conversation, Department of State,  
Washington, December 10, 1960<sup>1</sup>**

SUBJECT

Brazilian Chargé's Call on the Secretary

PARTICIPANTS

The Secretary  
Minister Counselor Carlos Alfredo Bernardes, Brazilian Chargé  
Wymberley DeR. Coerr, Acting Assistant Secretary, ARA

The Chargé said he had been instructed by his Government to urge the Secretary's personal interest in stimulating action by the United States Government to supply Brazil immediately with wheat to avert an imminent and severe food shortage that could have grave political consequences in Brazil. He handed the Secretary a note in this sense. (attached)<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 611.3241/12–1060. Official Use Only. Drafted by Coerr on December 13. The source text bears the notation: "Approved by S 12/15/60."

<sup>2</sup> Not printed.

The Secretary said he knew of the gravity of the situation and that our Government had been actively exploring ways of meeting Brazil's need, including the possibilities and problems under Public Law 480. He said he understood one of our main difficulties lay in the possibility that a specific agreement reached now with the outgoing Brazilian administration might be displeasing to the next and if altered would suggest that the United States had acted preferentially toward one of the two. The Chargé said he was sure his Government would be glad to present a supplementary note assuring that any agreement now reached would have no future effect as a precedent.<sup>3</sup>

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<sup>3</sup> Telegram 828 to Rio de Janeiro, December 29, informed the Embassy that the Department and the Brazilian Embassy had exchanged notes on that day supplementing a former P.L. 480 Title I Agreement to permit importation by Brazil of 500,000 tons of wheat through June 30, 1961. Because of the urgency of the request, certain criteria were waived which would otherwise have been required. (Department of State, Central Files, 611.3241/12-1360) For text of the Agreement, see 11 UST (pt. 2) 2559.

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### 300. Despatch From the Embassy in Brazil to the Department of State<sup>1</sup>

489

*Rio de Janeiro, December 13, 1960.*

REF

Deptel 686, November 28, 1960<sup>2</sup>

SUBJECT

The Forthcoming Quadros Administration

*Introduction*

Reviewing its Despatch 104 of August 8<sup>3</sup> which contained, *inter alia*, an estimate of the character of the next administration under Janio Quadros, the Embassy finds little therein that needs be revised in the light of subsequent events before or since the October 3 election. It can, nevertheless, add several tentative conclusions which may be drawn from activities of the President-elect since that time. Efforts to anticipate courses of action which Janio Quadros will pursue as presi-

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<sup>1</sup> Source: Department of State, Central Files, 732.00/12-1360. Confidential. Drafted by Raine.

<sup>2</sup> Telegram 686 requested information on President-elect Quadros. (*Ibid.*, 732.00/11-2860).

<sup>3</sup> Not printed. (*Ibid.*, 732.00/8-860)

dent are complicated not only by his well-known unpredictability [*less than 1 line of source text not declassified*] but also by the fact that except for a bare minimum required by the circumstances he apparently confides in no one. [*2 sentences (4 lines of source text) not declassified*] With these reservations which indicate the difficulty in obtaining reliable information on Quadros' intentions, the Embassy notes briefly following its conclusions on the subject reached by a careful analysis of information from a variety of sources, public and private.

### *New Elements*

Two new facts having important bearing on the future government are (1) the near million and three quarters plurality by which Quadros won in a twelve and a half million vote, and (2) the failure of the UDN to elect its vice-presidential candidate, Milton Campos.

Quadros' unexpectedly large vote has served to give him unanticipated strength and prestige for the early and crucial months of the new administration which will have enormous economic and some difficult political problems to meet. As a result there is little or no talk, either in leftist, nationalist or military circles, of keeping him from assuming office. Legislative opposition is bound to be less than first anticipated and, if it does develop, it will be easier to meet since it can be labeled as obstructing the will of the people. In other words, Quadros' mandate is more secure than many feared might be the case.

The defeat of Milton Campos relieves Quadros of most of his obligations to the UDN as a party. Had the UDN been able to show more responsibility for his victory, it could have made more demands on him and could have more easily influenced or inhibited his movements; its influence is likely to be minimal under present circumstances.

### *Domestic Policy*

The Embassy is not in a position to predict measures or courses which Quadros will take in the domestic field beyond the generalities he has himself outlined, notably in his Recife speech of September 19 (see Despatch 261, September 23)<sup>4</sup> and at his press-television conference held on October 13 (see São Paulo Despatch 158, October 19, and Embassy telegram 524).<sup>5</sup> The closest he came to outlining a philosophy of government was in his *O Cruzeiro* speech before the election (see Despatch 271, September 28).<sup>6</sup> The Embassy's information from several presumably reliable sources is that he still intends to adopt a deflationary fiscal policy.

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<sup>4</sup> Not printed. (*Ibid.*, 732.00/9–2360)

<sup>5</sup> Neither printed. (*Ibid.*, 732.11/10–1960 and 632.00/10–1560, respectively)

<sup>6</sup> Not printed. (*Ibid.*, 732.00/9–2860)

Believing that he has the capability to put into effect valuable and much needed reforms in the Brazilian administrative structure which can benefit the country institutionally and in its economic development, the Embassy is of the opinion that he will attempt to adopt sounder fiscal and economic policies than the present administration.

### *Foreign Policy*

The Embassy continues, however, to be concerned about his presumptive foreign policy.

[3½ lines of source text not declassified] in London (in mid-November), a number of usually very reliable Brazilian journalists<sup>7</sup> reported statements (see Weeka 47, Despatch 425, November 23)<sup>8</sup> indicating that Quadros was uninterested in visiting the United States; was only casually interested in talking to President-elect Kennedy; was looking forward to meeting with Tito, Nasser and Nehru; and was seeking to free Brazil of financial dependence on the United States by shifting the country's debt to European markets. [remainder of paragraph (10 lines of source text) not declassified]

Quintanilha Ribeiro, Chief of Civil Household during the Quadros governorship of São Paulo and scheduled to hold the same job in the new national administration, the only man authorized to speak for Quadros during his absence, informed the Ambassador through the reporting officer that João Dantas'<sup>9</sup> recent neutralistic statements purporting to reflect Quadros should be taken with reserve, although he admitted not knowing what may have transpired between Quadros and Dantas in Europe and was therefore uncertain of himself.<sup>10</sup> In any event, Quintanilha Ribeiro says that Quadros is accepting no official invitations from any country at this time.

The Embassy does not believe that Quadros necessarily intends to follow the courses of action which João Dantas and other journalists attribute to him; it does believe, however, that he wants it believed that he may in order to strengthen his hand in international negotiations. It also gives considerable weight to private statements made by the editor-in-chief of *Correio da Manhã* that Quadros has indicated that he will be independent (of the United States), neutralistic and sometimes anti-American in order to disarm leftist, nationalist opposition to

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<sup>7</sup> Carlos Castelo Branco of *O Cruzeiro*, Murilo Marroquim of the Chateaubriand chain (both accompanied Quadros on part of his round-the-world trip last year) and Joel Silveira of *Diario de Noticias*. [Footnote in the source text.]

<sup>8</sup> Not printed. (Department of State, Central Files, 732.00(W)/11-2360)

<sup>9</sup> João Riberio Dantas, director of the Rio de Janeiro newspaper, *Diário de Noticias*.

<sup>10</sup> Subsequently, according to another Quadros source, Quintanilha Ribeiro wrote to Quadros reporting that the neutralistic statements of João Dantas and those also attributed to him, Quadros, were having unfavorable reaction among the military. [Footnote in the source text.]

his tough domestic retrenchment program (see Despatch 423, November 23).<sup>11</sup>

*Relations with the United States*

It is most probable that Quadros will make occasional or even numerous gestures of independence in foreign policy and show neutralistic tendencies. He will still avoid an open break with the United States if for no other reason than that he is very aware of the fact that he needs US help. For a similar reason (he believes on balance they contribute to Brazil's development) he will cause a minimum of trouble to US enterprises in Brazil, although he may, because of pressure from nationalists, allow some restrictive legislation to pass Congress.

[2 paragraphs (22 lines of source text) not declassified]

*Conclusion*

Yet, [less than 1 line of source text not declassified] if all goes reasonably well economically and in the foreign field, Quadros can and probably will perform well for Brazil—and over the longer period perhaps for the Western Hemisphere also, if he is able to halt the growth of Fidelism in this country and in others. He is undoubtedly conscious of Fidelism and its threat to constituted governments and Cuba can push him too hard. Better than most Latin American leaders today, he can meet Fidelism with its own weapons which he understands well. On the other hand, he was genuinely impressed by the Cuban revolution, believes that the United States has been and is economically imperialistic toward Latin America (e.g., that the Department of State has constituted itself the principal defender of American business abroad, good or bad) and probably hopes that the new US administration will change in this respect. He is also aware that the transition of Brazil from a backward, underdeveloped nation cannot be long delayed without serious danger of social explosion.

That Quadros will change the bases on which relations between the United States and Brazil were traditionally conducted, there can be little doubt.

For the Ambassador:  
**Philip Raine**

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<sup>11</sup> Despatch 423 transmitted the memorandum of a conversation between Philip Raine and Luis Alberto Bahia, editor-in-chief of *Correio de Manhã*, on November 18. (Department of State, Central Files, 732.00/11–2360)

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**301. Memorandum of a Conversation, Department of State,  
Washington, December 27, 1960<sup>1</sup>**

PARTICIPANTS

*Department of State*

Mr. Thomas C. Mann, Assistant Secretary, ARA

Mr. Wymberley DeR. Coerr, Deputy Assistant Secretary, ARA [Attended part time]<sup>2</sup>

Mr. Alton W. Hembra, EST [Attended part time]

Mr. George R. Phelan, Political Officer, U.S. Embassy, Rio de Janeiro

*Visitors*

Dr. Augusto Marzagão, Secretary to President-elect of Brazil

Dr. Luciano Machado, Lawyer, Bank of Brazil

Dr. Fernando Pereira da Silva, Brazilian Industrialist

Dr. Jacques Elmaleh, U.S. Citizen, from New York

The following subjects were discussed:

1. *U.S. Ambassadors.* Dr. Marzagão began the conversation by indicating his hopes that the Kennedy Administration will use the same high standards in selecting its Ambassadors to Latin American countries that it used in selecting Mr. Rusk as the new Secretary of State. He added that, with rare exceptions, U.S. Ambassadors are not true representatives of the American people and the American way of life. A large number of ambassadorial appointments have been given to wealthy men as rewards for financial contributions to political campaigns; many do not possess a real knowledge of Latin America. They, instead of representing the American people, limit themselves to representing economic groups, "trusts", that by and large have created, through their actions and behavior, a negative attitude toward the U.S. in most Latin American countries.

2. *Inflation.* Dr. Marzagão referred to the present inflationary spiral in Brazil, attributing 70 to 80% of it to the building of the new capital, Brasilia, and pointed out that Dr. Quadros intends to take stern measures to prevent further inflation, that the Quadros Government will be one of austerity, honesty and patriotic dedication. Quadros' actions to combat inflation, he said, will have to be applied progressively to avoid serious social chaos in the country. In attaining stability and maintaining Brazil's much needed economic growth, the new Brazilian Administration will not ask favors of the U.S. but will need much U.S. understanding, cooperation and confidence.

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<sup>1</sup> Source: Department of State, Central Files, 732.00/12-2760. Confidential. Drafted by Phelan and Hembra.

<sup>2</sup> All brackets in the source text.

Mr. Mann suggested that the new Brazilian administration may wish to consider sending some of its economic and financial experts to Washington to conduct exploratory, preliminary, informal discussions with U.S. officials on economic and financial problems. Dr. Marzagão seemed to like this suggestion and promised to present it to the President-elect for his consideration.

3. *International Monetary Fund.* Dr. Marzagão said that the IMF, when approached by the present Government of Brazil in 1959 regarding assistance, set as a prerequisite strong deflationary measures to which President Kubitschek could not agree since he was at that time engaged in the building of Brasilia, the main source of inflation in the country. Dr. Marzagão said, however, that he hopes the IMF "to which the U.S. is closely linked" will recognize the economic predicament of the incoming administration and will exercise greater understanding in possible future requests for loans. Dr. Marzagão added that while Quadros will combat inflation it would take one or two years to put an end to it.

Mr. Mann explained that the IMF was an independent, international organization and in no sense of the word under the control of the U.S.

4. *Exchange Program.* Dr. Marzagão made reference to labor leaders in Brazil who have not been invited to the U.S. because of present or past leftist tendencies and/or participation in leftist movements. There are many promising and very important young labor leaders, Marzagão said, who are being invited to Sino-Soviet countries who could be brought to the side of democracy if they were given an opportunity to familiarize themselves with the American way of life and the people of the U.S. Dr. Marzagão mentioned that out of one group of eighty labor leaders under consideration, only eight were qualified for grants.

Mr. Mann replied that the Department placed much importance on the exchange of persons program. He agreed that flexibility in its administration is essential.

5. *Treatment of Latin American Ambassadors in Washington.* Dr. Marzagão said that Ambassadors of Latin American countries should be received more often and given more personal attention by the Secretary of State. Dr. Marzagão suggested that the U.S. could gain much by doing this. He went on to explain that this suggestion was based on criticisms he has often heard from Latin American diplomats in social and diplomatic functions in Brazil. Dr. Marzagão indicated that other Ambassadors (i.e., French, British, German) were received often by the Secretary.

Mr. Mann agreed with the principle brought up by Dr. Marzagão and at the same time explained the practical difficulty which the Secretary of State faces in finding time to give frequent personal attention to

the large number of Ambassadors in Washington. Mr. Mann endorsed the desirability of Washington officials giving more personal attention to the Brazilian Ambassador.

6. *U.S. Favoritism.* Dr. Marzagão suggested that the U.S. maintain a position of equal partners with the Latin American countries and avoid giving preferential treatment to any of them. He added, in this respect, that today the U.S. has Mexico as its favorite "child" and that it has also shown much favoritism toward Argentina.

Without agreeing that the U.S. plays favorites, Mr. Mann replied that a stronger spirit of unity, cooperation and understanding must be attained among the nations of this hemisphere, adding that the U.S. stands firm in its desire to cooperate with all countries in Latin America in bringing about a better future for their people.

7. *Third Force.* Dr. Marzagão referred to two forces surrounding Dr. Quadros: One, very powerful and active, is recommending that he assume leadership of a "third force", or neutralism, in the Americas. The other favors continuance of the "status quo" in Brazil's relations with the U.S., and is working toward that end. Dr. Marzagão expressed his grave concern about this situation. He indicated that he strongly favors the continuance of Brazil's friendly relations with the U.S. He also said that the "third force" group had already submitted to the President-elect a thorough plan of action. This plan, according to Marzagão, includes the recommendation that Brazil negotiate a substantial loan from European countries to repay the U.S. in full and later obtain a loan from the Sino-Soviet bloc to pay up the European country. Dr. Marzagão went on to say that the "pro-third force" group is so strong that many of the people opposed to it have decided to remain behind the scene for fear of future unhappy consequences to them if Quadros should accept the scheme.

Mr. Mann said that he had spent a large part of his life working for better hemispheric understanding and cooperation. He was glad to know that Dr. Marzagão was on this same side. All proponents of the inter-American system must renew their efforts for hemispheric understanding and solidarity.

8. *Speech by Secretary of State.* Mr. Marzagão suggested that the new Secretary of State make reference, in his formal speech at the time he assumes office, to the cordial relations existing between the U.S. and Latin America and the desire of the U.S. to be of assistance to the American Republics in achieving their much wanted economic development. He added that if particular mention were to be made of Brazil this would constitute a heavy blow to the "third force" supporters.<sup>3</sup>

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<sup>3</sup> Augusto Marzagão made similar statements in a conversation with Secretary of State-designate Dean Rusk at the Department of State on December 27. (Memorandum of conversation; Department of State, Central Files, 110.11-RU/12-2760)



# CHILE

## U.S. RELATIONS WITH CHILE

### 302. Editorial Note

Documentation on relations between the United States and Chile is presented in an accompanying microform publication. A narrative summary based upon that documentation and a purport list of the documents included in the microform supplement are provided below. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

Although the United States and Chile continued cordial relations during 1958–1960, there was considerable tension between them over copper policy. About one-half of Chile's foreign exchange was derived from this one commodity, and the United States affected Chile's copper market in a variety of ways: as consumer, as homeland of Chile's two principal copper operators (Anaconda and Kennicott Corporations), and as prime mover in the worldwide COCOM effort to keep vital raw materials out of East bloc countries.

At the beginning of 1958, U.S. Congress was preparing legislation to reinstitute a copper duty to protect domestic production in the face of declining world demand. The Embassy in Santiago, pointing out that the Chilean perception of the importance of the U.S. market was even more important than the market was in actuality, recommended alternatives such as stockpile purchases or an outright subsidy. The Department fundamentally agreed but observed that some compromise would have to be found. (CI-1) Vigorous public support of the duties by Interior Secretary Fred Seaton led Chilean President Carlos Ibáñez del Campo to cancel a scheduled visit to the United States. (CI-2, 4) In the wake of this setback, the Embassy recommended increased U.S. support of Chile, especially including measures of economic aid and cultural exchange which would remind Chileans that the United States did "recognize the difference between a Dominican dictatorship and a Chilean democracy." (CI-5)

In elections held in September 1958, Conservative-Liberal candidate Jorge Alessandri gained a narrow 31 percent to 29 percent plurality over Salvador Allende, the standard-bearer of a broad left-of-center coalition. Increased foreign exchange problems coincided with his vic-

tory. (CI-11) The Department and Embassy wanted to help Chile work out a favorable solution with the International Monetary Fund, especially as they perceived Alessandri as "much more business-like" than his predecessor. (CI-12, 13, 16) Along the way, however, the Department grew more skeptical that Alessandri had the will to introduce a thoroughgoing stabilization program. (CI-17) The Department also worked to head off the plans of other agencies to dispose surplus copper stocks. (CI-20, 21) Finally in May 1959, a package was worked out combining U.S. and IMF assistance to Chile. (CI-19)

In the spring of 1960, President Eisenhower visited Chile during his Latin American tour. The two Presidents, in cordial conversations, discussed general disarmament, Chile's own military situation, and economic topics. Alessandri assured Eisenhower of Chile's welcome to foreign capital investment. During a discussion of copper, it appeared that Eisenhower had not been aware of the U.S. import tax on imported copper. Eisenhower did promise Alessandri to make no releases from the copper stockpile except in emergencies, and issued appropriate instructions to carry out this promise. U.S. domestic considerations prevented the administration, however, from taking action on the copper duty. (CI-29, 30, 33, 35)

During the President's visit, Chilean officials told Secretary of State Herter that while they privately sympathized with the U.S. position regarding Cuba, Castro's revolutionary government in Cuba had great popular appeal in Chile and other Latin American countries. It was therefore better to isolate Cuba than to take direct action against it. (CI-32)

In May 1960, Chile was struck by a series of earthquakes, accompanied by tidal waves, avalanches, and floods, which wreaked extreme havoc on the country. The closing documents in the compilation detail the considerable efforts of the United States to meet Chile's needs for relief and reconstruction. (CI-37 through 41)

# COLOMBIA

## U.S. RELATIONS WITH COLOMBIA

### 303. Editorial Note

Documentation on U.S. relations with Colombia is being printed in an accompanying microform supplement. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents. The numbers cited in this summary correspond to the document numbers in the purport list and the microform supplement.

During the last 3 years of the Eisenhower administration, the United States maintained cordial relations with Colombia. In 1958, the reopening of Protestant churches in Colombia was the main U.S. concern, while in 1959 and 1960, the United States listened sympathetically to Colombian requests for economic assistance. Throughout the 3-year period high-level visits by officials of both countries figured prominently in the relationship.

On January 16, 1958, Ambassador Cabot called on Colombian Minister of Government Rengifo primarily to discuss the question of the Protestant churches which had been closed. Cabot stressed that he realized this was a delicate matter, but emphasized that every time the Eisenhower administration tried to obtain loans for Colombia, Protestants in the United States raised the question of the churches in Congress, and the aid could not be secured. Rengifo promised to do what he could. (CO-1) Assistant Secretary of State Rubottom also raised the question during a visit to Colombia, March 1-4, 1958. In a conversation with the Colombian Foreign Minister, Rubottom said that it was disappointing that only two churches had been reopened. When the Foreign Minister replied that, while it had been dangerous, Colombia had allowed additional churches to open, Ambassador Cabot informed him that this was not the case. (CO-4)

Ambassador Cabot reported in July that the situation had not improved. He suggested that attacking the problem head on would probably not succeed, and the new Colombian Government should be allowed to improve its record on the question gradually. (CO-11) By the end of the year this approach seemed to be working. (CO-16)

The Colombian Minister of Foreign Relations had raised the question of economic assistance during a visit to Washington in April 1958 (CO-8), but it was not until 1959 that President Lleras Camargo approached Ambassador Cabot. (CO-20) In commenting on the President's proposal for a \$200-million loan to Colombia, the Department of State and the Export-Import Bank both indicated their sympathy for Colombia's economic problems, but stated that the sum was overly ambitious in terms of the resources available in the United States. (CO-21)

The initial 1959 request was supplemented in 1960 by an approach from Colombia for assistance with a major land reform program. In preparation for Lleras Camargo's visit to the United States in April, the Director of the International Cooperation Administration and the Assistant Secretary of State for Inter-American Affairs sent a joint memorandum to Under Secretary of State Dillon recommending a sympathetic hearing for the program and U.S. involvement with it. (CO-25) While Lleras Camargo discussed a wide variety of topics with President Eisenhower and Secretary of State Herter, the main theme of their conversations was economic assistance. (CO-28 through 33) The trip to Washington was successful and resulted in the announcement in September of a \$70-million credit from the Development Loan Fund and the Export-Import Bank.

# COSTA RICA

## U.S. RELATIONS WITH COSTA RICA

### 304. Editorial Note

Documentation on relations between the United States and Costa Rica is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below along with a purport list of the documents published in the microform supplement.

Relations with Cost Rica during the 3-year period were unmarked by crises and difficult problems. The close of the period, however, saw the emergence of an issue that plagued the United States in Latin America and other parts of the world: the effect of the threat of communism on everyday U.S. relations with friendly and sympathetic governments. The question was whether that threat made the United States neglect its old friends while pursuing the support of more recalcitrant countries.

Early in 1958 the election of Mario Echandi Jimenez to the Presidency of Costa Rica offered a leader whom the United States saw as both friendly and oriented toward the stability of business and investment. (CR-1) During March, President-elect Echandi visited Washington and met with President Eisenhower and officials from the Departments of State and the Treasury. Echandi stressed the need for economic development in his country and also gave assurances of his awareness of the threat of communism in the hemisphere, particularly from infiltration of labor unions. Proud of his country's record for tolerance, he said that Costa Rica would continue to provide safety to political exiles but would not allow them to launch subversive operations from Costa Rican territory. (CR-2, 3, 4, 5)

One of the principal issues during 1958 and 1959 concerned Echandi's desire for a reallocation of tax revenues stemming from the profits of the United Fruit Company's operations so that Costa Rica would receive more than the 50-50 division currently in effect. U.S. officials, particularly in the Department of State, were quite agreeable to an arrangement on a 75-25 basis. In fact, however, legal technicalities uncovered by the Department of the Treasury served to delay a resolution until the end of 1959. At that time, a 60-40 arrangement

retroactive to January 1, 1958, was announced, but the smaller than hoped for reallocation and the seemingly endless delays left Costa Rica less than totally satisfied. (CR-6, 7, 8, 15, 16, 17, 18)

Echandi continually stressed his commitment to democratic principles and private enterprise as well as his concern for modest financial assistance and loans which would boost the local economic structure. (CR-5, 9, 10) Lack of immediate response from the United States, however, produced a further feeling of dismay and dissatisfaction in San José. This in turn affected Echandi's attitude toward U.S. efforts in 1960 to get the Central American nations to break relations with the Cuba of Fidel Castro. (CR-23) Ambassador Whiting Willauer in San José reported on the widespread feeling in the country that the United States was very often too slow to aid its old friends like Costa Rica and too responsive to threats from allies or neutrals of unfriendly actions. Willauer wanted quick favorable action on Costa Rica's modest economic requests. He also stated that, while Echandi personally detested Fidelismo, the President was in no position politically to buck public opinion by severing relations with Cuba. (CR-24)

Assistant Secretary of State for Inter-American Affairs Roy Rubottom assured Willauer of U.S. sympathy for Costa Rica's request, but cautioned that lack of overall planning in San José had resulted in indecisiveness and lack of followthrough, which had delayed U.S. action. (CR-25) In November 1960, Rubottom's successor, Thomas Mann, wrote to Echandi promising U.S. support for Costa Rica's applications for loans from the Development Loan Fund and the Export-Import Bank for water projects and development of new farms. (CR-27)

The compilation closes with coverage of Costa Rican actions to control antigovernment Nicaraguans operating out of northwest Costa Rica against the Somoza government in Nicaragua. (CR-28, 29) Costa Rica, which had pointedly announced its intention to abolish a standing army (CR-5), nevertheless wanted to demonstrate its ability to maintain peace within its borders and friendly relations with the neighboring states.

# DOMINICAN REPUBLIC

## U.S. RELATIONS WITH THE DOMINICAN REPUBLIC

### 305. Editorial Note

Documentation on relations between the United States and the Dominican Republic is presented in an accompanying microform publication. A narrative summary, based upon that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

Generalissimo Rafael Trujillo had ruled the Dominican Republic since 1930. While promoting himself as "the Benefactor," Trujillo's rule had become increasingly harsh and dictatorial. His attempts to strike at exiled dissidents in the United States had caused serious strain in relations with Washington. The Eisenhower administration faced one overwhelming problem in the Dominican Republic: how to ease Trujillo out of power without allowing pro-Fidel Castro/anti-American elements to take over.

In late January 1958, the Director of the Office of Middle American Affairs surveyed U.S.-Dominican relations and highlighted the principal U.S. interests in the Dominican Republic: its strategic position in relation to the Panama Canal, a U.S. guided missile tracking station on the northeast coast, and general Dominican support for U.S. policies. The Director recommended that U.S. Ambassador Joseph S. Farland meet with Trujillo in an attempt to normalize relations. Farland was encouraged by his discussion with the Generalissimo in early February to believe that a better relationship was possible. (DR-1) Trujillo, however, proved sensitive to U.S. congressional criticism and supposed slights against his family so that relations did not improve markedly. (DR-2, 3)

On June 14, 1959, a small group of insurgents invaded the Dominican Republic by air. The Dominican Army eventually defeated the invasion. (DR-8) Notwithstanding the fact that invasion did not generate popular support, the Department of State became increasingly concerned that the Trujillo regime was about to fall. In January 1960, Department officials raised the issue at the National Security Council.

Under Secretary of State for Political Affairs Livingston Merchant told the Council that the U.S. objective was to ensure that a successor regime would be friendly to the United States and not sympathetic to Castro or communism. The problem was, according to Merchant, that Trujillo had so stifled moderate opposition that most dissident groups were either Communist or Communist-infiltrated. The Department recommended that U.S. policy during the coming months should be to coalesce non-Communist business, professional, and academic groups into an opposition. (DR-10)

In January 1960, Trujillo cracked down on his opponents, charging that they were engaged in a conspiracy to overthrow him. (DR-11) In March 1960, retired General Edwin S. Clark convinced President Eisenhower to allow him to make a secret visit to Ciudad Trujillo (Santo Domingo) to convince Trujillo to step down from power. Clark's unofficial scheme contemplated creating a foundation funded by the money amassed by the Trujillo family during its 30 years of rule. To be administered by former Latin American and U.S. Presidents, the fund would be used for the benefit of the Dominican Republic. It was designed to prevent confiscation of the Trujillo fortune by a successor government and assure that Trujillo did not take his vast fortune with him into exile. (DR-16, 17)

Trujillo's support in the Dominican Republic was weakening rapidly, according to U.S. intelligence assessments. (DR-18, 20) When the situation was brought to the attention of the National Security Council in April 1960, there was general concern that the U.S. policy of building a moderate potential transition government might be too little and too late. Vice President Nixon worried that it was the "old story" being repeated: the pro-Castro elements with definite objectives were the only minority capable of strong leadership. Nixon recommended that the United States consider intervention if this group threatened to come to power. The National Security Council agreed that the United States must be prepared to take rapid action. (DR-19)

General Clark returned to Washington from conversations with Trujillo in late March 1960 without a promise from the Generalissimo to retire. Meeting with Secretary of State Herter and General Clark on April 25, President Eisenhower discussed the possibility of "a plan for removing Trujillo from control of the country, and to establish in his position a controlling junta which would immediately call for free elections and make an attempt to get the country on a truly democratic basis." (DR-20)

When the National Security Council next considered the question of the Dominican Republic in July 1960, Eisenhower concluded that the Trujillo dictatorship was seriously deflecting attention from the real problem in Latin America, Fidel Castro. (DR-25) It was difficult to brand Castro a dictator and call for sanctions against him as long as



Trujillo was in power. The new Assistant Secretary of State for Inter-American Affairs, Thomas Mann, solicited advice from Deputy Chief of Mission Henry Dearborn who was the highest level diplomat official now that U.S. relations with the Dominican Republic were suspended in conjunction with an OAS decision that the Dominican Republic had attempted to assassinate President Betancourt of Venezuela. Invited to give his "very personal and confidential" appraisal, Dearborn suggested that as long as Trujillo remained in the Dominican Republic—as Governor of Santiago province or "dogcatcher"—he would dominate the country and there would be no chance for a true opposition. The only solution was removal of Trujillo from the country. Dearborn asserted that Trujillo would probably only do this under threat of death. Dearborn suggested that if he were a Dominican he would favor killing Trujillo. (DR-28)

The Department of State's Bureau on Intelligence and Research suggested that "assassination is an increasing possibility—perhaps even a probability, considering the desperate temper of the opposition." (DR-29) It is clear from this compilation that the Eisenhower administration tried without success to induce Trujillo to step down. By the end of 1960, the dictator held grimly to power. Six months later he would be dead from an assassin's bullet. Additional material may be found in *Alleged Assassination Plots Involving Foreign Leaders, An Interim Report of the Select Committee to Study Governmental Operations with Respect to Intelligence Activities*, Report No. 94-465, 94th Congress, 1st Session, U.S. Senate (Washington, November 1975), pages 191-215.

# ECUADOR

## U.S. RELATIONS WITH ECUADOR

### 306. Editorial Note

Documentation on relations between the United States and Ecuador is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

Except for a brief period in 1960, U.S. relations with Ecuador during the closing years of the Eisenhower administration were normal and uncomplicated.

In April 1958, President Eisenhower in a letter to President Camillo Ponce Enriquez described Ecuador as "a nation enjoying political stability, freedom and steady economic development." (EC-3) In the following month, Vice President Richard Nixon's visit to Ecuador was described as an unqualified success, in contrast to his visits to Peru and Venezuela where violent anti-American protests broke out. Nixon said there were no great problems between the two countries. (EC-5) During his conversations with Ponce, the Vice President stressed the need to resolve the area's economic problems as a prerequisite to curing the political problems. Ponce stated that stabilization of the Latin American economies would make all the countries better customers for American products. (EC-4, 5, 6, 7)

The United States did involve itself in loans to improve the Ecuadorean infrastructure and aid economic development, and was also ready to provide military assistance for internal security programs to combat Communist subversion and disruption within the country. (EC-8, 11)

In June 1960, José Maria Velasco Ibarra was elected President by what Assistant Secretary of State for Inter-American Affairs Roy Rubottom termed a surprisingly large margin. (EC-15) Velasco had held the office on three previous occasions and was believed to be basically friendly to the United States; no insuperable problems were anticipated in dealing with the new administration. The President-elect

indicated his willingness to cooperate in fighting communism and opposing Fidel Castro, and Ambassador Christian Ravndal emphasized that the United States would offer technical aid and assist the Ecuadorean economy, particularly with housing for the poor. (EC-16)

At the time of Velasco's inauguration at the end of August 1960; however, evidence began to surface that Ecuador wished to focus attention on its boundary dispute with Peru. The Rio Protocol of 1942 which dealt with that question, noted the new administration, was unfavorable and unfair to Ecuador. Velasco and Foreign Minister José Ricardo Chiriboga Villagomez said they did not wish to push to a solution at once, but only to reiterate strongly the Ecuadorean position. The United States, as it consistently had, stressed its desire for a mutually acceptable settlement. (EC-17) At the same time, Ecuador needed help quickly in terms of highway construction, electric power, housing, and medium industries. The United States stressed the need for careful planning, but noted it was anxious to assist. (EC-18)

Shortly thereafter, in September 1960, the Embassy in Quito reported that students, demonstrating over the boundary dispute, stoned the Consulate General in Guayaquil. (EC-19) The Guarantors of the 1942 Rio Protocol, the United States, Argentina, Brazil, and Chile, meeting informally, cautioned against unilateral action by Ecuador to denounce the Protocol, stating that most of the provisions of that agreement had already been implemented and unilateral denunciation was unacceptable. (EC-20, 21)

On October 23, however, Ecuador announced its repudiation of the 1942 Protocol. The United States, responding as a Guarantor on December 7, stated that such unilateral action was not allowable. The Guarantors stood ready to assist in a mutual resolution by Peru and Ecuador of a satisfactory demarcation of the remaining areas of the boundary line still at issue. At the same time, the United States assured Ecuador that aggression by the other party would invoke the security guarantees of the inter-American system against armed attack. (EC-22)

An Intelligence Note to Secretary of State Christian Herter on December 16 informed him that the December 7 statement had provoked attacks resulting in considerable damage to the Embassy and other U.S. buildings in Quito and Guayaquil. (EC-23) Since taking office, Velasco, rather than concentrating on economic problems, had focused on the boundary question. Ecuadorean overtures toward Cuba and the Soviet Union appeared designed to gain support on this issue. Meanwhile, leftist agitation was undoubtedly a factor in the assaults on U.S. property.

Within a few days, however, relations took a turn for the better, according to the Embassy in Quito. (EC-24) Velasco dismissed his Minister of Government, Manuel Araujo, characterized as rabidly left-

ist and pro-Castro in his views. This dismissal brought to a close an unprecedented period of leftist agitation in the country. Just before the end of the year, Foreign Minister Chiriboga visited Washington. A joint statement issued on the occasion concentrated on economic development and indicated U.S. desire to provide loans for projects such as the establishment of savings and loan institutions, and construction of highways, municipal water systems, and electric power installations. The boundary dispute was not mentioned. (EC-25)

# EL SALVADOR

## U.S. RELATIONS WITH EL SALVADOR

### 307. Editorial Note

Documentation on relations between the United States and El Salvador is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

#### *U.S. Relations With the Lemus Government*

U.S. relations with El Salvador were without serious difficulties during most of the 1958–1960 period. Johns Hopkins University President Milton Eisenhower visited El Salvador in July 1958 during his 3-week trip to several countries in Central America as President Eisenhower's personal representative. He met with President José Maria Lemus and other government officials, businessmen, and labor leaders. Lemus called attention to El Salvador's economic problems and expressed interest in increased U.S. assistance but offered no specific proposals. (ES-2) Lemus made a State visit to the United States March 9–21, 1959. In a meeting with Eisenhower on March 11, he stressed his interest in Central American economic integration and Eisenhower expressed sympathy with this objective. (ES-5, 6)

During the following year, Lemus' political support deteriorated as Salvadoran politics became increasingly polarized. In April 1960, the Embassy reported strains and cleavages within the "oligarchic triarchy (Army, landed gentry and church) which has ruled this country for decades" and growing strength among opposition elements "led by Communists and supported morally and financially from Cuban sources." Lemus was increasingly isolated, the Embassy reported; opposition to him was growing not only on the left but also among the wealthy, who blamed him for failing to take strong action against extremist elements. (ES-13)

Director of the Office of Central American and Panamanian Affairs C. Allan Stewart told Assistant Secretary of State for Inter-American Affairs Roy Rubottom in an April 12 memorandum that "Fidelismo is spreading like wildfire" among the poor but that the Lemus government had done nothing to remedy social conditions. (ES-14) When Stewart visited El Salvador in June, Lemus requested U.S. assistance for the Salvadoran security forces, but when he asked Ambassador Thorsten V. Kalijarvi about the request 2 months later, Kalajarvi told him it was still under consideration in Washington. (ES-16, 17, 18)

Events reached crisis level in August and September, with growing demonstrations and disorders. Kalijarvi commented that after an initially hesitant response, Lemus had antagonized the public by using heavy-handed and indiscriminate force; meanwhile he had alienated his supporters by failing to consult them. Nonetheless, Kalajarvi recommended continuing support of the constitutional government by speeding up action on pending aid requests. (ES-19, 23)

### *The Recognition Issue*

On October 26, 1960, a military-civilian Junta seized power in a bloodless coup. It declared the Constitution still in effect and promised to hold free elections, and the new Foreign Minister assured Kalajarvi that the Junta wished to maintain close and cordial relations with the United States. (ES-25) Kalijarvi reported 3 days later, however, that the coup represented a "decided shift to the left." Although the military members of the Junta were friendly to the United States, they were young and politically inexperienced, while the civilian members included many strong leftists and some "out and out Commies". The leading figure behind the coup was reportedly former President Oscar Osorio, who might think he could keep the leftists under control, but Kalijarvi thought the military element in the Junta was "no match" for the leftists and that the coup should be regarded as "the first step towards Fidelismo." Arguing that support for the Junta was already cooling and a countercoup might be in the making, he urged the Department of State to "go slow with recognition." (ES-26)

In Washington, the Bureau of Inter-American Affairs took a more benign view of the new regime, considering that the Junta's civilian members were largely leftist but moderate. (ES-27) In a November 1 memorandum to President Eisenhower, Secretary of State Herter noted that the majority of the army and the conservative oligarchy supported the Junta, that Osorio had a long record of cooperation with the United States and opposition to communism, and that several other countries had already extended recognition. He recommended

prompt recognition in order to enable the United States to establish good relations and exert a positive influence on the new regime, and Eisenhower approved. (ES–28)

Meanwhile, the Department's concern about the new regime was increased by new reports from the Embassy, reinforced by Kalijarvi's return to Washington for consultations. Chargé Donald P. Downs was instructed to meet with Osorio and selected army officers and ascertain their views. Downs reported on November 3 that Osorio had replied to questions vaguely and evasively and that he did not think it was necessary to curb Communist activities but intended that all parties should participate in free elections. Downs also met with one of the military members of the Junta, who he thought was friendly but "a complete babe in the woods." (ES–29, 30)

At a National Security Council meeting on November 7, Acting Secretary of State Livingston T. Merchant reported that the United States had not recognized the new government in El Salvador in view of the possibility of a counter coup; the question was whether recognition should be extended in order to strengthen "reasonable elements" in the government or withheld in the hope of encouraging the opposition. Eisenhower remarked that the ease with which a few Communist elements could take over a government was frightening and that the reluctance of OAS members to take action was alarming; he observed that it might be necessary "to go back to greater reliance on power politics." Secretary of Defense Thomas S. Gates, Jr., recommended delaying recognition, but further discussion was inconclusive. (ES–32) In a November 10 memorandum to Eisenhower, Herter again recommended recognition. (ES–34) The President again approved, but action was postponed because of continued Department of Defense opposition and concerns expressed by the intelligence community. (ES–36, 37)

In an effort to resolve the impasse, the Department of State sent C. Allan Stewart to El Salvador to survey the situation. He reported on November 23 that Osorio was the key figure behind the government, that the civilian members of the Junta seemed anxious to cooperate with the United States, and that the military members, backed by Osorio, provided a check on those of doubtful ideology. (ES–39) After receiving this report, Herter again recommended recognition. (ES–40) In a meeting with the President on December 1, the Department of Defense withdrew its objection, and Eisenhower gave his approval. (ES–42) On December 3, Kalijarvi returned to El Salvador and delivered a note extending recognition to the Junta as the provisional Government of El Salvador. (ES–43)

# GUATEMALA

## U.S. RELATIONS WITH GUATEMALA

### 308. Editorial Note

Documentation on relations between the United States and Guatemala is presented in an accompanying microform publication. A narrative summary, based upon that documentation, is provided below, along with a purport list of documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

The assassination of the pro-American and anti-Communist President of Guatemala, Carlos Castillo Armas, in July 1957, threatened Guatemala with political uncertainty. In fact, a relatively orderly transition emerged. An interim government arranged a new Presidential election in which Miguel Ydígoras Fuentes won a plurality but not a majority vote. Through popular pressure and political dealing, Ydígoras won approval of the Guatemalan Congress to which responsibility for naming the President devolved when no Presidential candidate won a majority in the popular election. An upper-class, authoritarian, former professional soldier who represented Guatemala's traditional classes and conservative forces, Ydígoras assumed the Presidency in March 1958 without enjoying firm support in the new Congress where his political supporters made up only 16 of the 66 members. (GT-5)

Ydígoras compensated for his political vulnerability by engaging in a series of high-profile quarrels with his neighbors—with Great Britain over Guatemala's claims to British Honduras and with Mexico over a supposed invasion and, later in 1958, over shrimp fishing. (GT-6, 7, 14) The United States disapproved of this adventurism, but continued to provide Guatemala with economic and military assistance as well as development loans. (GT-8, 9, 10, 13) In early 1959, the Embassy reported that Ydígoras' political situation had deteriorated rapidly and his overthrow was a real possibility. (GT-15) When Ambassador Lester D. Mallory returned to Washington in June 1959 for consultations, the Department of State decided that despite Ydígoras' volatility and his government's apparent swing to the left, he was still worthy of



U.S. support. (GT-20) The Department understood that if Ydígoras was to rule Guatemala he would have to, in effect, play to the left. The leftist traditions of Guatemalan politics established during the years of the Arévalo and Arbenz Presidencies of 1944–1954 gave such a posture considerable popular appeal. Unfortunately, Ydígoras did not make the kind of economic decisions and reforms required to place his government on a sound fiscal basis. In July 1960, economic problems, labor unrest, terrorism, and an abortive military coup convinced Ydígoras to declare a "state of siege" which suspended civil liberties and established temporary military control. (GT-29)

Concern about the survivability of the Ydígoras government took on added significance given the threat that Fidel Castro's revolutionary regime in Cuba posed to the rest of Central America. When a group of dissident military officers attempted to seize power on November 13 in Guatemala City and two provincial capitals, Ydígoras charged that the revolt was Castro-inspired and asked for U.S. support in preventing possible Cuban invasion or intervention. (GT-33, 34, 35) On November 14, President Eisenhower discussed the situation with Secretary of State Christian Herter. Herter noted that the situation looked "very serious" and suggested that "the Cubans have had a hand in this." Eisenhower agreed that the United States should be prepared to get from Guatemala, Nicaragua, and Costa Rica requests for U.S. military surveillance and possible assistance in the event of an overt Cuban intervention or attack. (GT-36)

There was no Cuban aggression nor any proof that the Guatemalan rebels were supported by Castro, but Guatemalan forces loyal to Ydígoras were unable immediately to reestablish control. Guatemala and Nicaragua had requested surveillance, while Costa Rica had not. Herter therefore recommended to Eisenhower that the United States continue naval surveillance of the Guatemalan and Nicaraguan coasts. The only matter still to be decided was whether or not this naval surveillance force should have a U.S. Marine battalion on board. Eisenhower decided that the Marines should remain at the nearest suitable station. (GT-42) By November 16, loyal forces put down the rebellion.

# HAITI

## U.S. RELATIONS WITH HAITI

### 309. Editorial Note

Documentation relating to U.S.-Haitian relations is presented in an accompanying microform publication. A narrative summary based upon that documentation and a purport list of the documents included in the microform supplement is provided below. The document numbers cited in the summary correspond to the document numbers in both the purport list and microform supplement.

Haiti had the misfortune to be the poorest nation in the Western Hemisphere. President François Duvalier was popularly elected in 1957, a break in the usual cycle of Presidential succession by military coup, but soon after his election Duvalier proved himself another Haitian dictator. Duvalier ruled through control of the National Police, the Presidential Guard, and the secret police, all chosen for their personal loyalty to him and meant as a counterweight to the Haitian Armed Forces.

Haiti's economy was virtually bankrupt. Graft and administrative ineptitude discouraged international lenders from providing Haiti with additional loans. Because Haiti's economy was dependent on coffee, a wild crop harvested by peasants, its revenues fluctuated wildly. During 1958-1960, U.S. officials responsible for relations with Haiti faced three overriding questions: how closely should the United States become associated with Duvalier, how could the United States use its influence to mitigate Duvalier's dictatorial rule, and how much money should it give Haiti?

As 1958 began, the Department of State was restoring normal relations with Haiti that were broken in late December 1957 when U.S. Ambassador Gerald Drew was recalled to protest the beating death by Haitian police of an American citizen, Shibley Jean Talamas, a political opponent of Duvalier. The Talamas family received compensation and some official action was taken against his murderers. The Department then outlined a program of improved relations: restoration of grant assistance, military assistance, and loans; recreational

visits of the U.S. fleet; possible augmentation of U.S. military training missions; and increased U.S. tourism, private investment, and technical assistance. (HA-1)

In June 1958, Ambassador Drew expressed concern about this program. Speaking specifically of a U.S. Marine training mission that Duvalier avidly wanted, Drew confided "I find myself becoming increasingly repelled by the thought of a mission here when the jails are crammed with political prisoners . . . ; when defeated candidates . . . are beaten, tortured and hounded into exile; when a restrained opposition press has been ruthlessly snuffed out of existence; and when masked night riders, . . . operate from their headquarters in the National Palace." Drew suggested that in return for the U.S. Marine trainers the United States should extract promises of better behavior from Duvalier. (HA-4)

The initiative shifted to Duvalier when his security forces foiled a coup by Haitian, Dominican, and American citizens launched from Miami on July 29, 1958. (HA-5) The United States publicly regretted and deplored the involvement of U.S. citizens. President Eisenhower privately soothed Haitian feelings. (HA-6) Two months later the U.S. Marine training mission was approved on a temporary basis notwithstanding Drew's concerns. (HA-9)

Haiti's economy suffered in early 1959 from the double blow of the failure of its coffee crop (less than half the previous year's level) and a drop in the price of coffee. Haiti was running a large deficit and needed a massive injection of U.S. assistance to forestall economic paralysis and possible social and political chaos. The United States was prepared to grant Haiti \$6 million in budgetary support from the President's special contingency fund, but the International Cooperation Agency insisted over Department of State objections that the money be given only if Haiti agreed to controls and reforms in its economy. (HA-10)

The economic crisis occasioned serious consideration in Washington and at the Embassy in Port au Prince of the advisability of continuing to shore up the Duvalier regime. In March 1959, Ambassador Drew and the Country Team reluctantly concluded that Duvalier's overthrow would create more chaos and misery than continued Duvalier rule. As Drew concluded, "we cannot afford to let Haiti 'go through the wringer.' " (HA-11 through 13) Ironically, in May 1959, Duvalier nearly died but was saved by the dispatch of a U.S. cardiologist and equipment from Guantanamo Bay. (HA-14, 17)

Disturbed conditions in the neighboring Dominican Republic and a small-scale invasion of Haiti from Fidel Castro's revolutionary Cuba gave Duvalier serious pause in late summer 1959. Haiti requested a U.S. patrol of its waters and air space and offered base facilities to the

United States. (HA-15, 18) The United States declined both requests, but did authorize extensions of visits and brief additional visits of U.S. Navy ships to Haiti. (HA-16)

When the Caribbean situation quieted, the United States concentrated upon the shambles of the Haitian economy. This time, however, U.S. aid could be justified on the grounds that Haiti needed economic and military assistance for legitimate self-defense against Cuba and communism. (HA-21) International Cooperation Agency officials complained that Haiti was not only not trying to help itself economically, but also refusing constructive help designed to bring economic development. ICA argued against budgetary support, but lost to the foreign policy considerations of the threat of Castro. (HA-22) Duvalier was not particularly grateful and complained publicly about the meagerness of U.S. aid, implying that U.S. parsimony was the real cause of Haiti's poverty. The Central Intelligence Agency concluded that Duvalier was "drifting leftward" because the ailing dictator had delegated authority to a "clique of leftists." Still, the general consensus in Washington held that Duvalier was reasonably secure and the pro-American Haitian Army would not challenge him. In effect, the United States was reluctant to give up on Duvalier even though his government's graft and mismanagement had crippled the U.S. aid program and notwithstanding his flirtation with the left. Duvalier was a force for stability in a country characterized by political instability. Despite his occasional anti-American tirades, he was a staunch anti-Communist. (HA-24, 26)

The new U.S. Ambassador to Haiti, Robert Newbegin, arrived in Port au Prince in October 1960 with limited objectives and options. He was there to commit U.S. aid money, \$5 million for budgetary support, \$4.5 million for balance-of-payments support and economic development, and \$3 million for additional development projects. He was to stress that this money was to help the Haitian people, but Haiti's past use of aid and development assistance and its inability to repay past debts did not augur well. (HA-27 through 29)

# HONDURAS

## U.S. RELATIONS WITH HONDURAS

### 310. Editorial Note

Documentation on relations between the United States and Honduras is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

Throughout the 3-year period, U.S.-Honduran relations were cordial and unencumbered by vexing problems. The United States welcomed the administration of President Ramon Villeda Morales as one with which it could do business and one which typified the type of decent, democratic government in Latin America that it liked to see. (HO-1, 2) Unfortunately, although Honduran needs were not great in terms of dollar expenditure, the United States had to be cautious in responding to requests for assistance. (HO-3) Villeda's middle-of-the-road policies inspired grumbling by the Chief of the Armed Forces, but U.S. officials counseled patience and assistance to the civilian authorities. (HO-4) Though by no means a strong arm leader, Villeda fended off two military coups launched from outside the country in 1959 by the former Honduran Chief of Staff. (HO-5, 9)

In 1960, Villeda made an informal visit to Miami and New Orleans and received a warm letter of support from President Eisenhower who praised the Honduran leader's efforts to strengthen his country's democratic institutions. (HO-13) Villeda was clearly perceived as someone friendly to the United States and aware of the dangers of international Communism. (HO-2) From this perspective, it was not surprising that in the late months of 1960, the Department of State took extraordinary measures to arrange loans for the financially troubled United Fruit Company, since it was felt that collapse by the company would seriously destabilize the Honduran economy, cause loss of jobs, threaten the future of the Villeda administration, provide a seed bed for Communist discontent, and deprive local Honduran communities of numerous public services which United Fruit provided in

the absence of the Honduran Government's ability to do so. (HO-15, 16, 20, 21) Happily for Villeda and Honduran morale, the same timeframe in late 1960 also witnessed a great political victory for the country when the International Court of Justice provided a peaceful settlement to a longstanding dispute by awarding to Honduras territory long contested with Nicaragua. (HO-18, 19)

Finally, a month before the end of the Eisenhower Presidency, the Department of State secured approval for the United States in concert with Honduras to refer to the International Court of Justice the question of jurisdiction over the Swan Islands. The islands had been occupied by the United States for a century and Secretary of State Herter felt that the Honduran claim was definitely a weak one, but he thought it politic to make the move in order to strengthen the Villeda government and offset the criticisms of the Castro government in Cuba which itself was incensed by American radio broadcasts hostile to Castro emanating from the islands. (HO-22)

## MEXICO

POLITICAL AND ECONOMIC RELATIONS OF THE UNITED STATES AND MEXICO<sup>1</sup>

### 311. Letter From President Ruiz Cortines to President Eisenhower<sup>2</sup>

*Mexico City, February 17, 1958.*

DEAR MR. PRESIDENT: When in August 1954 you decided not to accept the recommendation of the United States Tariff Commission on lead and zinc, you simultaneously expressed the hope that the foreign countries that supply these products to the United States market would not seek to obtain any unfair advantage from the stockpile buying program which you decided to launch at that time.

Mexican public opinion reacted very favorably to that decision of yours, interpreting it as another gesture of understanding and friendship for the Latin American producing countries, especially Mexico, and for Canada. It was very gratifying to me, therefore, to refer to this problem in my annual message to the Congress of Mexico on September 1, 1954, in the following terms:

“President Eisenhower’s decision not to authorize increased duties on lead and zinc has been appreciated at its full value by the Government of Mexico and the Mexican mining industry, because it helps to prevent a worsening of the situation of our mining industry.”

Furthermore, the Mexican mining industry understood that it should not take advantage of the new measures adopted by your Government, because it was convinced that the immediate future of the lead and zinc market was uncertain and should not become further weakened, and because a feeling of human and friendly solidarity made it aware of certain obligations to mine owners and workers of the United States of America. The policy of the Mexican mining industry not to export excessive quantities of lead and zinc that might have helped to make the situation of a certain sector of the United States

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<sup>1</sup> Continued from *Foreign Relations, 1955–1957*, vol. vi, pp. 649 ff.

<sup>2</sup> Source: Department of State, Presidential Correspondence: Lot 64 D 174, Ruiz Cortines. The source text is a translation.

mining industry even more difficult is apparent from the official data published by the United States Department of Commerce in the series "Imports for Consumption." These data show that our exports of lead to the United States in 1954, 1955, and 1956 were below those of 1953. Although zinc exports increased a little, it is well to note that this benefited the United States metallurgical industry, since nearly all of the zinc coming from Mexico is made into concentrates that supply large refineries in Oklahoma and Texas. Without those concentrates, these refineries—as was stated by their representatives at the public hearings held in the United States Congress last summer and in the Tariff Commission last November—would have been placed in a very difficult position, for they have been unable to obtain zinc ore in the United States of America.

In any case, if the two metals are taken together—as is done normally—our exports to the United States in the above-mentioned years 1954, 1955, and 1956, were less than the 1953 exports.

The foregoing demonstrates the understanding spirit and cooperation of the lead and zinc industry of Mexico.

The fall in prices on the world markets has been a serious blow to Mexico's mining industry, which for more than a year has been going through a very grave experience. A number of mines have stopped work; others have cut down; and still others are producing at a very small margin of profit. The possibilities of absorption by the Mexican economy of the workers now unemployed, who already number about 4,000 in round figures (approximately the same figure as in the United States, according to data supplied to the Tariff Commission), are unfortunately limited.

My Government, as well as employers and workers, have fully explained the serious harm to Mexico's economy that would result from the imposition of new obstacles to the exportation of lead and zinc. Therefore, I do not think it necessary to speak at length on the matter, but I do wish to mention that during the recent Economic Conference at Buenos Aires,<sup>3</sup> Mexico, Bolivia, and Peru presented to the United States Delegation a document in which it was pointed out that the tariff increase then being planned would cause the mining activities of those countries "injury in such a manner that in many cases it would be irreparable, in as much as the nature of mining operations does not permit of temporary suspension or appreciable reduction in the volume of ores processed in the foundries." At that Conference it was persistently pointed out that any measure reducing the volume of foreign exchange available for the purchase of goods

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<sup>3</sup> For documentation on the Economic Conference of the Organization of American States at Buenos Aires, Argentina, August 15–September 4, 1957, see *Foreign Relations*, vol. VI, pp. 497 ff.



abroad harms and limits not only the possibilities of Latin American economic development but also the expansion we all desire in the trade between our countries.

The circumstance that the Congress of the United States ended its session last year without approving the tariff modification was interpreted by public opinion as an encouraging fact, even though we knew very well that the problem was not definitively settled and that the price of lead and zinc dropped considerably in the second half of last year. It can be appreciated without any difficulty that if to the weakness of the market, accentuated in consequence of the economic recession that has been occurring lately, a further restriction should now be added in the United States market, which has traditionally absorbed 40% of our lead and zinc exports, the mining industry and the Government of Mexico would be faced with an even greater problem.

I very well understand your obligation, Mr. President, to watch over the interests of United States miners. I do not know whether, despite various statements to the contrary made by Americans who have testified, the Tariff Commission of the United States might conclude that an increase in the duties would remedy the situation now affecting a part—fortunately a small part—of United States mining interests. I do not consider it appropriate for me to point out the possible merits, from the international standpoint, of certain alternative measures that were suggested during the hearings before the Tariff Commission. But in view of my country's bounden duty to protect Mexican interests, my colleagues are studying what measures might be adopted in the deplorable event that your Government conclude that there must inevitably be an increase in the import duties on these two metals which together have accounted, during the last ten years, for 50% of our mining production, 32% of our total exports, and, in the form of taxes, 6% of Federal revenues.

Your request for a five-year extension of the reciprocal trade program confirms a healthy trend toward the elimination of unnecessary obstacles to international trade and a spirit of freeing that trade for the benefit of the world economy. Such a spirit nourishes the hopes we cherish for a solution to the problem with which I am here concerned, our hopes being based on the grounds of international solidarity.

I share the confidence you have publicly expressed that the economy of the United States will resume an upward trend within a short time, and even though the mining industry does not have the same elasticity as other industries, we must hope that with the intensification of economic activity it will soon be able to come out of its present difficulties. Nevertheless, I believe that the process for the mining economy would be less damaging and probably shorter if we could find a multilateral solution that would make the implementation of individual measures unnecessary, a solution that would find its sup-

port in the ideals of friendship and solidarity on which you and I, Mr. President, want the relations between our two countries to be unvaryingly based. My Government will always be willing to give constructive study to any solutions of this kind.

I take pleasure, Mr. President, in renewing to you the assurances of my most cordial friendship.<sup>4</sup>

**A. Ruiz C.**<sup>5</sup>

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<sup>4</sup> On March 7, President Eisenhower sent an interim reply to President Ruiz Cortines. In his reply, Eisenhower noted that the United States Tariff Commission had not yet completed its study of the lead and zinc case, and he suggested that it would be unwise to comment prematurely on the matter. He also stated the following:

"I can assure you, however, that the interested Departments of the United States Government, and I, personally, will weigh carefully the points you raise in your letter in considering this entire problem as soon as the Tariff Commission's report is presented." (Department of State, Presidential Correspondence: Lot 64 D 174, Ruiz Cortines)

The suggested text of Eisenhower's letter was transmitted to the President under cover of a memorandum from Under Secretary Herter, March 6. (Eisenhower Library, Whitman File, International File)

<sup>5</sup> The translation bears this typed signature.

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## 312. **Airgram From the Embassy in Mexico to the Department of State**<sup>1</sup>

G-170

*Mexico City, May 21, 1958.*

REF

Deptel Circr 1070, May 13, 1958<sup>2</sup>

SUB

Economic Impact of U.S. Recession on Mexico

1. Actual impact on Mexico mainly psychological. Mexican economy continues to grow although apparently at slower rate than 1957 which already had shown some slowdown compared with 1956 near-sensational rate of growth. Certain segments of Mexican economy suffer from lack of demand and certain areas are in economic straits due to 1957 drought. However, only industry directly hurt by U.S. recession seems to be lead, zinc, copper mining and secondary effects on economy as a whole appear to be not very great. Difficulties in specific industries are caused by local factors such as reduced agricul-

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<sup>1</sup> Source: Department of State, Central Files, 811.00/5-2158. Confidential.

<sup>2</sup> Not printed.

tural purchasing power in drought areas, excess capacity in textile or television industries and slowing down of public construction before elections. Current slowdown of overall growth could be explained adequately by reference to wearing off of the inflationary impetus of the 1954 peso devaluation, decline in export proceeds from cotton and recently also coffee after the spectacular expansion in 1955 and 1956, while decline of proceeds from metal exports has only contributory effect. Slowdown of course is accentuated by psychological effects of U.S. recession and fear of greater actual impact in future.

2. If recovery does not develop, U.S. recession might affect Mexican economy by reducing Mexico's export proceeds from sales to U.S. and from sales to Europe, Japan and Canada; by reducing earnings from tourist trade; by increasing competition of U.S. cotton and so affecting Mexico's export markets in third countries; and by reducing new U.S. investment in Mexico.

3. We assume that prolonged U.S. recession would have damaging effects on economic situation in other countries and would reduce Europe's and Japan's ability to purchase Mexico's export products, especially cotton, metals, coffee. These effects would cumulate the direct impact on Mexico of a reduction in U.S. market for Mexico's products whether caused by recession directly or by U.S. Government action. Further fall in world market prices for cotton, metals, coffee would perhaps be even more damaging than lesser U.S. demand for Mexico's products. Mexico sells to U.S. many commodities of daily consumption (fruit, vegetables, shrimp, sugar) which most likely would be less affected by continuing recession than world markets for industrial raw materials.

4. Major element for Mexico's economic well-being is U.S. tourist traffic but general belief here is U.S. recession, unless becoming much more severe or very protracted, will not seriously affect U.S. travel to Mexico.

5. Direct investment of American enterprises constitutes an important part of private industrial investment in Mexico. Under impact of recession, U.S. enterprises might cut down their new investments. This would not only affect Mexico's economic growth but put strain on peso since American enterprises' annual earnings in Mexico reach 100 million dollar figure which currently is offset by new investments but if actually paid abroad would cause substantial drain on reserves.

6. It may be assumed that Mexico would effectively protect its own industry against direct competition of U.S. goods within Mexico but any substantial fall in U.S. prices would revive basic problem of price discrepancy since Mexican prices more likely to continue rising, and this would also threaten peso.

7. To sum up, economic impact of continued U.S. recession could be very substantial, depending mainly on whether U.S., Europe and Japan continue buying Mexican raw materials at current volume and prices, to what extent tourist traffic from U.S. will be affected, what U.S. will do to protect its own mining, agriculture, and whether U.S. enterprises will reduce direct investments in Mexico. The effects would be felt first in the balance of payments and the general economic situation, and secondly, in the budget. Most of these effects would be accentuated by the counter-action which the Mexican Government would be likely to take in order to prevent the country from falling into serious depression. Such counter-action, involving mainly increased public investments and reduced export tax rates, would at once result in large budget deficit, increase the inflationary momentum and, coupled with balance of payments deficit, within not too long a time lead to peso devaluation. It is generally agreed that a new devaluation would not yield many of the favorable effects which are variously ascribed to the 1954 step but Mexico would not be able to avoid it if a prolonged U.S. recession further accentuated a slump in world market prices for raw materials.

Evaluation of political impact follows in separate airgram.

Gray

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**313. Letter From President Eisenhower to President Ruiz Cortines<sup>1</sup>**

*Mexico City, July 17, 1958.*

DEAR MR. PRESIDENT: Since writing you briefly on March seventh,<sup>2</sup> I have given much additional thought to the concern you expressed in your courteous letter of February seventeenth.<sup>3</sup> In that communication you indicated that higher tariffs would cause serious harm to the economy of Mexico through the creation of new import barriers.

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<sup>1</sup> Source: Eisenhower Library, Staff Secretary's Records, International Series. No drafting information is given on the source text.

<sup>2</sup> See footnote 4, Document 311.

<sup>3</sup> Document 311.

Developments looking toward a solution of this vexing problem have been the subject of frequent consultations between representatives of our two Governments and I believe that the steps which have been taken provide ample evidence that the views of those countries most concerned have been fully and sympathetically considered.

Because of the long-standing friendship between our two countries, so frequently renewed and strengthened not only on such occasions as you and I have enjoyed at the inauguration of the Falcon Dam, at White Sulphur Springs, and at Panama,<sup>4</sup> but also through the many daily associations between our two peoples, I have felt that I wanted to write you again at this time to tell you personally how the matter stands at the present time.

On April twenty-fourth the United States Tariff Commission reported its finding that domestic lead and zinc producers are experiencing serious injury as a result of imports of these products. One group of Commissioners recommended maximum increases in United States tariffs with quantitative limitations; the other Commissioners recommended a return to the statutory rates of duty provided in the Tariff Act of 1930, without quantitative limitations.

Partly because of my desire to avoid taking any measure which would be detrimental to the economies of Mexico and other friendly countries, I have suspended action on the recommendations of the Tariff Commission and have expressed to the Congress my hope that it will expedite its consideration of the Minerals Stabilization Plan which has been submitted by the Secretary of the Interior to the Congress. I am hopeful that the Plan will be approved by the Congress in a form which will meet the immediate needs of the mining industry in my country and also lay the basis for continuing trade in lead and zinc between our two countries.

While it is, I am sorry to say, still too early for me to give you any definite news about the eventual outcome of these particular developments, I want you to know that the frank expression of your views is always greatly valued. My own efforts to resolve the problem, now and in the past, have been motivated by a desire to give substance to a deep conviction: that the circumstances which fortunately link our two nations so closely together require us in all our undertakings to maintain a sincere concern for the avoidance of any ill effects which our independent actions may sometimes tend to bring upon our separate interests. In expressing appreciation for your past generous public recognition of my Government's understanding of and friendship for

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<sup>4</sup> Documentation on the meeting among Eisenhower, Ruiz Cortines, and Canadian Prime Minister Louis St. Laurent at White Sulphur Springs, West Virginia, March 26–28, 1956, is printed in *Foreign Relations, 1955–1957*, vol. vi, pp. 708 ff. For documentation on the meeting of the Presidents of the American Republics at Panama, July 21–22, 1956, see *ibid.*, pp. 437 ff.

its Western Hemisphere neighbors, I venture to hope that my present efforts with regard to lead and zinc will also demonstrate the high esteem in which I continue to hold our personal and official relationship.

Accept, Mr. President, my cordial good wishes for your continued personal well-being, and for the welfare of the Mexican people.

Sincerely,  
Your friend

**Dwight D. Eisenhower**<sup>5</sup>

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<sup>5</sup> Printed from a copy that bears this typed signature.

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**314. Despatch From the Embassy in Mexico to the Department of State**<sup>1</sup>

No. 58

*Mexico City, July 21, 1958.*

SUBJECT

Conversation between Mr. López Mateos and Mr. Eugene Black

During his recent visit to Mexico on the occasion of the opening of the Lechería Electric Power Plant (a project which used IBRD funds), Mr. Eugene Black, President of the International Bank for Reconstruction and Development, had occasion to hold lengthy conversations with both President Ruiz Cortines and with President-Elect López Mateos.<sup>2</sup>

Nothing of any particular interest developed from the conversation with President Ruiz Cortines, but from the three hour conversation with Mr. López Mateos, Mr. Black noted and passed on to the Embassy the following observations.

1. Mr. López Mateos seemed to be a man of considerable attainments and intellectual stature. He was alert, understanding, and appeared to have a great deal of balance.

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<sup>1</sup> Source: Department of State, Central Files, 398.14/7-2158. Confidential. Drafted by Ordway.

<sup>2</sup> Adolfo López Mateos, the candidate of the Institutional Revolutionary Party, was elected President of Mexico on July 6, 1958, and assumed office on December 1.

2. He showed himself to be well disposed toward the United States and indicated the intention during his tenure of office of maintaining very good relations with the United States. At the same time Mr. Black noted that López Mateos had his share of misconceptions and distorted ideas about the United States.

3. The President-Elect pronounced himself definitely in favor of bringing foreign capital to Mexico.

4. He was ignorant of the real nature of the International Bank, regarding it (until Mr. Black explained the situation to him) as a purely American lending institution.

5. He was not favorably disposed toward the Mexican Light and Power Company, because the company, in his opinion, did not fulfill its responsibilities by investing its own money in new installations. He resented this firm's headquarters not being in Mexico.

6. He was not opposed to private power companies as such, and indicated that he believed there was room in Mexico for both private and public power.

7. Mr. Black expressed his opinion that Mexico's rate structure for public utilities was economically unsound and pointed out that Mexico could not expect IBRD loans in fields—railroads, electric power, or others—where an uneconomic rate structure was evident. Mr. López Mateos expressed his understanding of the situation and his general agreement with Mr. Black's observation. While the President-Elect did not say so specifically, he implied that a rate increase would be authorized for the Mexican Light and Power Company.

8. López Mateos spoke at some length of Mexico's need for foreign credits. He emphasized his intention to defend the peso and not to devalue if this could possibly be avoided, but he also appeared well aware of the dangers ahead and of the importance of obtaining public credits to avoid these dangers.

9. Mr. Black stressed the concern of the Bank regarding Mexico's trend toward socialization of its industries. Mr. Black made it clear the Bank would not lend money to Mexico if they continued to follow a socialistic course.

For the Ambassador:  
**John Ordway**

**315. Despatch From the Embassy in Mexico to the Department of State<sup>1</sup>**

No. 119

*Mexico City, August 18, 1958.*

## SUBJECT

Exchange of Views with Mexican President and President-Elect of U.S.-Mexican Relations

I had an extensive interview with President Adolfo Ruiz Cortines, accompanied by President-elect Adolfo Lopez Mateos, on August 1, and another interview with the President-elect, this time at the residence of former President Miguel Aleman,<sup>2</sup> on August 4, 1958. Memoranda of both conversations are enclosed.

Highlights of both interviews I would consider to be:

(1) Mexican concern over Presidential visits: at the present time, neither the present incumbent in the Presidency, nor his successor, is in favor of a visit by President Eisenhower to Mexico, but both would like Lopez Mateos to receive an invitation now to visit Washington, which invitation could be accepted for a date after his December 1st inauguration.

(2) The steadfast refusal of President Ruiz Cortines to admit there are any economic problems facing the country now, whereas his successor shows an eager interest in discussing loans or other financial assistance very soon.

(3) The desire of Lopez Mateos to have the United States continue the ICA program in Mexico.

My impressions of the President-elect were that he is, as of now, a cautious, reticent and surprisingly reserved politician, who in two interviews within a period of three days, did not display the open and friendly disposition he had shown on my previous meetings with him, which were, of course, before he was nominated as the candidate of the official party last November 15. On these previous occasions, he was more relaxed and at ease, and had the confident outlook of an experienced political leader, with the personal attractiveness which gained for him such wide support in diverse groups. It should be conceded, naturally, that the meetings covered in the attached memoranda did not present the most ideal circumstances for him to show his true feelings; in both instances, he was clearly at a disadvantage when seen in contrast with the present President and the former President of the Republic.

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<sup>1</sup> Source: Department of State, Central Files, 712.11/8-1858. Secret. Drafted by Hill.

<sup>2</sup> Alemán was President of Mexico, 1946-1952.



Lic. Lopez Mateos seemed particularly limited in his views on international relations. Perhaps as a result of the seven-month-long political campaign, he appeared to act his part as the triumphant candidate of the party of the Institutional Revolution, with its strong nationalistic and generally leftist orientation, rather than the future president of an important American nation, about to embark on a six-year term of national leadership. In this sense, a beneficial observation to be drawn from these two meetings with him is that a great deal of careful cultivation on our part will be needed to assure his understanding of the United States, and his effective cooperation.

**Robert C. Hill**

**[Enclosure 1]**

**Memorandum of a Conversation, Mexico City, August 1, 1958<sup>3</sup>**

PARTICIPANTS

President Adolfo Ruiz Cortines of Mexico  
President-Elect Adolfo Lopez Mateos of Mexico  
The Honorable Robert C. Hill, American Ambassador to Mexico

A few days ago I received from the Secretary of the Presidency, Lic. Benito Coquet, the information that President Ruiz Cortines would wish to see me to introduce me to a friend. The interview with the President and Lic. Lopez Mateos resulted, and lasted for one hour and 55 minutes. General Radames Gaxiola, the President's Military Aide, was present as interpreter throughout.

1. *Presenting Lopez Mateos*: The President said at the outset that he had arranged this meeting in order to introduce me personally to Lic. Lopez Mateos, in his own capacity as President of Mexico and friend of Lopez Mateos. He praised the latter, stating he is a liberal leader, forward-looking and progressive in his policies, but conservative and cautious on matters of importance affecting Mexico. He said that Lopez Mateos is a man of great capacity, in whom he had high confidence; he had himself picked Lopez Mateos as his successor to the Presidency. He hoped that I would continue to deal with Lic. Lopez Mateos as I had with him, with complete frankness and without any alteration whatsoever in present relationships.

The President made it clear at this point that he himself continues to act with full authority and power as President of Mexico until the assigned day for transfer of office, December 1, 1958. He said that he is responsible for the conduct of the Government until that date. He

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<sup>3</sup> Secret. Drafted by Hill.

added there will be no changes in the fulfillment of his responsibilities in the interim period, and that under Mexican constitutional processes, there will be no differences in administration in the period between the election and the end of the President's term of office.

The President's words and attitudes were strong and clear on the foregoing points. Lic. Lopez Mateos indicated his assent, but gave me the impression of uneasiness throughout this phase of the conversation.

2. *Visit of President Eisenhower to Mexico?* President Ruiz Cortines referred to his friendship with President Eisenhower, but went on to say any invitation to President Eisenhower to visit Mexico is not recommendable because of the altitude. He said he was referring to newspaper articles speculating that he might come if invited. I pointed out that President Eisenhower might well wish to see President Ruiz Cortines himself before the latter ends his term of office, but I did not have any information in this regard. The President said relations between the United States and Mexico are excellent, in fact he could recall no time when they have been better than now.

3. *Question of Visit of Lopez Mateos to the United States:* I pointed out that in my recent visit to Washington, the matter of an invitation to the President-elect had been discussed at the Department of State. Lopez Mateos said that he would wish to be invited, as the absence of an invitation would be misinterpreted in Mexico. He said President-elect Kubitschek of Brazil had been so invited before his inauguration, and the Brazilian Vice President had also gone to the United States on invitation. He repeated with emphasis that failure to invite him in the present period would likely be misinterpreted by the Mexican people. The President himself nodded in agreement.

Lopez Mateos said he did not wish to be presumptuous but would like to suggest that an invitation might be extended by President Eisenhower informally, perhaps by a statement at one of his regular press conferences. The President could say, in reply to a reporter's question as to whether he intended to invite the President-elect of Mexico to visit him in Washington before his inauguration, that official notice had not yet been given of the outcome of the election; when official notice is received, he, President Eisenhower, would be pleased to extend an invitation for an informal visit to Washington, on the same basis as similar invitations to other presidents-elect of Latin American countries, and that he would hope the President-elect would be able to accept. Thereupon, a statement would be issued by Lopez Mateos in Mexico City, expressing his appreciation of the President's suggestion, but pointing out it would not be possible for him to accept the invitation before his taking office on December 1, 1958, due to pressing matters in Mexico and a possible constitutional obstacle to his

leaving the country in this period. He would go on to say he would be very happy to accept the invitation, for a date agreeable to President Eisenhower *after* the inauguration.

Lopez Mateos added that the handling of the matter in this way is extremely important. He referred to White House Press Secretary James Hagerty as a good friend of Mexico, and thought it would not be difficult to work out the arrangement of using the President's press conference as indicated, if agreeable with Washington. I replied that I would report the matter promptly to Washington.

4. *Economic Problems*: President Ruiz Cortines asked whether I had any further talks with Treasury Minister Carrillo Flores since our previous interview, ten days before. I said I had not. The President said that on leaving office he would turn over to his successor a balanced budget, progressive economic development, and solid relations with the other nations of the Americas. He showed pride in the state of the economy, as he believes it now exists and will remain until the end of his term. He denied that the tourist trade has slackened off, and criticized articles by Rodrigo de Llano in *Excelsior* to this effect, saying I should not believe them, as this publisher has had personal viewpoints contrary to those of the Government in other matters as well, which may be reflected in his presentation of the tourist situation. I replied that I would be less than candid with the President if I did not say that, according to my information, higher prices in Mexico are affecting the tourist trade, and will affect it even more so in the future. Reliable reports received by the Embassy indicated that Mexico City and Acapulco are becoming known as too expensive for the tourists that come to Mexico.

I took the occasion to mention that in the attempt to raise \$35,000,000 of additional revenue, by increasing tariffs, the Government of Mexico was running a risk of losing the tourist business to competing countries. The President said that he was aware of profiteers who are responsible for the rise in prices, but stated it was difficult to control them.

The President did not concede that there was any problem with regard to the balance of payments, or exports of cotton, any more than with the tourist trade. He did concede that the mining industry is depressed as a result of the falloff in minerals prices.

5. *United States Loan Policies*: Lic. Lopez Mateos said that he believed the United States could assist Mexico further by showing more flexibility in its policies on government loans. He thought such flexibility could be made applicable to all Latin America. I replied that as far as I knew, Mexico enjoys an exceptional position on loans. President Sam Waugh of the Eximbank had publicly stated that Mex-

ico has the third highest total of Eximbank loans in the entire world. Lopez Mateos said that he had expressed his opinion to President Eugene Black of the International Bank in his recent visit to Mexico.

6. *Mexican-U.S. Relations:* Responding to the President's estimate of cordial present relations, I expressed my appreciation that the United States had not been made a campaign issue in the recent elections. Lopez Mateos immediately said that there was no reason why it should be. I pointed out that this happy result had not always been the same in the past. I thanked the President for the cooperation extended by the Ministry of Foreign Relations in the recent discussions with the representatives of the U.S. Department of Labor, in setting procedures concerning braceros. I also referred to the cooperation of the authorities earlier in the week in preventing any hostile demonstration in front of the United States Embassy by a group of students under Communist auspices, who wished to attack us for our action in the Lebanese crisis. The President appeared to be pleased by both of these references and remarked that the demonstrators had gone past the Embassy to make their manifestation in front of the Ministry of Foreign Relations instead.

I closed the conversation by thanking the President and Lic. Lopez Mateos for the opportunity to have this pleasant and profitable interview.

General Gaxiola accompanied me to the car and expressed his opinion that the meeting had been successful.

My observations:

(1) It was obvious that President Ruiz Cortines wanted to introduce me officially to the President-elect.

(2) It was also obvious that he desired to stress that Lopez Mateos was his hand-picked candidate, and that he would have influence in the new government.

(3) It was also obvious that Lopez Mateos was uncomfortable at being placed in this position.

(4) As I left, the President-elect indicated he hoped to see me again soon. It was clear he was referring to the meeting to take place at the residence of former President Miguel Aleman three days later.

[Enclosure 2]

**Memorandum of a Conversation, Mexico City, August 4, 1958<sup>4</sup>**

PARTICIPANTS

Lic. Miguel Aleman, Former President of Mexico  
Lic. Adolfo Lopez Mateos, President-elect of Mexico  
Ambassador Robert C. Hill, American Embassy  
Minister C. W. Gray, American Embassy  
Counselor R. G. Leddy, American Embassy

This interview at the house of Lic. Miguel Aleman was arranged by Melchor Perusquia, a mutual friend of the two Mexican leaders and myself, at the request of Lic. Lopez Mateos. Señor Perusquia accompanied us to the meeting at 6:00 p.m. but excused himself after the first greetings; later, he said he thought we could talk more freely in his absence, as he occupies no official position.

The conversation began at 6:00 p.m. and terminated at 7:35 p.m. when Lic. Lopez Mateos departed, saying he had another engagement. We talked informally with Lic. Aleman for about 20 minutes more after his departure, but only with reference to airline developments in Mexico, in which he is of course strongly interested because of his interest in Aeronaves de Mexico, S.A. Lic. Aleman followed closely the conversation with Lic. Lopez Mateos, with whom the following matters were discussed.

1. *Continued Cooperation:* After Lic. Aleman had said that Lic. Lopez Mateos was anxious to have this meeting with me because of the reports reaching him of my demonstrated friendship for Mexico, I said it would be the purpose of the United States Government to continue with the President-elect, after his inauguration, the same cooperative relations which now exist, and that frank and open discussion, even criticism, was the best way to assure this, as between mature men representing friendly nations. Lopez Mateos replied that he agreed fully; the door will remain open to frank discussion, because it already prevails and it should be kept that way. I said that if we had any problems between the two countries, as should be normally expected to arise, we could dispose of them if we brought them up and talked about them. He replied by quoting a proverb in Spanish, to the effect that understanding is furthered by talking between people ("hablando se entiende la gente").

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<sup>4</sup> Secret. Drafted by Hill.

2. *Presidential Visits:* Reference was made to the rumor of the possibility that President Eisenhower might come to Mexico. I replied that President Eisenhower had a warm consideration for Mexico and President Ruiz Cortines, but knew of no travel plans to Mexico. The question regarding an inaugural delegation arose, and I said it was premature to consider the United States delegation to the inauguration of Lic. Lopez Mateos as President next December 1, but I knew that our Government was anxious to send a top delegation of United States officials of very high rank.

Lic. Lopez Mateos said that President Eisenhower would always be welcome in Mexico; it is never necessary to extend a special invitation, as he has a permanent invitation to visit this country. Nevertheless, it would be imprudent on the part of Mexico to have him come now, considering that his physicians have recommended against his travel to Denver, Colorado, which has an altitude of 5,000 feet, whereas Mexico City is approximately 7,500 feet high. I pointed out that the President might consider some other part of the country of less altitude, just as President Roosevelt had come to Monterrey; President Eisenhower has been strongly interested in Mexican history from his boyhood and possibly would enjoy a visit to some typically Mexican area such as Veracruz. Lopez Mateos said that a visit to Veracruz would be ideal, due to the combined development of agriculture (coffee) and industry (petroleum and sulphur); the famous ranch of Justo Fernandez at Jalapa, with an altitude of only about 4,500 feet, would be an ideal place to visit. I agreed with this reference, stating that I had stayed with Justo Fernandez myself, and added that other areas of the country would be of possible interest to the President, such as Acapulco on the Pacific Coast, if he was contemplating a trip. Lopez Mateos said that it would be very good indeed if the President could see the projects of port development at Ensenada and Mazatlán, as well as Acapulco.

He then interjected that legally speaking, he himself is not yet "President-elect" of Mexico, and will not be until the Electoral Commission makes a formal report to the Congress after it convenes in September. He would be President-elect in September, and between that time and December 1, he will have too many things to do (selection of Cabinet, plans for new administration, etc.) to permit him to go to Washington if invited by President Eisenhower. It must be very clearly understood, in advance, that this will be his situation, in order that there be no misunderstanding in the United States. I thereupon asked Mr. Leddy to inform Lic. Lopez Mateos of the draft we had made of a message to Washington, outlining his position in this regard

(Embtel 293, Aug. 4).<sup>5</sup> The point was reached during this discussion that, on publication of President Eisenhower's possible press conference reference to such an invitation, Lic. Lopez Mateos would state in Mexico that certain obstacles would prevent him from accepting before his inauguration; at this point Lopez Mateos interrupted to say that he would be very glad to accept *after* the inauguration. It was then explained to him this had been made clear in the draft, by reference to a "mutually acceptable date for both parties".

3. *Development of Tourism:* The United States is greatly interested, I said, in maintaining and even increasing the tourist traffic of Americans to Mexico. It presently numbers about 600,000 tourists a year. The number of border crossings is, of course, even greater; it has been reported as 25,000,000 persons per year at Ciudad Juarez and 15,000,000 at Tijuana, for a total of 40,000,000 at these two ports of entry alone, all of which signifies a very high level of trade, and particularly dollar income for Mexico. I have been informed by Dr. Francisco Villagran, Director of the Mexican Tourist Bureau, that the gross dollar income for Mexico from both sources is about \$600,000,000 a year. It is very important for both countries that this source of income for Mexico should be maintained, as it is the essential factor in the balance of payments, making up the difference between the amount Mexico buys from and sells to the United States. Lopez Mateos said that the tourist income is, at the least, a great help.

The increase in prices in Mexico, particularly in drinks in public places, could discourage this tourist trade, I added: the American vacationist is only interested in enjoying himself for a few days or weeks, and his estimate of his vacation is liable to be affected by high cost of such items as drinks. I suggested that it would be helpful to lower rather than increase prices, because of the great asset at stake. It is well understood, as Treasury Minister Carrillo Flores had explained to me, that tariffs had to be increased at least temporarily in order to realize \$35,000,000 in increased revenue for the Government this year, and taxes on luxury items such as liquor may appear to be the easiest way to obtain this increased revenue. However, it should be foreseen that in seeking \$35,000,000, the Government is running the risk of losing some part of the gross dollar income of \$600,000,000 for tourism.

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<sup>5</sup> In telegram 293, August 5, Hill reported on his conversation with Ruiz Cortines and López Mateos on August 1. Regarding the question of Eisenhower's invitation to López Mateos to visit the United States, the telegram reads:

"When President Eisenhower's statement is reported, Lopez Mateos would then announce his pleasure over President's statement but add that it will not be possible for him to accept before December 1, due to Mexican internal matters, including possible constitutional obstacle; he will be, however, most happy to come to Washington at a mutually agreeable date after inauguration." (Department of State, Central Files, 712.00/8-558)

Lopez Mateos nodded in agreement, but laughingly said that the tourists are responsible for the increase in prices.

The success of American resorts, such as those in Florida, in increasing vacation patronage in the off season by offering "package tours" for the average person was something, I said, which Mexico might consider adopting in order to keep the flow of tourists at a higher average throughout the year, instead of bulking up so large in the summer season. The favorable all-year-round climate of Mexico would make this easily feasible. Lopez Mateos said that Mexico City has a benign climate both in winter and summer but it would not seem likely that people accustomed to the hot temperature of summer in the United States would wish to come to the warm areas of Mexico at that time. As he did not seem to grasp the point about the "package tours" for people of modest circumstances, I cited to him the number of visitors I had seen in Miami only in June, whereas in past years the Miami hotels were deserted in the summertime.

4. *Economic Conditions*: From talks which I had had with the Minister of the Treasury, Lic. Carrillo Flores, I understood that Mexico might face some economic problems in the near-term future, particularly with reference to balance of payments. Lopez Mateos said, "We are good payers and pay our interest on time", and laughed. He added firmly, "We shall certainly have to talk about this very soon."

5. *Petroleum Development*: We had a brief discussion regarding petroleum. However, nothing fruitful came of the discussion.

6. *Foreign Investments*: Citing the history of the development of the United States with the assistance of foreign investments, I said that we all admired the great progress made by Mexico in recent years and the role which foreign investments had played. It would be highly undesirable for any conditions to be created which would hinder this flow of foreign capital into Mexico, as the country has not attained the level of development where it can afford the luxury of dispensing with foreign sources of capital. Lopez Mateos said that Mexico does not indulge in luxuries, it certainly welcomes foreign capital, but on terms of fair treatment and conformity to its laws, with which I agreed as a necessary condition.

I went on to say that some recent interests nevertheless gave the impression that restrictions were being enforced, as in the limitation on the number of automobiles which could be assembled, in spite of the country's great need to increase automotive transportation and utilize to the maximum its splendid road system, the finest in Latin America. I cited also the difficulties which have been recently faced by some of the sulphur producers, and the DuPont project for a plant in Tampico. He made no reference to these cases and did not seem to be familiar with them. I reiterated our belief that free enterprise is the best



form of economic development and that within the free enterprise system, private capital must play a part predominant over that of government loans or participations. He did not allude to this point.

7. *U.S.-Mexican Relations: Current Matters*: Concluding, I said that our meeting was most pleasant for me, because it gave me the opportunity to bring up many matters of interest to both governments, and to emphasize again our desire to talk things over on an intimate and friendly basis. We have the Point IV mission in Mexico, and will continue it or discontinue it depending on the wishes of the Mexican Government and the United States Government. Lopez Mateos immediately said that it should be continued; under no conditions would he wish it to be dropped. I referred also to the desirability of exchanging information on Communist activities. He did not reply, but I am not sure that he fully grasped my reference. He did say that a frank and open discussion would always be welcomed by him and he thought that this meeting had contributed very much to this end.

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**316. Telegram From the Embassy in Mexico to the Department of State<sup>1</sup>**

*Mexico City, August 29, 1958—9 p.m.*

487. Embtels 476 August 28 and 486 August 29.<sup>2</sup> Brief analysis Mexican unrest.

Increasing momentum student and labor disturbances past week climaxing in today's incidents (many injuries and at least one possible death so far reported) has created degree of instability which we are following with grave concern. In evaluating status and outlook, balanced review neither alarmist nor complacent shows following basic elements:

1. Discontent among poorer classes is widespread, owing to constant increases in cost of living without compensatory wage raises. Failure of 40-year old revolution to provide more substantial benefits in income, education, health facilities, and housing has left large numbers in state of expectancy for way to show their resentment.

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<sup>1</sup> Source: Department of State, Central Files, 712.00/8-2958. Confidential; Niact.

<sup>2</sup> Neither printed.

2. Disillusionment with revolution is deep as poorer classes for last generation watch politicians gaining in wealth while mouthing phrases of their struggle for the masses. Political leadership is widely viewed with bitter cynicism by those who see no tangible proof of their own improvement.

3. President Ruiz Cortines himself is especially vulnerable to attack since his campaign and inaugural promises were strongly to benefit lower classes by reducing prices for their necessities especially food. Common talk ridicules his promises in contrast to actual increases in prices of beans, potatoes, meat, corn, bread, in past six years, of which average Mexican is painfully aware.

4. Continuation of PRI in power under hand-picked candidate, while political opposition is kept in state of almost complete impotence, has created pent up despair of registering protest through normal electoral system. There is strong feeling against the "Tapade" system of presidential succession, under which presidential candidate Lopez Mateos triumphed, and scorn for assertion of democratic and liberal principles by strictly one-party government.

5. Increasing evidence that Revolutionary Party has slowly but surely pulled away from the people and now means little to them except officeholders. Reports from country during election campaign showed synthetic enthusiasm by PRI supporters; strenuous official efforts were required to cover up for citizens' apathy and indifference to an "electoral force" as widely described. Without effective opposition, ruling group of politicians appears to have become smug and over-confident and to suffer normal ossification of any uncontested monopoly.

6. Labor movement has now for many years been an arm of PRI and as such its leaders are stigmatized as politicians and job seekers rather than dedicated trade union members. Their control over rank and file has plainly slipped, giving exceptional opportunity for more radical leaders to seize initiative. Effective left-wing operations, under skillful Communist guidance, has succeeded in boosting prestige of new factional dissident leaders at expense old line more solid and conservative group who appear to workers as standpatters.

7. Series of successful strikes or threatened strikes since last February as reported to Department (witness telegraph, telephone, electrical workers, teachers, bus drivers, railroad and now oil workers) have followed almost identical pattern. Under dissident leadership, settlements have been made after initial government resistance to demands and refusal to deal with dissidents; latter have forced government in effect to capitulate in each case. Government's handling of strikes has been marked by indecision, lack of plan, and final resort to out-dated and ineffectual methods characteristic of discredited capitalist employers. After years of almost undisturbed control, ruling group seems

devoid of leaders equipped by experience and character to handle fast developing labor situation. Victory of new radical leadership such as Oton Salazar (teachers) and Dometrio Vallejo (railway workers) has whetted appetite of labor rank and file for similar moves in their benefit while government, without plan or initiative, has played part of reactionary. President, anxious to avoid trouble at almost any cost, in his ambition to leave office with unblemished record and to be recorded as great statesman in Mexican history, has permitted himself to be pushed around by new, rougher elements and he lacks aides strong enough to force him to decisions.

It is significant that throughout current disorders neither the President, any Cabinet officer, nor any other top official (except Rector of National University whose weak statement whitewashed students) have made a public speech or statement about situation. In such a climate, every sort of rumor spreads rapidly and the public is left with sorry spectacle of a drifting, leaderless and impotent government.

8. There is reason to believe current build-up of agitation is aimed at public disturbances which will irreparably smear Ruiz Cortines in public mind and humiliate him on eve his final message to Congress on state union September first. Insistence of student leaders in seeing President, disrespectful rejection his offer cancel bus fare increases and restudy situation, were preliminaries to meeting yesterday by 30 students at palace where they saw President's secretary, banged table, used loud, profane language, and threatened action against September first functions. Dean of Diplomatic Corps informed us this morning is himself so concerned over series of incidents that he has gone to palace ask special measures protection for chiefs of mission who will be diplomatic guests at President's address to Congress.

9. In addition spoiling record of Ruiz Cortines, leftist agitation seems have its purpose impress President-elect Lopez Mateos with strong advisability he deal with leftist leadership in formulating his government for December first takeover of power or else face consequences. Leftist domination of new regime seems likely view strength present trend.

10. Counterbalances to government weakness are not yet operative. Cardenas not linked with disturbances by any evidence available to Embassy but a prominent Mexican well known to Department assured us today he could terminate situation quickly if he so desired due his influence with leftist elements. Military appears quiescent but unconfirmed report [*less than 1 line of source text not declassified*] states government aware three unnamed generals, one colonel preparing take over government as military junta with assistance commanders in provinces whom they now contacting. Despite apparent calm in rest of nation, latent unrest shown by seizure yesterday university by students at San Luis Potosi and Communist plans reported to spread

agitation there and Guadalajara tonight. Theory Mexican revolutions start in provinces may prove as outdated as horseback fighting in contrast agitation in present modern capital and in any event discontent estimated as greater in provinces than Mexico City.

11. Evaluation Communist participation and direction being prepared [1 line of source text not declassified] Known Communist leaders plus organizational efficiency in student-labor groups and [less than 1 line of source text not declassified] close cooperation between Communists in them gives indication astute planning characteristic Communist methods which are principally though not exclusively responsible for success of disturbances to date.

In summary, imminent danger to government overthrow is not visible but remains unpredictable in present fluid shifts of power. No discernable elements of anti-American motivation are in order and public safety is not yet seriously jeopardized in a way to affect American lives and properties. Nevertheless, a marked deterioration is occurring, with possible effects subsequently harmful to our relations, in view of leadership now emerging. Significant fact is that monolithic government structure under one political group which has held power for more than 40 years is now definitely revealing deep fissures under the strains of economic and political discontent long glossed over; and in a deteriorating situation most disturbing factor is lack of government leadership. Authorities including police are clearly inept and a single serious incident such as death of wounded student may set off chain reaction.

Hill

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317. Letter From President Eisenhower to President Ruiz Cortines<sup>1</sup>

*Washington, September 20, 1958.*

DEAR MR. PRESIDENT: I am sure you already know that, contrary to my hopes and expectations, the Minerals Stabilization Plan proposed as an alternative to acceptance of the recommendations of the United States Tariff Commission, was defeated by a narrow margin in the House of Representatives.

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<sup>1</sup> Source: Department of State, Central Files, 800.25/9-2058. Official Use Only; Presidential Handling. Transmitted in telegram 511 to Mexico City, September 20, which is the source text. President Eisenhower approved the content of the message on

*Continued*

Following this development, the Department of State, in cooperation with your distinguished Ambassador in Washington, approached a number of the major exporting countries in an attempt to obtain multilateral agreement to a temporary reduction of exports. This would have allowed an adequate period of time for study of the causes of the imbalance between world production of and demand for lead and zinc and for exploring the best way of coping with this problem. These discussions, and the subsequent discussions which took place in London under the auspices of the United Nations, revealed that while a majority of the interested nations were willing to undertake a study of the longer term problem, a temporary arrangement to deal with the present emergency would not be feasible.

Meanwhile, I hope that you will agree with me that all of the lead and zinc producing nations face a serious and immediate problem of oversupply. I cannot disagree with the unanimous finding of the Tariff Commission that the United States domestic industry is in genuine distress. It has already reduced its production by very substantial amounts and in spite of the accumulation of large stocks and the decreased demand, imports have continued at a very high level. I have, therefore, felt obliged to take immediate action. In searching for the type of action which would be consistent with the spirit of the multilateral discussions which are in progress and which would operate to share equitably the burden of dealing with the present emergency I have decided to impose quotas. I am hopeful that this action will prevent a further decline in prices which Mexican exporters obtain in the United States market.

Meanwhile, I have instructed the Department of State to continue its efforts in cooperation with representatives of your Government and other governments to expedite multilateral consideration of this problem with the objective of finding ways to eliminate the current imbalance between production and consumption.

I am happy to have this opportunity again to renew to you my personal assurance of the high esteem and respect which I hold for you and the Mexican nation.

Sincerely,

**Dwight D. Eisenhower**<sup>2</sup>

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September 19 upon the recommendation of Acting Secretary Herter. (Memorandum from Dudley W. Miller, Executive Secretariat, to Devine, September 22; *ibid.*, ARA Special Assistant's Files: Lot 60 D 371, Lead and Zinc) Telegram 511 was drafted by Elizabeth McGroory of the Office of Caribbean and Mexican Affairs, and cleared with Goodpaster.

<sup>2</sup> Telegram 511 bears this typed signature.

**318. Letter From President Ruiz Cortines to President Eisenhower**<sup>1</sup>

*Mexico City, October 6, 1958.*

DEAR MR. PRESIDENT: I received your courteous letter of September 20,<sup>2</sup> which I was unable to answer until today because I was away from the capital during the past week. In your letter, you inform me of the reasons why your Government decided to establish import quotas on lead and zinc. You state in your letter that, in as much as the United States House of Representatives did not pass the mineralization stabilization law, and no agreement was reached among the countries concerned, in the talks held in London under the auspices of the United Nations, to solve the urgent problem of the imbalance between production and demand, you were compelled to accept the unanimous decision of the Tariff Commission that the lead and zinc industry is in a truly grave situation, requiring the immediate adoption of protective measures.

I understand that it is your duty to protect the mining industry of your country, and I am grateful for the friendly spirit that moved you to write to me and explain the reasons for your decision. I am certain that the present measures adopted are temporary, and I am confident that you will not relax your efforts to find a long-range solution that will harmonize American and Mexican interests. That is how I interpret your instructions to the Department of State to continue, in cooperation with representatives of Mexico and other Governments, its efforts to facilitate consideration of the problem on a multilateral basis.

The corresponding authorities of the Government of Mexico are now examining the situation that has been created in order to determine what steps we should take to ameliorate, in so far as possible, the injury that the restrictions will cause us. There is no doubt that the imposing of import quotas on lead and zinc will injure considerably the general economic life of my country, because of the importance of these products to us and the effects the new measure will have, when added to other equally adverse factors that have appeared in the field of foreign trade, such as the decline in the international prices of cotton and coffee, and in general, the drop in the price of basic products of the world market.

I wish to emphasize that I am confident (for I know their tenacity and fortitude) that the Mexican people will endeavor to overcome the present difficulties with the best weapons available to them, that is,

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Presidential Handling. The source text is a Department of State translation.

<sup>2</sup> *Supra.*

patient work and day-by-day effort; but, at the same time, it is my fervent hope that—instead of being used to fight adversity—these qualities may be used, to an increasing extent, in creative activities intended to attain higher standards of living for our peoples.

I know that all this is a matter of deep concern to you, who have so often given proof of your understanding of the meaning of international friendship—specifically, in the efforts you have made to find a more satisfactory solution to the lead and zinc problem. I also know that the present situation is also of concern to all the Presidents of the other American nations, because it involves the principles of solidarity on which inter-American relations are founded and which were reaffirmed, with respect to economic cooperation, during the informal meeting of Ministers of Foreign Relations recently held in Washington.<sup>3</sup>

That is why I agree fully with you, Mr. President, that we must resume negotiations immediately at the multilateral level as well as the bilateral level, to find formulas that will permit the lead and zinc market to be finally stabilized.

I take pleasure in renewing to you the assurance of my high esteem and cordial friendship for you, Mr. President, and for the noble people of the United States of America.<sup>4</sup>

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<sup>3</sup> The Foreign Ministers of the American Republics conferred informally in Washington September 23–24, where they approved measures looking toward more effective economic cooperation. Regarding the meeting, see the microfiche supplement to this volume.

<sup>4</sup> Printed from an unsigned copy.

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**319. Letter From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to Senator Lyndon B. Johnson<sup>1</sup>**

*Washington, November 11, 1958.*

DEAR LYNDON: I hope you have been able to relax at home since November 4. I was able to spend a few hours with my mother and sister during an overnight stop in Dallas one month ago, and the country looked in very good condition.

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<sup>1</sup> Source: Department of State, Rubottom Files: Lot 60 D 553, Mexico 1958. Confidential. Drafted by Rubottom.

Both the Secretary himself and Bill Macomber transmitted your request for briefing material on U.S.-Mexican relations to help in preparation for your forthcoming meeting with President-elect Adolfo Lopez Mateos.<sup>2</sup> I think that the visit is a constructive move and am pleased to enclose briefing material<sup>3</sup> which, in order to be useful, has been given, along with this letter, a rather high classification. You may wish to return all of the material by registered mail after you have read it or take whatever measures you deem necessary to safeguard it.

Lopez Mateos doubtless has mixed motives for wanting to talk to you, although I would guess that his principal objective is to make your acquaintance and let it be known, as he undoubtedly will, that he has done so. This should help him at home, particularly with the more sophisticated political and industrial groups with whom he will be dealing. He may also wish to discuss specific matters, such as Mexico's interest in obtaining a substantial loan (probably \$100 million) from the Eximbank.

In that regard, Mexico has an excellent credit rating with the Bank. The present Minister of Finance, Carrillo Flores, has ably managed Mexico's fiscal affairs through good times and bad for the past six years and is very highly regarded in the financial community here. It is rumored that he does not as yet have any position in the new administration.

The head of the Bank of Mexico, Rodrigo Gomez, is now in Washington to be Mexico's delegate on the Special Committee of the OAS Council to consider broad economic problems affecting the Americas, which convenes November 17.<sup>4</sup> He will undoubtedly seize the opportunity while here to go further into the loan matter, which, I understand, he raised with Bob Anderson at the recent IMF-IBRD meeting in New Delhi. Mexico's reserves have declined about \$100 million (from \$395 million to \$307 million) during the past year but this is not considered unusual in view of the world economic situation. Her problem is not considered serious at this time, but, I am sure, the new President will want to demonstrate that his administration has

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<sup>2</sup> In telegram 824 to Mexico City, November 3, Rubottom stated that the Department had learned of Johnson's interest in meeting with López Mateos. The telegram stated in part, "Assume President elect would be prepared for publicity which Department believes inevitably will be generated by this meeting and for which parties concerned should be prepared in advance. Senator's interest derives in part from inability accept Ambassador Tello's invitation attend inauguration." (*Ibid.*, Central Files, 611.12/11-358)

<sup>3</sup> Not printed.

<sup>4</sup> Reference is to the initial meeting of the 21-nation "Special Committee to Study the Formulation of New Measures for Economic Cooperation," commonly referred to as the Committee of 21, which met in Washington, November 17-December 12. See the microfiche supplement to this volume.



the confidence and financial support of the U.S. Government. I do not foresee any difficulty if and when the negotiations reach a decisive stage.

We are concerned with Mexico's seeming tolerance of excessive Communist activity. It is too early to assess what Lopez Mateos' attitude will be toward the Communists, but we do attach significance to the fact that ex-President Lazaro Cardenas, generally regarded as the spiritual head of the extreme leftists within the Government party (PRI), has absented himself from Mexico at the time of the inauguration of the new administration. It could be that Lopez Mateos intends to take a firmer stand against the Communists, and we would like subtly to encourage him to do so.

There is no point in under-estimating the seriousness with which our military colleagues view Mexico's lack of cooperation on mutual defense matters. That 2,000 mile gap along our southwestern frontier is one that they would like to have plugged, at least with an adequate warning system. This would obviously require Mexican military cooperation of the closest kind, something which we have never had, let's face it, notwithstanding her token participation with an Air Force squadron in the last phase of World War II. With strong leadership from Lopez Mateos, Mexican public opinion might be guided to accept the kind of mutual defense collaboration which would be meaningful to both sides. It is probably over-optimistic to expect him to provide this kind of leadership.

There are other problems which could conceivably come up in your talks with him: (1) those relating to the Migrant Labor Agreements, especially with respect to non-occupational insurance (which would fly in the face of U.S. insurance companies in Texas and elsewhere); (2) river boundary problems such as Ojinaga,<sup>5</sup> concerning which we have just taken an important initiative which may help us to find a solution, and possibly the Chamizal, which they have been reluctant to discuss for the past six years, but which, if not squarely faced soon, may become almost impossible of solution because of the business and residential development in the El Paso area with which you are well acquainted.

If I had to describe our number one problem with Mexico, I would be inclined to say that it is that of obtaining Mexico's confidence in our good faith. Perhaps this is understandable in view of our long and complex history and Mexico's injuries at the hands of the U.S., both real and fancied. Nevertheless, we should never relent in our effort to overcome this feeling and win her over completely to our side.

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<sup>5</sup> Ojinaga and Chamizal were the names of tracts of land along the U.S.-Mexican boundary, the ownership of which was in dispute as a result of the shifting course of the Rio Grande River.

In the international field, Mexico has a number of influential diplomats who take a strongly neutralistic position. The present Foreign Minister, Padilla Nervo, seems to be among them. It is almost as though Mexico hopes to mediate some day between the free world and the Communist world. One of her officials, Jorge Castaneda, has just written a book entitled *Mexico and the United Nations*, in which he strongly advocates a Pan-Latin Americanism and is frankly critical of Pan-Americanism because of the influence which the U.S. allegedly wields in the latter. I should make clear that these problems with Mexico, both of substance and of attitude, are not new.

We have had indications that Mexico has questioned our sincerity in announcing support for the long-cherished Latin American aspiration to have an inter-American regional bank or development institution. If the President-elect questions you about this, you certainly can allay any doubts he may have on that score. We do, of course, want it to be a soundly managed financial institution, not just a political football, but we believe that most Latin Americans would hold to the same idea.

If Lopez Mateos should raise the subject of our general policy toward Latin America, you can make it clear that we desire to cooperate and help to the utmost of our ability. We took the initiative in calling the Foreign Ministers to meet here on September 23 and 24 and the resulting discussion centered on a cooperative hemispheric approach to economic problems, including the urge for more rapid development. The Special Committee of the Council of the OAS is to meet November 17 to begin substantive discussions on financial and economic problems affecting all of the Americas. Early in January (and it would have been a month earlier except for the Mexican request for its postponement due to the change in Government) a Special Committee of the Inter-American Economic and Social Council will begin to meet in continuous session to establish the new Inter-American Regional Development Institution.

We have expanded the resources of the Eximbank by \$2 billion, as a result of Congressional action in the last session, and it is well known that in the past decade 40% of the Eximbank's loans have gone to Latin America. We have recommended the expansion of the resources of the World Bank and the International Monetary Fund. We have helped with the creation of instruments, particularly in the new International Coffee Study group, to try to achieve greater stability in the coffee market, and we are presently trying again to work out a multilateral approach to the lead-zinc problem. Finally, I should mention that we have concluded several financial stabilization agreements, cooperating with the International Monetary Fund and in certain instances, the private banks, in Latin America during the past year.

Please excuse the length of this letter and the enclosure but we want to provide you with all of the ammunition you need.

With every good wish,

Sincerely yours,

**R.R. Rubottom, Jr.**<sup>6</sup>

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<sup>6</sup> Printed from a copy that bears this typed signature.

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**320. Telegram From the Embassy in Mexico to the Department of State**<sup>1</sup>

*Mexico City, November 26, 1958—5 p.m.*

1147. Senator Lyndon B. Johnson majority leader conferred with President-elect Adolpho Lopez Mateos in Acapulco November 23 (Embtel 1155 November 24.)<sup>2</sup> Though Lopez Mateos asked me to be present, I remained outside conference room as I felt direct contact between Senator and President-elect would be most productive of results desired. Senator gave me oral summary of points covered about an hour later; he will prepare a report to be submitted to Secretary Dulles and Assistant Secretary Rubottom shortly after his return US 30th but meanwhile Department may be interested in receiving following highlights.

1) (US-Mexican Relations: Senator told Lopez Mateos US is inspired to see all nations assert independence of those who would subjugate them in mind and body, holding faith that Americas have new and native philosophy to lead world to liberty without resort other systems for philosophical guidance. He believed Mexico one of least known countries in hemisphere, and he hoped specific programs could correct this lack of sufficient knowledge; he cited formal program recently adopted by Texas) (after amendment state constitution) to make state better known, and to attract visitors who, he hoped, would continue their travels on to Mexico; he suggested a number (possibly a hundred) of young Mexicans be sent to US to address

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<sup>1</sup> Source: Department of State, Central Files, 611.12/11–2658. Confidential; Niact; Limit Distribution. A handwritten note on the source text reads as follows: "Sent along with Secretary to Mexico in his briefing book an attachment to a memo re his call on Lopez Mateos. T.A. Cassilly, S/S, 1/9/59" (Thomas A. Cassilly, Foreign Affairs Officer, Department of State Secretariat).

<sup>2</sup> Not printed.

American groups on Mexican culture, travel, etc. Lopez Mateos, who refrained from comment during the first thirty minutes of two and one-half hour interview, said he was in favor this suggestion.

2) Defense: Senator recommended strengthening US-Mexico Joint Defense Board, where he understands liaison has weakened. Lopez Mateos said he would explore what may be trouble.

3) Mexican Culture Leadership: Senator praised Mexico's outstanding cultural heritage and attractions, mentioning he honeymooned here with his wife just 25 years ago; he proposed Mexico take leadership in calling conference of the Americas in Mexico in 1960, at which leading thinkers and intellectuals of hemisphere (rather than government representatives, as usually done at international conferences) develop constructive proposals to strengthen freedom and independence of western hemisphere as a whole without insisting on emulating ideologies conceived in other nations. Lopez Mateos said he would be glad to consider further this idea, which he had thought of himself previously, and was particularly interested in efforts of young scientists.

4) US-Mexico Cooperation: Senator mentioned problem of screw worm debilitating US cattle, and need for Mexican-US cooperation on program to eliminate it; President-elect agreed, as he did also to urgency for construction Diablo Dam on Rio Grande which he said awaited US action. On Senator's recommendation for extension of Fulbright Scholarship grants to include Mexico, Lopez Mateos made no comment. No mention of loan by US to Mexico was made by either Senator or President-elect but latter said Mexico has outstanding record for repayment of loans. Senator cited Texas experience on attracting capital from eastern US and raising southern states ratio of national bank deposits in recent decades, as capital acquisition necessary for expansion industry. President-elect did not comment. Lead zinc and other commodity issues were not raised.

Senator Johnson informed me President-elect did not discuss international relations, and that his attitude toward US, particularly American business interests, seemed reserved and somewhat prejudiced, which coincides with similar impression reported to Embassy by Senators Ellender and Smathers, Mrs. Eleanor Roosevelt and US correspondents here. From references to Mexico's social programs and economic aspirations, Lopez Mateos seemed to follow basically leftist philosophy, primarily interested in broad needs of Mexican people rather than realistic steps toward their solution. Friendly feeling toward Senator manifested with frequent parallels between his own and Senator's career in public life pointed out by Lopez Mateos, but no specific points of improving relations were proposed by President-elect.

Senator Johnson informed me he felt considerable patience and understanding will be needed in our initial relations with new President. He suggested early meeting with Secretary Treasury Anderson, but without any economic commitments. (President-elect several times mentioned admiration and friendly attitude and confidence toward Anderson.) In Senator's judgment such a meeting likely be helpful improving Lopez Mateos views, and an official trip to US as soon as possible would be desirable.

Hill

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### 321. Editorial Note

On November 30, Secretary Dulles, accompanied by Milton Eisenhower, Assistant Secretary Merchant, and others, flew to Augusta, Georgia, to consult with President Eisenhower, before departing that afternoon for Mexico City to attend the inauguration of Adolfo López Mateos. In the evening, the Secretary, Milton Eisenhower, and Assistant Secretary Rubottom, who met the delegation in Mexico City, conferred with President Ruiz Cortines. The memorandum of their conversation is *infra*.

On the morning of December 1, the U.S. delegation attended the the inaugural ceremony, which was followed by a luncheon for delegation members at the residence of Ambassador Hill. That evening, the Secretary met with President López Mateos at the President's home. For a memorandum of their conversation, see *infra*. Secretary Dulles departed Mexico City for Palm Springs on December 2.

Documentation on the Secretary's visit to Mexico is in Department of State, Central File 712.11; Conference Files: Lot 63 D 123, CF 1156–1158; and Secretary's Memoranda of Conversation: Lot 64 D 199.

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**322. Memorandum of a Conversation, President Ruiz Cortines' Home, Mexico City, November 30, 1958<sup>1</sup>****SUBJECT**

U.S.-Mexican Relations

**PARTICIPANTS**

President Ruiz Cortines  
General Radames Gaxiola, Presidential Aide  
Secretary Dulles  
Dr. Milton Eisenhower  
Ambassador Hill  
Assistant Secretary Rubottom  
Minister C.W. Gray

The Secretary said he had been in Augusta that afternoon to see President Eisenhower, who especially charged him with presenting warm greetings to his friend, the President. The latter seemed pleased and touched with this message. To the Secretary's mention of a recent letter to the President from President Eisenhower, President Ruiz Cortines said the letter had been deeply appreciated for the friendly and affectionate sentiments expressed therein. It had also been a stimulant to him. He spoke warmly of President Eisenhower. The President inquired about the health of President Eisenhower and said he hoped it was better than before his illness. He also said he knew Secretary Dulles had had a serious operation and was glad to see him looking so fit.

The President referred to his meeting with the Secretary at White Sulphur Springs. At that time he believed the Secretary had already "chalked up" 25,000 miles of official travel as Secretary of State, but now the President had lost count of the miles the Secretary had traveled. The Secretary estimated that perhaps he had traveled some 500,000 miles. General Gaxiola did a quick calculation and announced that this was equal to twenty times around the earth.

To the President's query, the Secretary said he would be staying until Tuesday, December 2.

The Secretary said he had recently visited Taiwan<sup>2</sup> and had been able to get Chiang Kai-Chek to agree to renounce exclusive dependence on force to attain his objectives vis-à-vis Red China. Efforts were being made at Warsaw to get a similar agreement from the Reds.

The Secretary stated that he would be going to Europe December 15 to consult with the French, British and West Germans regarding the

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only. Drafted by Cecil W. Gray.

<sup>2</sup> Dulles visited Taiwan, October 21-23, 1958.

Berlin situation.<sup>3</sup> Did the President have any advice for him about this difficult problem? The latter smilingly said he could not give advice “to an adviser”; that he was concerned mainly with America (he repeated this word three times). He did not believe the Soviets would do anything drastic: what they were doing now amounted to a “feint”. The Secretary said yes, they were probing and trying to find a weak spot; if the West stood firm, he had hopes the Soviets would not push too far. They wanted to get the West out of West Berlin, a city the Secretary had visited after the war when it was in shambles. The reconstruction and spirit of West Berlin were nothing short of marvelous. The contrast between East and West Berlin was enormous. The Communists didn’t like this, so they hoped to drive the West out.

The President inquired what formulas the Secretary might have to solve some of the world’s great problems. The Secretary commented that one of the best ways to start was to find a workable plan of disarmament. The amount spent on armament was staggering. Representatives of other countries, including many small ones, came to Washington in a steady stream and the first thing they asked for was arms. He said to them that instead of spending their money for arms, they should spend it to improve the welfare of their people. To this they turned a deaf ear, insisting that they needed arms. Both the President and Secretary Dulles agreed that if all the money now being spent to maintain a military posture were put to constructive use, wonders could be accomplished for the people. Dr. Eisenhower remarked that he had been told with pride by the Costa Ricans that they had more teachers than soldiers. The President said that this was true in Mexico. General Gaxiola interjected that he had argued with the President (whom he said never did agree) that Mexico required a larger Air Force which was especially needed and useful in emergencies such as flood relief, anti-malaria dusting, etc. Mexico had recently bought some planes in the United States (the President made a vague remark about a price of a million dollars per plane; Gaxiola said this was incorrect, the entire lot had only cost \$80,000 thanks to U.S. surplus prices). The Secretary jestingly said he had found all military men to be alike and he believed General Gaxiola might well get a new name for the Agency using Air Force planes for health and rescue operations.

Secretary Dulles complimented the President on the fine globe which he had in his office and all present proceeded to examine it. The Secretary pointed out the route of his recent Far East trip. Someone commented that since the President was in the happy position of surrendering the cares and burdens of official life, he might be making some trips abroad. The President said he did not contemplate anything

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<sup>3</sup> Dulles attended the 22d meeting of NATO in Paris, December 12–19, 1958.

like this; his time would be spent in and devoted to America. The Secretary expressed the hope that in any trips he made in the Americas, he would not fail to visit his northern American neighbor, the United States. The President responded in an agreeable but non-committal way.

In taking leave the Secretary expressed the opinion to the President that his Administration would go down in history as one in which Mexico had made great strides and had contributed in an important and constructive way to finding solutions to world problems. In particular, the President's Administration had been marked by fruitful and friendly cooperation with the United States. Mexico had increasingly taken her place as one of the leaders of the continent and was admired and respected as such. To this the President expressed thanks, but remarked that the Secretary was overly generous out of an excess of affection for Mexico. The Secretary responded that the sentiments he had expressed came not only from the heart but also from the mind. Then the President said that the Administration of López Mateos would follow the outgoing Administration's policy with regard to relations with the United States; he could guarantee that.

The President then spoke of the pleasure and satisfaction afforded him by the relations he had maintained with the Secretary, with his friend Dr. Eisenhower, Ambassador Hill and Mr. Rubottom. These were relations of comprehension, confidence, respect and friendship. All present were confident that such relations would be maintained in the future.

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**323. Memorandum of a Conversation, President Ruiz Cortines' Home, Mexico City, December 1, 1958<sup>1</sup>**

**SUBJECT**

U.S.-Mexican Relations

**PARTICIPANTS**

President Adolfo López Mateos  
Foreign Minister Manuel Tello  
Secretary Dulles  
Dr. Milton Eisenhower  
Ambassador Hill  
Assistant Secretary Rubottom  
Minister C.W. Gray

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<sup>1</sup> Source: Department of State, Central Files, 712.11/12-158. Official Use Only. Drafted by Gray.



After an exchange of amenities, the President recalled with evident pleasure that he had a photograph of Dr. Eisenhower and himself taken at Ambassador Hill's reception in August 1957.

Secretary Dulles gave the President the letter from President Eisenhower which he had brought with him from Augusta.<sup>2</sup> The President read it and expressed thanks. He also thanked the Secretary for the latter's letter re Senator Lyndon Johnson's trip to Mexico (November 22–30, 1958).<sup>3</sup>

Secretary Dulles commented that President Eisenhower had an extraordinarily deep and abiding interest in Mexico. He constantly manifested this interest in what he said and did. In their discussions of foreign affairs, the President frequently brought up the subject of Mexican-United States relations, etc. Perhaps Dr. Milton Eisenhower could give an explanation of this.

Dr. Eisenhower then said he believed the reasons were two: one, President Eisenhower had been in Mexico in 1946, where he had made many friends, got to know and admire the country and people, carried away happy memories, had a thoroughly good time, etc.; and two, in the Presidential campaign of 1952, his brother had constantly talked about Canada and Mexico and the necessity for the United States to have the best possible relations with these two great neighbors. It was folly not to be the best of friends, etc. Secretary Dulles commented that perhaps there was another reason. He believed President Eisenhower had a personal feeling of "simpatía" for Mexico and things Mexican. President López Mateos seemed pleased and recalled that while he had been a Senator he had been in Washington in 1951 attending a meeting of Foreign Ministers.<sup>4</sup> His "guide" at the time was his Foreign Minister Don Manuel Tello.

The Secretary referred to the President's Inaugural address, stating that he had noted with special pleasure the passage about Mexico's hand being extended to her northern neighbors. The Secretary assured the President that this sentiment corresponded exactly to that of the United States, and that we accepted and reciprocated their proffered handclasp. Secretary Dulles also commented that he had been impressed by what the President had said in his address about social problems, welfare, ignorance, poverty, etc. The President replied that these were real problems in Mexico; they were also world problems. Two fundamental facts in Mexico today were (a) the people were demanding a better life and (b) the population was increasing at a

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<sup>2</sup> In this letter, December 1, Eisenhower expressed his cordial regards to the new Mexican President. (Eisenhower Library, Whitman File, DDE Diaries)

<sup>3</sup> Not further identified.

<sup>4</sup> Reference is to the Fourth Meeting of Consultation of Ministers of Foreign Affairs of American States, held at Washington, March 26–April 7, 1951; for documentation, see *Foreign Relations*, vol. II, pp. 925 ff.

rapid rate. (The rate of increase is 3 per cent annually.) The Secretary commented that population increase world-wide was one of today's major problems. It did little or no good to increase production in such and such a country if the population increased at such a rate that the amount for distribution to each inhabitant remained constant. Red China was boasting of a tremendous increase in production; her methods were cruel; male and female workers were segregated in separate barracks.

The Secretary said that it was unlikely that solutions could be found to all the problems of the world but progress consisted in solving today's problems today with the probability of facing another kind tomorrow. If they were solved, and others appeared tomorrow, this was not failure; if they were not solved at all, then we had stagnation.

In a bantering tone, the Secretary said that when Ambassador Tello and he were saying goodbye in Washington a few days ago, Mr. Tello did not say anything at all about any new job as Foreign Minister. The President laughingly replied that at the time Ambassador Tello himself knew nothing about the appointment. The Secretary emphasized that he wanted to repeat what he had said to Ambassador Tello at their farewell meeting; namely, he had been a good Ambassador, who had always ably represented his country's interests. Not all Ambassadors did this. Some of them acted in a way they thought would be most pleasing to the officials of the host country and thereby failed as Ambassadors. It was the function of an Ambassador to be a channel of communication; to represent the interests of his own country and advise his Government of the views and policies of the host country. The President quickly remarked that the United States had such an Ambassador in Mexico in the person of Ambassador Hill. Secretary Dulles replied that the United States was fortunate to be represented in Mexico by a man possessing the gifts and capacities of Ambassador Hill.

Dr. Eisenhower extended the good wishes of his daughter Ruth to the President, who expressed warm thanks and reciprocated her thoughtfulness. The President also referred to Secretary Dulles' son Jack, saying he knew Jack lived in Monterrey and worked for Peñoles. The Secretary said he had not only a son and a daughter-in-law in Mexico but also four grandchildren. His son had recently been sailfishing (with good luck) at Mazatlan. Dr. Eisenhower commented that Mexican sailfishing was among the world's best; Minister Tello could confirm this because the two of them had done well at Acapulco in August 1957. The President said that if fishing was better at Mazatlan maybe it was because there were fewer tourists there.

In taking leave Secretary Dulles said Mexico enjoyed great prestige in Latin America and the world; the relations between the United States and Mexico were close and friendly, they rested on mutual trust and respect, and he was confident they would remain so; the United States looked forward to working with the members of his Government. The President said these were his sentiments too. Then the President related that President Ruiz Cortines had often spoken with feeling of his friendship with President Eisenhower. This had occurred when the President (López Mateos) was Minister of Labor and he had never forgotten it. As a result of what President Ruiz Cortines had said about President Eisenhower, he (López Mateos) had thereafter carefully noted President Eisenhower's actions and policies. He had been impressed by his observations of President Eisenhower and thereby felt drawn closer to him.

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**324. Letter From the Secretary of State to George S. Messersmith<sup>1</sup>**

*Washington, January 7, 1959.*

DEAR GEORGE: I was glad to have even a moment to see you in Mexico City and regret that my crowded schedule did not permit enough time for an extended talk with you. This made your letter of December 8, 1958,<sup>2</sup> all the more welcome, and your remarks concerning my health and my work were deeply appreciated.

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/12-858. Personal. Drafted by Rubottom. The source text contains the following typed notation: "Sent to Embassy, Mexico City, for hand delivery."

<sup>2</sup> In this letter, Messersmith, who had been Ambassador to Mexico from 1941 to 1946, stated that during the last 2 years of President Ruiz Cortines' administration, the "quiet steady current of sound action from 1940 to 1956 began to deviate rapidly to the left and showed itself in consistently greater intervention by government in business and the setting up of bases of dangerous social situations." Moreover, because of the direction of the Mexican Government's policies, "our interests are really threatened and the prestige of our country is really in danger." The United States could, however, prevent the "bastion to the south" from disintegrating further, concluded Messersmith, by abstaining from grants and sticking to "sound legal policy", which would induce López Mateos "to follow a sound conservative course." Messersmith sent his letter to the Secretary under cover of another letter addressed to Assistant Secretary Rubottom, in which he stated in part the following: "In view of the character of this letter [to the Secretary], I would like very much and think it desirable that it should be for the Secretary's eyes and yours only." (*Ibid.*, Rubottom Files: Lot 60 D 553, Mexico 1958)

Your own well-being has been a source of concern to me, and I was glad to learn from Dick Rubottom and Bob Hill that you have gradually recovered from your operation and are regaining your strength.

Your letter summarizing the trends in Mexico over the last two decades was most interesting. Having passed on to us views based on your own incomparable experience in Latin America, you may be interested in knowing that the problems which you raised are giving us considerable concern here. For this reason, I was especially glad to be able to meet President Lopez Mateos even during the crowded period of the inaugural ceremonies. It is much too early to judge the kind of administration he will give Mexico, and not even a president can control all developments which effect a country, but I was encouraged by my private conversation with the President as well as by the caliber of the men he has appointed to his Cabinet.

Discussions on the possibility of U.S. financial assistance to Mexico have been carried out sporadically over a number of months. I assure you that whatever action is ultimately taken on our part will be in accord with sound fiscal practices and our basic national interests.

With best wishes,  
Sincerely yours,

**John Foster Dulles**<sup>3</sup>

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<sup>3</sup> Printed from a copy that bears this typed signature.

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**325. Memorandum of a Conversation, White House,  
Washington, January 8, 1959<sup>1</sup>**

**SUBJECT**

Call of Robert C. Hill, United States Ambassador to Mexico, on the President

**PARTICIPANTS**

The President  
Ambassador Hill  
Assistant Secretary Rubottom  
Major John Eisenhower

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<sup>1</sup> Source: Department of State, Rubottom Files: Lot 61 D 279, Mexico, January-June 1959. Confidential. Drafted by Rubottom.

The President received Ambassador Hill and Mr. Rubottom by appointment promptly at 8:15 a.m. today. The Ambassador expressed appreciation that the President had received his callers on such short notice and in the midst of preparations for his messages to Congress.

The Ambassador thanked the President for having sent such a distinguished delegation to represent the United States to the inauguration of President Lopez Mateos. He stated that the new administration had started well and that the United States could be gratified with the make-up of the new cabinet, referring by name to the appointment of former Ambassador Tello to the post of Foreign Minister and former Finance Minister Carrillo Flores to the United States as Mexican Ambassador. The President recalled his pleasant acquaintance with Ambassador Tello.

Mr. Rubottom told the President that Ambassador Hill and his staff had handled the visiting delegation to the inauguration in an outstanding manner. He also said that Ambassador Hill was carrying out his responsibilities in Mexico in a very fine way.

The President mentioned that he had been giving some thought to the possibility of meeting President Lopez Mateos at some mutually satisfactory place, possibly on or near the border, like Monterrey. He reflected the views of his medical advisers that it might be imprudent for him to go to Mexico City for a full State visit in view of the attitude of the capital, and then recalled that he had had very satisfactory meetings with former President Ruiz Cortines, first on the border at the inauguration of the Falcon Dam on the Rio Grande, and later at White Sulphur Springs where they had met informally along with the Prime Minister of Canada. The possibility of meeting in Acapulco was raised, and also at Brownsville-Matamoros on the border. Ambassador Hill described the splendid facilities at Acapulco, including the fishing, and reported briefly on the recent visit there of Senator Lyndon Johnson. The President nodded with satisfaction when the Ambassador declared that the Senator had made the bipartisan nature of the United States approach to foreign policy matters unmistakably clear to Lopez Mateos when the latter had suggested that he might attempt to circumvent the normal diplomatic and executive channels.

The President suggested that the Ambassador and Mr. Rubottom give additional thought to the desirability and the place for a meeting with President Lopez Mateos. Mr. Rubottom said that he would raise the matter with Secretary Dulles and would ask the latter to make a recommendation to the President.

Mr. Rubottom commented on the excellent report by Dr. Milton Eisenhower and the favorable reception it had.<sup>2</sup> The President replied that he would have accepted the report exactly as drafted by his

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<sup>2</sup> Not further identified.

brother in the first instance, but that it had been trimmed down slightly as a result of various suggestions made by others in the administration.

Mr. Rubottom commented that the situation in Cuba seemed to be moving as well as could have been expected in view of the explosive events which had just taken place, but that the situation would bear close watching.<sup>3</sup> The President recalled some of the opinions expressed in the past about Fidel Castro.

The callers thanked the President for receiving them and departed at 8:35 a.m.

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<sup>3</sup> On January 1, forces led by Fidel Castro took control of the Government of Cuba and Cuban President Fulgencio Batista fled the island.

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### 326. Editorial Note

In telegram 1360 to Mexico City, January 20, Assistant Secretary Rubottom informed Ambassador Hill that "President has stated he would be pleased to accept invitation of Lopez Mateos for a visit to Mexico. April-May period would be difficult for him and he is desirous of having such a meeting before the end of February if that is convenient for the Mexican President. He would prefer either Monterrey or Chihuahua as a meeting place." (Department of State, Central Files, 711.11-EI/1-2059) In telegram 1393 to Mexico City, January 24, Rubottom authorized Hill to inform the Government of Mexico that President Eisenhower had agreed to visit Acapulco February 19-20. (*Ibid.*, 711.11-EI/1-2359)

In a memorandum of conversation dated January 26, Dulles reported on a discussion with Eisenhower in part as follows:

"The President spoke of the prospective Mexico trip. He wanted to be sure of the dates. I confirmed them as being the 19th and 20th of February. The President asked what the plans were. I said I did not know but from the White House on the telephone with Mr. Rubottom found that the thought was that the President should arrive in the early afternoon of the 19th and spend the night and all day the 20th, returning on the morning of the 21st. The President wondered what he and the President of Mexico would find to talk about all that time. I said that if it was agreeable to the President I did not myself plan to go as I had only recently been to Mexico City for the Presidential Inauguration. He said this was all right so long as it was made quite clear in the original announcement that this was entirely in the nature of an 'informal call' and that business was not to be transacted.

“I said I was not aware of any particular problems between our countries. Most of the matters dealt with at the White Sulphur [Springs] Conference had been disposed of. There was, of course, the lead-zinc matter, but Mexico seemed rather reasonable on this subject.” (Eisenhower Library, Dulles Papers, Meetings with the President)

According to a memorandum dated January 26, the President and the Secretary of State continued their discussion of the proposed Mexico trip by telephone that day. The memorandum stated:

“The President called the Secretary of State several times about the ‘funny way’ the Mexican government was handling the business of the President’s desire to meet informally with the new President of Mexico. He said that in the back of his mind he cannot feel that there has not been something gone awry. He feels the new President took his suggest[ion] almost as a request for an invitation. He said some of the ‘State Department boys’ can get so enthusiastic they give an erroneous understanding. He wants the American Ambassador to make clear that the President is not being a salesman. All he is trying to do is to be polite. He wants it made perfectly clear that we are not pushing this visit—and that our suggestion is that it should be very informal and personal so we could get acquainted.

“He said he would take a few Aides and a secretary—and of course he would want Rubottom.

“In a previous telephone call, the President told the Secretary that the way the thing had been handled he felt he was being considered a ‘captive’ of the State Department.” (*Ibid.*, DDE Diaries)

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### 327. Memorandum of a Conversation, February 19, 1959<sup>1</sup>

#### SUBJECT

Conversation between President Eisenhower and President Lopez Mateos on Board Yacht “Sotovento”, February 19, 1959

#### PARTICIPANTS

The President, President Lopez Mateos, His Excellency Mr. Manuel Tello, Foreign Minister of Mexico; Dr. Milton Eisenhower; The Honorable Robert C. Hill, United States Ambassador to Mexico; Assistant Secretary Rubottom; The

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<sup>1</sup> Source: Department of State, Central Files, 611.12/2–1959. Confidential. Drafted by Rubottom and approved by Major Eisenhower on March 13.

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President's Press Secretary, Mr. Hagerty; His Excellency Lic. Antonio Carrillo Flores, Mexican Ambassador to the United States; Lic. Ramón Beteta, former Mexican Secretary of the Treasury

The President, accompanied by Dr. Milton Eisenhower, Ambassador Hill, Mr. Rubottom and Mr. Hagerty, boarded the President's yacht at about one p.m. from small craft departing from the docks of the Club de Pesca Hotel.

The discussion while on the fantail of the yacht was quite general in nature, the various members of the two parties joining the Presidents from time to time.

President Lopez Mateos led the President to the yacht's dining salon at about 1:45 after the yacht had gotten underway and then dropped anchor in Puerto Marques.

The Mexicans took little initiative during the luncheon discussion. President Eisenhower told of the time that he had spoken to General Bedell Smith when the latter had conveyed orders to him in the early days of World War II to report for duty in Washington. The President also recounted some of his experiences in dealing with officials of the Soviet Union, especially their tiring techniques of going through the same monotonous story every time about how much they want peace, and ignoring in their presentation what they really could do if they were to carry out their responsibilities. The President also related his experience with Marshal Stalin during a short visit to Moscow shortly after the occupation of Berlin in 1945. General Eisenhower had found that it was difficult to do business with Zhukov in spite of the friendly relations between them, due to the failure of the Soviet Government to delegate him any authority. By playing up to Soviet pride and alluding to Zhukov's ability to get things done, when exactly the opposite was the case, General Eisenhower had brought about precisely what he wanted, i.e., authorization to Zhukov to work with the allied commanders in Berlin without having to clear everything with his superiors in Moscow. The Mexican officials listened in rapt attention to the President's story.

After lunch, the two Presidents moved out of the dining room to resume their discussion over coffee in the adjoining salon. The serving of coffee set up discussion on that subject with the Mexicans emphasizing its importance in the Mexican economy and their concern over price declines in that commodity. Ambassador Hill said that coffee had moved up to become Mexico's most important export commodity after cotton, adding that Mexico is now a leading producer after Brazil and Colombia. Mr. Rubottom told of his discussions with the Colombian officials recently in Bogota and of the necessity that the producers hold the line agreed to in the International Coffee Study Group, unless chaos is to ensue in the market. Foreign Minister Tello said that the International Coffee Group's efforts were impaired because of the



attitude of Great Britain and Ethiopia. He voiced a belief that Britain's position was weakened by their sending only government officials rather than knowledgeable members of the trade. The President suggested that the United States might encourage the British to add trade experts to their representation.

Ambassador Carrillo Flores stressed the desirability of the closest possible cooperation between his country and the United States on all economic matters. The United States probably sells more goods to Mexico than any other country except Canada; virtually every dollar earned by Mexico from whatever source is spent in the United States. He alluded to the cooperation given his Government by the State Department, and hoped that other departments of the United States Government might cooperate as well.

The President declared that other United States departments were also interested in cooperating in international economic problems, although they had their own responsibilities under our system of government which required that they take different factors into account than those weighing on the State Department. The President also referred to the pressure from interested groups with which the United States Government has to contend, just like any government.

Foreign Minister Tello commented on the seriousness of the cotton problem for Mexico and Mexico's regret that the United States had not consulted with her before putting the new price support program into effect. He acknowledged that we had done all that we could in respect to lead and zinc with Mexico's full cooperation, and that Canada had been the obstacle to agreement. He also alluded to the coffee problem. Then, saying that he might be indiscreet, the Foreign Minister referred to the recent meeting of Agriculture Ministers from the countries of Central America with their own in Mexico City. They not only talked about the problems of pests and plant diseases but also about the specific problem of marketing cotton. They all felt that an international agreement was necessary.

Ambassador Hill underlined the need for the United States to consult in advance with its trading partners and close neighbors, like Mexico, before adopting a new program. The President expressed his view that we had blundered in not consulting in advance.

The Foreign Minister expressed his concern, not only over the subsidy increase, but that great uncertainty will prevail in the market because the United States prices may change from month to month. This has given buyers advantage over sellers and Mexico has heavy stocks on hand.

The President said that neither he nor anybody in his party was expert on the subject of cotton, but he would see to it that the Departments of State and Agriculture got together on the cotton problem.

The President expressed the interest of the United States in a large new dam project on the Rio Grande and his understanding that Mexico was equally interested. President Lopez Mateos, who made very few direct comments on any substantive matter during the whole afternoon's discussion, confirmed his country's interest in the project known as Diablo Dam and said that the pertinent studies were moving ahead.

The President mentioned the possibility of a joint effort in establishing an international park in the Big Bend area, citing the example of the United States-Canadian cooperation in a similar effort and stressing the benefits from such joint enterprise. President Lopez Mateos replied that Mexico had encountered constitutional obstacles to this kind of joint endeavor and that constitutional amendment might be required if they were to participate. The President acknowledged that this could indeed be a political obstacle. President Lopez Mateos said that the project had been started 15 or 16 years ago, that a committee had been established and that it had decided that an amendment would be required—thus, the subject is a delicate one.

Ambassador Carrillo Flores said that, in spite of the cotton matter, there were great areas of satisfactory cooperation between the two countries. He had seen this while the Secretary of the Treasury and knew that we had again been helpful in the recent financial talks. He complimented the attitude of the Export-Import Bank, the International Monetary Fund, the World Bank, and the private banks, citing the latter's recent loan to Pemex.

The President declared that nobody knew better than he himself what our cooperative efforts had done to the benefit of both countries. His objective now was to try to solve some as yet unsolved problems; with respect to cotton, he would be communicating with Washington and hoped to have a message by the next day on the current status of the cotton matter.

Turning directly to President Lopez Mateos, the President said, "Each of us has great power. By working together, we can multiply our strength." He offered to listen to any matters the Mexicans might wish to bring up. President Lopez Mateos seemed appreciative but did not take the initiative.

Foreign Minister Tello told the President that he was beset by much heavier problems than Mexico's. He wondered what they might do to help him more.

The President replied by wondering how we could both be better partners. He cited progress in recent years—the aviation agreement, the fishing boat problem which, while not permanently settled, had been brought under some measure of control, and the migrant labor agreement.

President Lopez Mateos acknowledged that much progress had been made, but expressed the hope that the solutions to such economic problems as cotton would not be too long delayed.

The President answered that solutions to our problems would be easier to encounter if they were left only to Mexico and the United States. He said, "I hope you and I can have a close personal relationship. Write me whenever you wish, irrespective of the State Department." The President then laughed and said that actually the Department had encouraged him to establish this kind of relationship with President Lopez Mateos.

The President and his party left the yacht about 4:45 p.m.

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**328. Memorandum of a Conversation, President Eisenhower's Suite, Hotel Pierre Marques, Acapulco, Mexico, February 20, 1959<sup>1</sup>**

SUBJECT

United States-Mexican Relations

PARTICIPANTS

President of the United States  
President of Mexico  
Mr. Vicente Sanchez Gavito  
Lieutenant Colonel Vernon A. Walters

President Eisenhower opened the conversation by stating that he had just received four American business men who had not been included in the group which he met the previous evening. One of them was particularly interested in the cotton problem, and had emphasized to the President many of the same things which President Lopez Mateos had mentioned previously. The President said that he challenged this man and asked him to produce a formula which he felt would be both fair to the Mexicans and to the cotton producers of the United States; he had been unable to come up with any immediate solution. He mentioned this because he wanted President Lopez Mateos to know that he had been thinking about the cotton problem.

The Mexican President thanked the President for his concern, but said he had not really come to discuss cotton, but in a general way the psychology of the Latin American people in their relationship with the

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 560, CF 1206. Secret. Drafted by Walters on March 2 and approved by Thomas W. McElhiney on March 12.

United States. He hoped the President might not regard anything he might say as representing criticism or a complaint, but rather as plain talking between friends. He was talking to the President not as the Chief Executive of the most powerful nation in the world, but as one friend and neighbor to another.

The Mexican President said that in their propaganda to the world, the United States brought out two principal factors—the freedom of the individual and the high standard of living to which the exercise of this freedom led. The United States had on its northern border Canada—a country where English was spoken, and on its southern border Mexico—a country where Spanish was the language. In Canada a similar measure of personal freedom prevailed and equally, a high standard of living. This was not true in Mexico. On the contrary, in many of the Latin American countries there were instances where the standard of living tended to rise, but in which there was a corresponding drop in the degree of democracy prevailing in these countries. In other cases, those who do not have certain things in life too often feel a sort of blind resentment toward those who do. Furthermore, there had been a feeling among Latin Americans that the United States sometimes sought good relations with strong governments which were not necessarily democratically elected. This produced among the Latin Americans a certain anxiety. Soviet propaganda constantly pointed out the contrast between the high standard of living in the United States and the low standards prevailing from the Rio Grande to Patagonia. Furthermore, the Soviets constantly blamed the United States for the difficulties encountered by the Latin American countries in raising the standards of living of their people.

The President said he was aware of this and the fact that they called us “economic imperialists.” President Lopez Mateos then said that the democratically elected governments attempted to put the picture in perspective and make the peoples of their country understand that they themselves had a great deal to do with solving their own problems, though these governments were not always successful in doing this. Technical progress had increased the contrast between the “haves” and the “have nots.” Fifty years ago, life in Mexico City was very similar to that in any village. There were no electric lights, safe drinking water, sewerage, and other utilities. Today, someone who comes from a town where these things do not exist feels resentment that they exist in Mexico City and not in their own home town. Internationally, this is even more true.

Today, when the economy of nations has become so interrelated and universal in scope, it is difficult for any nation to solve its own problems by itself, because what other nations do may have an impact upon the internal economy of any given nation. Furthermore, the populations of these nations were growing so rapidly that economic

improvement could not keep pace. Nevertheless a demand for a better life continued to increase. He himself knew how difficult it was to govern a democratic nation and what was involved in the way of taking into proper account interests and desires of the different groups within the nation. He did feel, however, that it was his duty to express the situation which he felt prevailed throughout Latin America and formed a psychological background for the attitude of these peoples towards the United States.

The President thanked President Lopez Mateos for this frank expression of views and stated that he basically agreed with what the Mexican President had said. He felt that the increasing population was indeed a problem and he realized that as a very large part of Latin America was of the Catholic faith, birth control would be contrary to the principles of many of the people of the hemisphere. In our assistance programs, he had discovered that we were rarely able to catch up with the increased demand engendered by the rising population.

The President said he understood that resentment frequently existed and that it was difficult to find an appropriate solution. In many of the Middle Eastern countries only a very small part of the oil revenues had been used to build roads, schools, and hospitals, and to plan for a better future for the people, but this country had had a revolution and its leaders assassinated. He then inquired whether President Lopez Mateos had any specific idea about what we should do.

The Mexican President said he felt there were two types of solutions which followed parallel roads: First, there was that of finding concrete solutions for immediate short-term problems; and secondly, that of studying problems before they arose so as to find solutions for them before these problems became urgent and acute.

The President felt we should try to find solutions for these short-term problems. With regard to the longer term ones, he wondered if it might not be possible to get together representatives from both nations to study these matters, and while they might not find solutions for all of them, they might find something that could point to a practical approach. It was obvious that the two nations would not have identical points of view on all subjects, but if they could bring them closer together in an atmosphere of understanding and friendship, this would lead to a climate in which solutions could be reached.

President Lopez Mateos said he fully agreed with the President on these matters. The President then asked whether the Mexican President would be agreeable to his designating his brother, Milton, to perhaps get in touch with the President, who would perhaps wish to designate some Mexican counterpart to review these matters with Dr. Eisenhower. President Lopez Mateos said that he would very much like to talk at length with Dr. Eisenhower, and said that if the Presi-

dent had not suggested Dr. Eisenhower's designation, he would have done so himself. President Eisenhower said that Dr. Eisenhower would be available either now or he would send him back at a later date, and President Lopez Mateos replied that he would prefer to talk to Dr. Eisenhower at a later date before he designated any Mexican counterpart for Dr. Eisenhower, and expressed the view that this would indeed be very fruitful.

The President then said he wished to make a few remarks which he hoped the Mexican President would likewise not view as being critical or of a complaining nature. He felt that what was lacking in Mexico was a strong middle class. The Mexican President said there had been a great increase in this middle class since the revolution. The middle class represented some 7% of the population at the time of the revolution, and now represented some 25% of the population.

The President said that he had inquired of the American businessmen with whom he had been talking whether they had been employing Mexican professional men—lawyers, doctors, engineers—as he felt this was essential and that by fortifying this middle class, they helped to create a better climate of understanding between two nations. The businessmen had indicated that this was the policy of their firms, and one of them mentioned that the treasurer of his company was a Mexican.

The President also stated that some of the resentment felt by the underprivileged is possibly created by some of the wealthier Mexicans who were unwilling to give others a fair share of the returns realized in profitable endeavors. He had no one in particular in mind, as he did not know the name of any rich men in Mexico.

The Mexican President said that they had very few men of great wealth in Mexico, but that there was, of course, a contrast between the way of life of some of the wealthier citizens and those who lived in poverty. President Eisenhower observed that it would be a mistake to permit all of the underprivileged of Mexico to gain the impression that all of their misfortunes were due to the actions or neglect of the United States. Within Mexico itself the wealthy people must recognize their own responsibilities in an effort to raise standards, and the Government should help by promoting a widespread understanding of these truths. This would make it easier for the United States to be helpful.

The President said he felt that, if something could be achieved between Mexico and the United States in the bettering of the climate for negotiation, this would be to the benefit of the whole hemisphere. He felt that by direct correspondence between the Mexican President and himself, their ideas might at times be clarified, and the individuals whom he had mentioned might be able to begin their work. He realized that these problems would not be fully solved in our lifetime, even though the Mexican President was a young man. But it was

possible to intensify the work essential to create the kind of mutual understanding between the two countries which would bring to Mexico the development capital which Mexico needs.

There are a few United States companies which may be looking for large short-term profits, but most of the American business firms are thinking in creative terms of building and growing within the country where they invested. He felt that if a proper climate could be created, capital would be welcomed into Mexico, it being understood, of course, that the companies would avoid excessive profiteering.

The Mexican President said that creative American capital was welcome in Mexico and that while the companies of a few disgruntled people might be heard, the great majority were of a different mind. However, he would wish to point out that the countries of Latin America usually had small budgets and required long-term developmental loans which were not of such direct interest to private capital, and for this reason, government-to-government loans were also important to these countries. He welcomed the opportunity of being able to correspond directly with the President and he felt this would go a long way towards creating a climate which would be beneficial to both countries.

The Mexican President concluded by saying that he welcomed very much this opportunity to talk frankly with the President, and he felt that this type of contact was extremely valuable in creating the understanding and climate which they both sought.<sup>2</sup>

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<sup>2</sup> According to a memorandum of conversation, February 20, at dinner that evening Eisenhower invited López Mateos to visit the United States during the upcoming year. The Mexican President stated that he would be honored to accept the invitation and suggested the second half of April as a date for the visit. Both Presidents agreed the matter should be pursued further through normal diplomatic channels. (*Ibid.*)

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### 329. Letter From the President to Senator Lyndon B. Johnson<sup>1</sup>

*Washington, February 27, 1959.*

DEAR LYNDON: Referring again to your letter of February seventeenth<sup>2</sup> telling of your meeting with President Lopez Mateos last November, I find that my own impression of the new President confirms your favorable report. Even though such visits as yours and mine can

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries.

<sup>2</sup> Not found.

contribute importantly to good relations between this country and our southern neighbor, there is nothing which can take the place of effective day-to-day representation of U.S. interests by our Ambassador and his country team.

President Lopez Mateos conveyed to me a sense of vigor and dynamism. Yet he seemed to be holding a tight rein on himself, and I can understand that he might still be feeling his way along, notwithstanding his long experience in public office. He is burdened by serious economic problems, almost none of which he is capable of solving within his own country because of the complexities of today's international trade. It would be helpful to our relations with Mexico, as well as in our own interest, to consult closely with Mexico on a number of our common problems.

I share with you the firm belief that we should develop the closest relationship with Mexico and that, in doing so, we shall be strengthening our relations with Latin America. President Lopez Mateos seems to recognize the historic role which Mexico can play in the hemisphere. I impressed upon him the need to maintain a favorable climate for investment, both foreign and domestic. He expressed agreement with me on this point.

I raised the question of the development of the Big Bend area as an international park. He said that Mexico's studies of fifteen or sixteen years ago had indicated that a constitutional amendment would be required if they were to participate in this project, thus posing a delicate problem. We shall pursue this matter, nevertheless, through diplomatic channels, to see whether Mexico cannot be persuaded to take the steps necessary to join us in the park.

The President made no mention of the financial discussions which have been carried on by the officials of our governments for the last month or two. He did express appreciation for the cooperation which we have extended to Mexico in this broad sector in the past.

As you will have learned by the time you receive this letter, I am looking forward to a return visit by President Lopez Mateos some time later in the spring. This will give us additional opportunity to develop the close personal ties which contribute so much to the building of good relations with our neighbors.

With warm regard,  
Sincerely,<sup>3</sup>

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<sup>3</sup> Printed from an unsigned copy.



**330. Editorial Note**

In a memorandum dated April 15, John A. Calhoun, Director of the Department of State's Executive Secretariat, informed Goodpaster that the Mexican Embassy had informally advised the Department that President López Mateos wished to postpone his visit to the United States to the fall of that year. (Department of State, Central Files, 712.11/4–1559) In telegram 2038 to Mexico City, April 16, the Embassy was informed of a White House press release which stated in part: "President Eisenhower and the President of Mexico have agreed that the visit of the Mexican President to the United States should take place during the coming autumn." (*Ibid.*, 712.11/4–1659)

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**331. Memorandum of a Conversation Between President Eisenhower and the Mexican Ambassador (Carrillo Flores), White House, Washington, May 18, 1959<sup>1</sup>**

SUBJECT

Call of Ambassador Carrillo Flores of Mexico on the President

After the exchange of greetings the Mexican Ambassador told the President that he wished to present him with a copy of the color and sound film made while the President visited Acapulco, Mexico, last February. He said that the film had already been shown to a number of the President's friends, including Secretary of Agriculture Benson and Senate Majority Leader Lyndon Johnson. The President thanked the Ambassador, said that he was delighted to have the film and would show it tonight.

The Ambassador then handed the President a letter from President Lopez Mateos,<sup>2</sup> explaining that it had been written some time before and that, because its contents covered a number of current matters affecting United States-Mexican relations, a copy had been made available to the Department of State in advance. The President accepted the letter but did not open the envelope.

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<sup>1</sup> Source: Department of State, Presidents' Memoranda of Conversation: Lot 66 D 149. Confidential; Limit Distribution. Drafted by Rubottom and approved by Major Eisenhower on May 25.

<sup>2</sup> In this letter, dated April 27, López Mateos discussed the international cotton production situation. (*Ibid.*, Rubottom Files: Lot 61 D 279, Mexico, January–June 1959)

The President declared that frequently he finds there are legislative restrictions which impose barriers to the accomplishment of his objectives. Cotton is a good example, he added. He remarked on how, in discussions with Prime Minister Macmillan and Secretary Dulles, they had agreed that notwithstanding the genius which was inherent in the United States' system of checks and balances, maybe some new approach would eventually be required in order to permit the Executive branch of the Government to carry out its responsibilities for the conduct of foreign affairs. Ambassador Carrillo Flores nodded agreement and said that he had observed, in his study of the United States, that this problem does exist.

The Ambassador then informed the President of the conversations which he and Secretary of Agriculture Rodriguez Adame had had with the President's brother, Dr. Milton Eisenhower, and with Acting Secretary Dillon and Mr. Rubottom on the subject of cotton. The President told Mr. Rubottom that he had just received a letter from his brother respecting this matter and that he presumed Mr. Rubottom had seen it since he had sent it promptly to the Department. Mr. Rubottom said that Dr. Eisenhower had telephoned him but that he had not yet seen a copy of the letter.<sup>3</sup>

The Mexican Ambassador said that they were hopeful that the United States would heed the Mexican suggestions regarding cotton exports. They considered them to be clear-cut and designed to help the United States whose problems regarding this commodity, including the political ones, they fully understood. The Ambassador turned again to the letter, saying that several of the matters raised by his President had taken a favorable turn since the letter was written. He referred to the recent meeting in New York on lead and zinc where the Canadians had shown a disposition to be more cooperative.

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<sup>3</sup> In this letter, May 13, Milton Eisenhower reported on his meeting that day with Ambassador Carrillo Flores and Rodriguez Adame, Mexican Secretary of Agriculture, who informed him about the forthcoming conference between a delegation of representatives from all the cotton-producing nations of Latin America with Acting Secretary Dillon and Secretary of Agriculture Benson. The letter continued in part as follows:

"They unanimously will make a proposal which seems to me to be fair to the United States. In briefest possible form the proposal is that Secretary Benson announce that he will:

"1. Limit the payment of the announced 8¢ subsidy to five million bales of cotton (which represents the United States historic share of the world market);

"2. Decrease the amount of the subsidy gradually as the five-million bale goal is approached.

"It seems to me that this would give stability to the cotton market, while helping the United States and other countries to sell their cotton; would induce purchasers to buy our cotton early, and would induce other cotton producing countries to limit their current offers with the hope of selling part of their cotton at higher prices at a later date." (Eisenhower Library, Whitman File, Name Series, Eisenhower, Milton S., 1959)

The Ambassador said that President Lopez Mateos principally was desirous of confirming his invitation to Dr. Milton Eisenhower to visit Mexico. The President said that he was pleased to have this information and that his brother had already indicated that he would be able to go, preferably in August. The President said that if this time should not be satisfactory to the Mexican President, then he would ask his brother to go whenever President Lopez Mateos found it convenient. The Ambassador said that he thought the latter part of the summer would be quite satisfactory for Dr. Eisenhower's trip.

The Ambassador said that his President had also asked him to convey his deeply felt sentiment about the illness of former Secretary Dulles. The President thanked the Ambassador and said that Secretary Dulles had been, among all the men he had known, one of the few truly great ones and that he had been a tower of strength for the free world.

The President asked the Ambassador to thank President Lopez Mateos for his letter, adding that he would be replying to it in due course, but that his answer would require careful preparation and consultation with his advisors. As the Ambassador rose to depart the President told him that he was looking forward to the return visit of President Lopez Mateos. He added that he was not pressing the Mexican President respecting the timing of the trip but that he would be welcome any time. The Ambassador thanked him and bid him good-bye.

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### 332. Editorial Note

Dr. Milton Eisenhower, accompanied by his daughter Ruth, William A. Wieland, and others, visited Mexico August 12–27. After arriving in Mexico City the afternoon of August 12, Eisenhower met briefly with President López Mateos at the President's official residence, Los Pinos, and separately with José Garostiza, Acting Minister of Foreign Relations. Memoranda of these conversations and of conversations with other members of the Mexican Government were transmitted to the Department in despatch 277 from Mexico City, September 9. (Department of State, Central Files, 120.1512/9–959) Eisenhower and his party toured Cuernavaca, Mazatlán, and other cities and regions of Mexico before leaving the country on August 27. The Embassy reported to the Department on Eisenhower's visit in despatch 276, September 9. (*Ibid.*) A memorandum of the conversation between Eisenhower and López Mateos is *infra*.

**333. Memorandum of a Conversation, Los Pinos, August 12, 1959, 7 p.m.<sup>1</sup>**

PARTICIPANTS

Adolfo López Mateos, President of the United Mexican States  
Dr. Milton Eisenhower  
Robert C. Hill, Ambassador of the United States  
Antonio Carrillo Flores, Mexican Ambassador to the United States  
William Wieland, Director of Office of Caribbean and Mexican Affairs, Department of State  
Alberto M. Vázquez, First Secretary of Embassy

*Project Mercury:*

Dr. Eisenhower first took up Project Mercury. He explained to President López Mateos the scope of this project and its far-reaching scientific significance. In connection with his explanation of the project, Dr. Eisenhower presented to the President a book which the National Space and Aeronautics Administration had especially prepared for this purpose. Dr. Eisenhower explained to President López Mateos the non-military character of the project in which it is hoped Mexican and United States scientists would participate. Dr. Eisenhower further explained that in order to carry out the project, special observation stations in various parts of the world would be required. He told the President that to carry out the project to best advantage one of these land stations should be located at Guaymas. He hoped the Mexican Government would find it possible to cooperate in this project. The project is to be sponsored by a university or a scientific organization and that Mexican scientists and universities were welcome to participate in this scientific experiment. Dr. Eisenhower emphasized the fact that whatever knowledge is gained from this exploration of outer space would, of course, be beneficial to all nations.

President López Mateos immediately expressed interest in the project. He commented that it would have to be presented to the Mexican Public in such a way that it would not offend certain sensibilities in public opinion and that perhaps information concerning the project would be so presented that it would not arouse any suspicion on the part of Mexicans. Both Dr. Eisenhower and Ambassador Hill agreed to the wisdom of this suggestion, adding that all facts concerning this project would be available. It was suggested by the President during the course of the discussion that since the Mexican Government's relations with the National University are so cordial and friendly, that perhaps the National University of Mexico would be

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<sup>1</sup> Source: Department of State, Central Files, 120.15/8-1459. Confidential. Drafted by Alberto M. Vázquez.

willing not only to participate in the project, but to co-sponsor it with a United States organization. To this Dr. Eisenhower gladly agreed. (The Department may wish to examine desirability of this suggestion in view of leftist and anti-U.S. expressions at the National University which have come to the Embassy's attention recently. The feasibility of this suggestion will, of course, depend on the selection of Mexican scientists who will participate in the project.)

The President readily acceded to Dr. Eisenhower's request for authorization to discuss informally this project with officials of the Foreign Office and with Rector Nabor Carrillo Flores, who is a personal friend of his.

President López Mateos stated that whatever real knowledge could be gained from this experiment would benefit Mexican scientists a great deal since the knowledge of Mexican scientists on this field was more theoretical than practical.

*Territorial Waters:*

The second point taken up by Dr. Eisenhower was the matter of territorial waters. He restated to the President what he had told the Acting Foreign Minister. He said that if this matter were one affecting only the United States and Mexico, he was sure that a solution could be found without much difficulty, but the problem was much larger since it affected the whole free world. Dr. Eisenhower expressed the hope that some solution be found to the problem before the meeting in Geneva next year and urged upon the President the advisability of the two countries discussing informally the question of territorial waters. The President was somewhat firmer than the Acting Foreign Minister on this point and cited the case of Texas as also claiming 9 miles. He said that Mexican laws had for a long time recognized the 9 mile limit, that on the basis of that perhaps some solution could be found. Ambassador Carrillo Flores then informed the President that he had received instructions from the Foreign Office to initiate informal discussions with the officials in the State Department in an effort to explore the possibilities of finding some agreement before the meeting at Geneva. The President consented to this.

*Cotton:*

On the question of cotton, Dr. Eisenhower said that he considered Mexico's position reasonable, but he also pointed out that the Executive Branch of the United States Government had to observe the mandate given it by the Congress and he felt that this, too, was a reasonable approach to the question. He stated, however, that the gentlemen's agreement reached early this year when the Minister of Agriculture, Julián Rodríguez Adame, was in Washington, which

agreement had been kept confidential, guaranteed Mexico certain protection and that the United States Executive Branch of the Government was adhering to the spirit of this agreement. Ambassador Carrillo Flores explained to the President that this was the case and that because of this agreement Mexican interests in cotton have not been adversely affected. The President recognized this and thanked Dr. Eisenhower and Ambassador Hill for their intervention in this matter.

*President López Mateos' Visit to the United States:*

Dr. Eisenhower then took up President López Mateos' visit to the United States and told the President that he had brought with him a schedule of dates that would be satisfactory and convenient for President Eisenhower and that if one of those dates was satisfactory to him, the President and the people of the United States would be greatly honored to receive him and that he would be wholeheartedly welcomed not only by the Government, but by the people of the United States. President López Mateos stated that he would be very happy to come to Washington to pay a visit to President Eisenhower and that the date could be agreed upon without any difficulty, that the first or second week in October would be quite satisfactory to him. He thanked Dr. Eisenhower and Ambassador Hill for the spirit in which this invitation was extended to him.

When Dr. Eisenhower told President López Mateos that he was ready to discuss, in candor and frankness, any problem between Mexico and the United States, the President replied that he had no specific matter to take up since all problems were being properly handled through diplomatic channels here in Mexico through Ambassador Hill and in Washington through Ambassador Carrillo Flores.

*Dr. Eisenhower's Impressions Regarding the USSR and Poland:*

The President then asked Dr. Eisenhower regarding his impressions of the Soviet Union. Dr. Eisenhower stated that his impressions were very revealing because he found in the Soviet Union certain changes. There was a relaxation of control under Khrushchev, that Khrushchev was, he felt, interested in having the backing of the people which Stalin did not care for. Nevertheless, he said that the system of espionage is ever present in Soviet life, that cars, rooms, homes are wired, and that everywhere you go there is an agent listening to everything that is said. Concerning Khrushchev, Dr. Eisenhower said that he was a keen, intelligent person, a dynamic leader and a master of polemics, but uneducated. Khrushchev, Dr. Eisenhower said, knew every aspect of the Soviet Union, but very little of the outside world. He had no idea whatever of the United States democratic processes, of its people and their lives, and of its purposes in the world. He also told

the President that the visit of Vice President Nixon and discussions with him had made Khrushchev realize that the United States had the power to destroy Russia. Dr. Eisenhower also pointed out that the USSR had the power to do the United States and Western Europe tremendous damage. Because of this, Dr. Eisenhower told the President an armed conflict could not benefit anyone. Therefore, it was necessary that the leaders get together, understand one another, and try to find a solution to present world problems and ease world tensions.

Dr. Eisenhower stated that going from the Soviet Union into Poland was like going from night to day. The great majority of the Polish people, according to Dr. Eisenhower, are against Communism, that the leaders are committed to follow the Moscow line, especially in international affairs. Domestically, however, they have been able to retain a considerable autonomy and that their leader, Gomulka, although a Communist, is also a nationalist. The reception which Vice President Nixon and his party received in Poland was most impressive since 250,000 lined the route through which they traveled even though the Polish government had not publicized the hour of arrival or the route they were to follow.

Ambassador Hill commented that during his visit to the satellite countries, he had found in those countries more propaganda concerning China than concerning the Soviet Union. In this connection, President López Mateos stated that those Mexican leftists who visit the Soviet Union and China, when they come back to Mexico, many of them are disillusioned about the Soviet Union but very enthusiastic about Communist China. President López Mateos appeared keenly impressed by Dr. Eisenhower's exposition about his trip to the Soviet Union and Poland.

Dr. Eisenhower presented to President López Mateos a gift of Steuben glass for which President López Mateos expressed great appreciation.

The interview was held in an atmosphere of friendship and cordiality.

**334. Letter From the Ambassador in Mexico (Hill) to the Assistant Secretary of State for Inter-American Affairs (Rubottom)<sup>1</sup>**

*Mexico City, September 3, 1959.*

DEAR DICK: As is generally recognized, there has always been present in Mexican political thinking and actions a certain historical residue of ill-will toward the United States. Since the new Administration of President López Mateos took office in December, 1958, we have observed for the most part an outward friendliness and spirit of cooperation which, on the surface at least, reached its peak immediately following the visit of President Eisenhower to Acapulco in February, 1959.

Mindful of the latent feelings of the Mexican body politic and its reluctance either by words or actions to be labeled as too pro-U.S., we have endeavored as the new Administration matured in office and began to face problems of long standing, to determine if the surface signs were truly reflective of a definite change of attitude, or whether the old cautions and suspicions would again manifest themselves either openly in a less friendly attitude, or covertly through its actions against U.S. interests without prior advice, consultation, or opportunity for discussion.

While our analysis is far from complete and our evidence not conclusive, I should like to mention a few observations and a few events which have transpired which might in the future prove to have been the forerunner of a developing trend toward a less friendly, less cooperative Mexico:

(1) President López Mateos has not proven to be as friendly toward the United States and U.S. officials as his predecessor, Adolfo Ruiz Cortines. Insofar as the Mexican Cabinet is concerned, however, I have observed for the most part an open and apparently genuine friendliness. In the case of the new President himself, of course, it may well be that he is proceeding with the utmost caution and is still unsure of himself.

(2) The influence of former President Lazaro Cárdenas, known to be pro-Soviet and anti-U.S., who was particularly impressed by the Communist China commune systems following his world tour early this year, which included the Soviet Union and the United States. It was reported to me by a knowledgeable Mexican that Cárdenas had a five-hour conversation with President López Mateos the night prior to Cárdenas' visit to Habana to participate in the July 26th celebrations.

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<sup>1</sup> Source: Department of State, Rubottom Files: Lot 61 D 279, Mexico, July-December 1959. Secret; Eyes Only; Official-Informal.



[1 sentence (2 lines of source text) not declassified] It is reliably reported by persons at the Cabinet level that the President, recognizing that Cárdenas still enjoys a considerable following in Mexico, adopted a “hands off” attitude neither approving nor directly interfering with the Habana visit. Cárdenas’ influence could be such as to make the President hesitate to follow a program which would arouse the opposition of Cárdenas and his followers, particularly where such program might be politically labeled as too protective of U.S. interests and too pro-U.S.

(3) The cool reception afforded General Lemuel Shepherd, U.S.M.C., Chairman of the Inter-American Defense Board (high-level Mexican Defense Department officials failed to participate). While the Mexican official attitude toward the Inter-American Defense Board has been known for a long time, with Mexican participation in the deliberations of such Board practically nil, this is the first outward manifestation of Mexican official coolness toward a well-known U.S. military personage.

(4) There is considerable speculation among informed Mexicans and members of the Diplomatic Corps as to the reasons why President López Mateos has been reluctant to set a firm date for his visit to the President of the United States.<sup>2</sup> During Dr. Eisenhower’s visit President López Mateos informed him he was prepared to visit Washington in October, 1959. President López Mateos has not fixed a definite date for his arrival in Washington as of this writing, but the Foreign Office has recommended to the President the date of October 9th. The Foreign Office also states he may visit Canada although this is not sure at present. It is interesting to note that Foreign Minister Tello has remarked to me that President López Mateos must bring back to Mexico some evidence of accomplishment as a result of his U.S. visit; that otherwise his prestige in Mexico may suffer. While the Embassy feels that it is a good thing for him to visit Canada, his decision in this regard may well be influenced by a desire to make his U.S. visit more plausible to the Mexican people. By including Canada in his itinerary he may be able to minimize somewhat the importance of his U.S. visit. Mrs. López Mateos has never been included in any of the plans insofar as we know. During Dr. Eisenhower’s visit here she emphatically stated in the presence of President López Mateos that she was going to accompany him to the United States, but the President made no comment whatsoever to indicate his approval. The newspaper *Excelsior* several days ago came out with an editorial recommending against President López Mateos’ visit to the U.S. at this time in view of its proximity to the visit of Premier Khrushchev. The article commented

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<sup>2</sup> A handwritten marginal notation at this point on the source text reads as follows: “Possibly the Khrushchev visit loomed up, as well as uncertainties re degree of formality.”

that the U.S. press would logically highlight the Soviet leader's activities, statements, etc. We have no information at present to indicate that this represents the official views of the Mexican Government.

(5) The declining by President López Mateos of a luncheon invitation honoring Dr. Milton Eisenhower who arrived in Mexico on August 12, 1959. The reason given (and one which has appeared in the Mexican press recently as the reason for his declining of other invitations) is that the President had to prepare his annual report on the State of the Union. This did not keep him from accepting, however, a luncheon invitation of Ambassador Carrillo Flores *after* the arrival of Dr. Eisenhower.<sup>3</sup>

(6) The avowed purpose of the present Administration to carry forward an extensive land reform program which, according to an Agrarian Department source involves the acquisition by the Government of roughly one million hectares of land which will be turned over to *ejidos*, colonizers and small farmers. In this regard the expropriation of properties belonging to American citizens appears to be taking place. For example, the Government is making efforts to expropriate cattle ranch properties in the State of Chihuahua belonging to American citizens: Mr. and Mrs. James H. Cherry, Mr. Calvin King, and Mr. Paul Williams. In implementing these activities the Agrarian Department appears to be ignoring the legal rights of the U.S. citizens involved.<sup>4</sup>

(7) Repeated anti-U.S. lectures (by professors), speeches and activities by faculty and students at the National University and other schools in Mexico. These are believed to have increased considerably in recent months. A number of U.S. students have come to me recently saying they were quitting the National University to go back home because the lectures have been anti-U.S. They did not feel that they were given opportunity to exchange ideas with the professors as it was a "one-way street." Nabor Carrillo Flores, the brother of Ambassador Antonio Carrillo Flores, is the present Rector at the University.<sup>5</sup>

(8) The displeasure President López Mateos has expressed over:

(a) The appointment of General Maxwell Taylor as Chairman of the Board of Mexican Power and Light Company. This displeasure on the part of President López Mateos apparently grows out of General Taylor's identification as a professional soldier, well known member of the U.S. Military, and particularly his wide international connections which would make it difficult for the Mexican Government further to harass the Mexican Power and Light Company. This concern was made known to me by Minister Tello and by Ambassador Carrillo

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<sup>3</sup> A handwritten notation at this point on the source text reads as follows: "Not the same thing."

<sup>4</sup> The following handwritten notation appears at this point on the source text: "True, but not at all exceptional."

<sup>5</sup> The following handwritten notation appears at this point on the source text: "He should ask Don Antonio about this without indicating source."

Flores. The latter asked me point blank if General Taylor had close connections with President Eisenhower. Ambassador Carrillo Flores said that President López Mateos wanted him to report on whether or not General Taylor had this type of connection.

(b) The contract Mr. Ed Pauley has in petroleum exploration and discovery, and from which Mr. Pauley could be expected to obtain a large return from Mexican production.

Ing. Pascual Gutierrez Roldan, Head of Petroleos Mexicanos, in his talk with Dr. Eisenhower covered what he termed two "problems": (1) the restrictive policies of the U.S. regarding importation by the U.S. of residual oil, commenting that the U.S. had lifted restrictions insofar as Canada is concerned but had not lifted these restrictions for Mexico; (2) the advisability of rewriting the contracts of certain companies operating in Mexico. Ing. Gutierrez Roldan made it clear he was specifically referring to the case of Mr. Pauley and said he wanted to buy out Mr. Pauley for the sum of Pesos 60,000,000 (roughly \$4,800,000 U.S. Cy.). (It was pointed out to Mr. Gutierrez Roldan that Mr. Pauley allegedly had already invested a sum of \$30,000,000 U.S. Cy. and was investing at the rate of \$1,500,000 a month in Mexico; that Pauley's contract has been in existence for some ten or more years.) According to a prominent Mexican, Gutierrez Roldan is going to try to "break" Pauley. Gutierrez Roldan has said, "The only thing we want from the U.S. is your money. We have the technicians to develop our own country."

(9) The unfortunate experience of Eugene R. Black, President, International Bank for Reconstruction and Development, will be recalled. During his presence in Mexico at the time of the ECOSOC meetings, he had asked the opportunity to confer with President López Mateos for a period of approximately one hour and a half and was prepared to offer Mexico a \$250,000,000 loan over a five-year period. As you know, he was given only seventeen minutes with the President and his experience was such as to cause him to remark to Ambassador Carrillo Flores that he was shocked at the lack of preparation for the position possessed by President López Mateos. He said that the new President was not knowledgeable and doubted if he had the capacity to learn. This was related to me by Ambassador Carrillo Flores.<sup>6</sup>

(10) A skilled observer said to me the other day that in the thirteen years he has been in Mexico, he has never seen nationalism at such a height as presently is the case in Mexico under the Administration of López Mateos. He was also of the opinion that López Mateos "does not have his hand firmly on the wheel." (There have been reports of dissension within the Cabinet and of possible changes which would be announced at the time of the President's State of the

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<sup>6</sup> The following handwritten notation appears on the source text at this point: "Carrillo Flores actually said this? Seems funny."

Union message on September 1. The Administration announced, however, through the Private Secretary to the President, that no Cabinet changes would be announced. I was present when the President delivered his message and it contained no Cabinet changes.

(11) [less than 1 line of source text not declassified] Soviet Ambassador to Mexico seems to be moving with greater facility and effectiveness than ever before despite the initial actions of the López Mateos Administration in its first few months in office in declaring persona non grata two members of the Soviet Embassy in Mexico City. For example, the Soviet Ambassador has been successful in bringing to Mexico from Canada the Russian Pyatnitskiy Choir of 105 members. He also has arranged for the November and December 1959 appearance in Mexico City of a part of the Soviet exhibition which President Eisenhower and high U.S. Government officials visited in New York City.

*We have discussed the foregoing with Dr. Milton Eisenhower during his visit here and after his first few days with us he remarked to me that he, too, felt that some change had occurred. It was his conclusion that it may be better at the present time in dealing with important problems to adopt the Mexican attitude and tactic of "going slow" and of saying to the Mexicans in effect, "We want time to analyze and study the problem." He felt that this would be the report he would submit to his brother, the President, pointing out that we have extended the hand of friendship over the years during his brother's tenure as President of the United States and that previously we have had a certain amount of appreciation by the Mexicans under the administration of Ruiz Cortines. During Dr. Eisenhower's conversation with President López Mateos, it was necessary for him always to initiate the conversation on anything substantive. When Dr. Eisenhower brought up a substantive subject or problem for discussion, President López Mateos was quick to state that there were no problems or subjects for discussion as these were "all in channels."*

We briefed Dr. Eisenhower during the first staff meeting following his arrival in Mexico City. On the eve of his departure at the time he said goodbye to the staff he again addressed us on the possible change in the Mexican attitude. He summed up his own impressions in these words:

*"The last time I spoke with you soon after my arrival in Mexico City, we talked about the fact that perhaps the upward climb (in our friendly relations with Mexico) had either reached a plateau or deteriorated slightly and that perhaps this was due to the fact that a new administration had come in and the new leaders were cautious. At first I thought I sensed this very strongly, but as time went on my own conclusion was that the worst which has happened is a temporary plateau which has to be passed over and I am certain that the upward climb will go on again."*

The trend noted above may in the future be much more susceptible to careful analysis and conclusion, particularly if any further change is observed in the outward manifestations of friendship and cooperation on the part of Mexican officials in their contacts with their U.S. counterparts. We in the Embassy believe there is nothing unusual in this trend although it is naturally disappointing. We believe also that the economic facts of life and Mexico's economic tie-in with the U.S. are sufficiently well known to responsible Mexicans and will serve as a bulwark against any open manifestation of hostility toward the U.S. I am continually received with genuine warmth and friendliness by the Mexicans wherever I travel.

We attach great importance to the forthcoming visit of President López Mateos to the United States as an event which will do much to place back in proper focus the present picture. In our own day-to-day relationships, we shall continue to follow a consistent policy of patience and good will, and we shall of course welcome from you any observations or suggestions you may have on the basis of the foregoing comments.<sup>7</sup>

With kindest personal regards,  
Sincerely yours,

**Bob**

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<sup>7</sup> A reply from Rubottom was prepared but not sent. The undated draft letter bears the following notation: "No reply to Hill letter. File it." (Department of State, Rubottom Files: Lot 61 D 279, Mexico, July–December 1959)

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### 335. Editorial Note

On October 9, President López Mateos arrived in Washington for a state visit to the United States and Canada. That evening the Mexican President was the guest of honor at a dinner given by President and Mrs. Eisenhower at the White House. On October 10, both Presidents went to Camp David, Maryland, and later to Eisenhower's farm in Gettysburg, Pennsylvania. A memorandum of their conversation at Camp David is *infra*.

On October 11, President López Mateos gave a dinner in honor of President Eisenhower, followed by a reception for López Mateos at the Embassy. The following day, the Mexican President attended a session of the Council of the Organization of American States, a luncheon at the National Press Club, and a dinner given by the White House

Correspondents' Association in honor of President Eisenhower. López Mateos left Washington on October 13 for visits in Chicago, New York, and Canada. On October 18, he paid an unofficial visit to Senator Lyndon B. Johnson's ranch near Austin, Texas, and then flew to Mexico on October 19. Documentation on the preparations of the Department of State for the López Mateos visit are in Department of State, Conference Files: Lot 64 D 560, CF 1504-1506, and Rubottom Files: Lot 61 D 279, Mexico, July-December 1959. Documentation on other aspects of the visit are *ibid.*, Central Files 611.126, 712.11, and 811.05112; and in the Eisenhower Library, Whitman File, DDE Diaries, and Staff Secretary's Records.

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**336. Memorandum of a Conversation With the President, Camp David, Maryland, October 10, 1959, 10:30 a.m.<sup>1</sup>**

OTHERS PRESENT

*Mexico*—President Lopez Mateos, Foreign Minister Manuel Tello, Ambassador Antonio Carrillo Flores, Ambassador Sanchez Gavito, Nabor Carrillo Flores, Dir. Gen., National University of Mexico, Brig. Gen. Jose Gomez Huerta, Chief of Military Household, Justo Sierra, Presidential Assistant

*U.S.*—Secretary Herter, Ambassador Hill, Dr. Milton Eisenhower, Secretary Rubottom, Mr. Osborne, Mr. Hagerty, Lt. Col. Walters, Major Eisenhower

The meeting opened in a relaxed and cordial atmosphere. The first matter for discussion was that of a name for the upper dam on the Rio Grande River. The two Presidents agreed that the name of the dam should be "Amistad Dam," which the Americans may call "Friendship Dam."

The President then requested Mexican views on cotton exports. He cited his understanding that the matter had been relieved by increased markets and decreased production. President Lopez Mateos agreed, but pointed out that the increased sales were due in some cases to artificially lowered prices, occasionally lowered below the cost of production. Ambassador Carrillo Flores said that on the whole the situation looks better, due partly to the organization of producers which has studied the problem (Inter-American Cotton Federation). All they ask is a relatively stable price scale. It would be detrimental to Mexico's interest if the price of cotton ran too high. The President said

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Secret. Drafted by Major Eisenhower. Another record of the conversation was drafted by Osborne. (*Ibid.*)

that he had, after the Acapulco visit, instructed our Department of Agriculture to administer the law as fairly as possible, keeping Mexico's problems in mind.

The President then brought up the question of lead and zinc and pointed out that new lead production in Australia was creating additional competition to the detriment of prices in our own country. This is true of lead because lead and zinc are mined together as a unit in our country. Mr. Tello pointed out that the U.S. import restrictions had been a blow to the Mexican economy, but which was being absorbed. His concern now centers on new bills before the Congress designed to continue these restrictions and to add an import tax. He realized that the President faces problems in his dealings with Congress.

The President said he could put this question to the Tariff Commission and expressed confidence of being able to stop unfavorable legislation. Mr. Rubottom said there has been some improvement in the price per pound recently.

The President then outlined some of the tariff problems which he continually faces. He stated he had vetoed 75% of the recommendations to raise tariffs which had been sent to him in the last six years. In only 5% of the cases did he give all that the Tariff Commission had recommended. He cited almonds, dates, tung oil, spring clothespins and briar pipes to show that no industry is too small to demand protection.

Secretary Herter then suggested that the President brief the Mexican delegation on our problems with regard to balance of payments. This the President did, pointing out that although our exports exceed our imports at the rate of a billion dollars a year, our worldwide obligations (to include grants and loans and maintaining of military forces around the world) cause an imbalance of payments to our disfavor which will have to be rectified. He has mentioned this to Macmillan, Adenauer, and de Gaulle with a view to their picking up some of the burden. President Lopez Mateos agreed. He pointed out, however, that in the relations between Mexico and the U.S., the balance works to Mexico's disfavor. Mexico buys \$1 billion worth of produce from the U.S. and sells only \$600 million worth. Their loans, including private loans, account for only 10% of what they buy. Dr. Eisenhower pointed out that the \$400 million disparity in trade between the two countries is almost made up for by the \$300 million that American tourists spend in Mexico. Ambassador Carrillo Flores agreed with this statement, but pointed out that most of the money spent by our tourists is spent very near the border for commodities which must be imported from the U.S. What the Mexicans would like to encourage is tourist trade deeper into the Mexican territory. He emphasized again that the Mexicans understand the U.S. problems and do not desire to

exacerbate them. The President said he gives this briefing for background only and emphasized in a jocular vein that we are not requesting sympathy.

Mr. Tello said that the two pressure groups who create the major difficulties for the government are the producers of coffee and shrimp. With regard to coffee, the Mexicans had believed that they had made great progress with this commodity. With help from Mr. Rubottom and Mr. Mann, they had reached agreement with African producers on overall coffee production. They have now become highly concerned over research reportedly being done in the U.S. on production of synthetic coffee. He realized that the President cannot forbid such research but asked that it not be stimulated. Mr. Rubottom identified these reports as pertaining to an activity of the Army Quartermaster Corps, primarily in efforts to improve the aroma of coffee. He assured Mr. Tello that the Quartermaster Corps is not attempting to find a real substitute for coffee. The President pointed out the great value of decaffeinated coffee. Since an individual can drink great quantities of decaffeinated coffee, its use, if fostered, could do much toward increasing demand.

Mr. Tello then turned to the problem of shrimp. Shrimp prices have dropped recently through the world and the U.S. An American group, the National Shrimp Congress, is considering an import quota and a tariff to protect the U.S. industry. Of these, the Mexicans feel the least unpleasant is the quota. Mr. Tello pointed out that shrimp is the fourth largest export of Mexico. The President agreed that the quota system is preferable, partly because it actually affords better protection. He confessed that the shrimp problem had not been brought to his attention and observed that in the matters of import restrictions we often find a conflict between the producer and the processor. He asked if the present imports represent a legitimate basis for quotas. The Mexicans indicated that they did. He thinks we should catch this problem before it gets out of hand. Mr. Rubottom said that import quotas are normally based on the average of the past five years. Such a scheme would leave Mexican imports in a position of great preeminence.

Ambassador Hill's reference to some American boats which have recently broken Mexican law while fishing for shrimp stimulated a discussion of the question of the Law of the Sea. The President expressed puzzlement to Secretary Herter over the apparent inconsistency in the U.S. outlook with regard to taking fish from the ocean and taking oil from the bottom of the ocean. Although the U.S. observes a three-mile limit with regard to fisheries, we maintain the right to exploit the ocean bottom to the limits of the Continental shelf. Mr. Herter admitted the inconsistency, but presented no solution.



Secretary Herter pointed out that there will be a conference in Geneva on the Law of the Sea this next year. The results of this conference are of great concern to the Navy which feels that restriction of the internationalization of waters will greatly impair their anti-submarine efforts. If the conference fails, we will be in a very bad situation, since there will be no international law on this subject.

Mr. Tello set forth the Mexican viewpoint on this subject. The Mexican Constitution stated that Mexico will recognize international waters up to a limit from her shores consistent with prevailing international law. (This is in contrast to the U.S. Constitution which specifies a limit of three miles.) Mexico, therefore, recognized a three-mile limit up to the year 1935. In that year a conference on the matter was held at The Hague. The fact that no agreement was reached at that conference meant that Mexico no longer had an applicable international law on which to base their own attitude. As a result, they set up a committee to study the question of international waters (Carrillo Flores was a member). As the result of this committee, Mexico signed bilateral treaties with many nations recognizing each other's rights in some cases to limits up to twelve miles. The Treaty of Guadalupe-Hidalgo (later modified), which established the boundary between the U.S. and Mexico, recognized the boundary at a distance of three sea leagues (nine miles) from the mouth of the Rio Grande. This results in a position on the part of the Mexican Government that territorial waters extend nine miles from the shores. They realize that the U.S. Government does not concur in this position and there is yet no decision. At last year's Geneva conference this particular matter could not be decided. The matter of territorial waters is still pending. The Mexican Government hopes there will be an agreement next year and will comply with that agreement, as required by their Constitution.

The President then outlined some of the problems of the U.S. in this regard, citing the case of Texas tidelands. In this instance ownership is recognized only up to three miles, but privileges of exploiting minerals on the ocean bottom was recognized to a nine-mile limit. (Some discussion as to the status of the action on this matter followed.) The President said he would like to see the problem of territorial vs. international waters solved first among the American nations. This would give us a 22-country bloc with which to go into the Geneva conference. Mr. Tello pointed out that some of the most positive advocates of wider bands of territorial waters are American countries. Chile, for example, claims territorial waters 200 miles from their shores. He pointed out that in time of war a security zone exists permitting warships of the American nations to enter each other's territorial waters. An amendment to the Mexican Constitution was recently introduced allowing exploitation of the Continental Shelf. At

this time some persons advocated extending the limits of Mexican territorial waters to that point. However, the Mexican Government considered it unwise.

The President pointed up the weakness of bilateral agreements in this respect. If the U.S. and Mexico should make a bilateral agreement of this type, then we would have to enforce it against other nations, or allow other nations fishing rights in waters we agree not to use. He reiterated his desire for an American agreement on the matter and urged that someone besides the U.S. take the leadership in securing this American agreement. He visualized the problem as breaking down into three parts: (1) fishing rights; (2) territorial waters; and (3) the Continental Shelf.

Mr. Tello said it is important that the Geneva conference be successful; if this is not the case, we must develop a Continental position. He said the question on the Continental shelf has been agreed on and is no longer a problem. President Lopez Mateos said the Mexicans regard the question of territorial waters and fishing rights as essentially one and the same. The President accepted this viewpoint.

The President then briefed President Lopez Mateos in some detail on the conversations held at this location two weeks previously with Mr. Khrushchev.

**John S.D. Eisenhower**

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**337. Letter From President Eisenhower to President López Mateos<sup>1</sup>**

*Washington, December 1, 1959.*

DEAR MR. PRESIDENT: I have received your courteous letters of October twentieth and October twenty-eighth<sup>2</sup> containing your expressions of appreciation for the efforts made to reciprocate the gracious and cordial hospitality you and the Mexican people displayed during our meeting at Acapulco. I agree that the problems that remain to be solved between our two countries are susceptible of solution in

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<sup>1</sup> Source: Eisenhower Library, Staff Secretary's Records, International Series. Personal. No drafting information is given on the source text. Transmitted to the Embassy in Mexico City in telegram 1126, December 2, with the following instruction: "White House requests that you tactfully stress to recipient need for keeping text this message confidential." (*Ibid.*, White House Office File) The signed original of the letter was pouched to Mexico City.

<sup>2</sup> Neither printed. (*Ibid.*)

the spirit of mutual understanding and respect that characterize our relations, and that this collaboration between our countries can have favorable effects on hemispheric relations and can set an example for nations everywhere.

As you undoubtedly know by this time, I am planning, in conjunction with my attendance at the Western summit meeting in Paris on December nineteenth, a visit to several countries of the Mediterranean and the Near and Middle East.<sup>3</sup>

It seems to me possible that the heads of our sister American Republics with whom the United States maintains close and cordial ties might like to be apprised of the reasons for my undertaking this project. Accordingly, I am taking the liberty of writing to you directly with this in view.

My visit will take me to Rome, Ankara, Karachi, Kabul, New Delhi, Tehran, Athens, Tunis, Paris, Madrid, and Casablanca. Basically, my purpose in visiting these nations is to do what I can to strengthen the ties which bind the nations of the Free World together. I have found from experience that there is no substitute for personal contact in furthering understanding and good will.

I think it is very worthwhile to take every step possible to allay the fears held by many in the far-flung reaches of the world as to the intentions and the ambitions of the West. While you and I know that the vast military power possessed by the Free World in its various alliances is maintained in readiness for *defensive* purposes only, on behalf of the principles in which we all believe, this fact, so obvious to us, is not always apparent to our friends. I assure you, Mr. President, that I will do everything in my power to convince our friends around the world that this is so. The Organization of American States is dedicated to the pursuit of peace with justice for all; I hope to impress upon each government I visit that this purpose is a basic aspiration among all the peoples of our entire Continent.

The tour will, of course, represent a strenuous undertaking. It will fill my time from now to the end of the year. Subsequent to that, there are various other commitments, such as a summit meeting and a return visit to Moscow, which will crowd considerably my time left in office. I want to assure you, however, that though these commitments are made outside the American sphere, it is my profound hope that all the American States will approve of the effort I am making and of the results, if any, that I may be able to achieve. I hope that an opportunity may still be afforded me to meet again with the leaders of those countries which comprise the Organization of American States.

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<sup>3</sup> President Eisenhower left Washington on December 3 for a tour of 11 nations of Europe, the Middle East, and Asia. He attended the meeting of Heads of State in Paris, December 19–21.

Please be assured of my continuing high esteem.

Sincerely,

**Dwight D. Eisenhower**<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature. A handwritten notation following the signature reads as follows: "and with warm personal regard from your friend."

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**338. Letter From President López Mateos to President Eisenhower**<sup>1</sup>

*Mexico City, June 25, 1960.*

DEAR MR. PRESIDENT: Your Excellency will remember that during the talks we had at Camp David, I took the liberty of telling you that we hoped no impediment to the importation of lead and zinc would be established in addition to the quotas that have been in effect since 1958.

I pointed out that, aside from the serious economic effect an additional protectionist measure would have on Mexico, the public would resent it as an act inconsistent with the solid friendship existing between our two countries, a friendship that was expressed in this connection during World War II when, because of military needs, we increased our exports despite the rigid prices fixed by the United States Government.

I added that we were not indifferent to the difficult situation of the mining industry in the United States, although the number of miners now unemployed is very small, but that we considered that

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. The source text is a translation. In a June 29 memorandum, Secretary Herter informed the President that Mexican Ambassador Carrillo Flores wished to deliver this letter from López Mateos in person. Herter stated in part, "The desire to deliver this appeal to you, in person, stems from the vital importance which the lead and zinc industry has in the Mexican economy, and the serious concern with which any reports of new restrictions on the importation of these products by the United States is viewed." Herter recommended that Eisenhower receive the Ambassador. (*Ibid.*) In a June 30 memorandum to the President, Herter again discussed the appointment with the Mexican Ambassador. The Secretary stated that Carrillo Flores might express Mexican concern over recent legislative proposals which, if enacted into law, would impose new duties on imports of lead and zinc. Herter further stated that if such legislation were enacted by Congress, the Department of State would recommend a veto of the bill. (*Ibid.*) A memorandum of the conversation between Eisenhower and Carrillo Flores on July 1 is *infra*.

since these are world problems, a study should be made of them within the framework of the United Nations, and more specifically, in the agency that concerns itself particularly with lead and zinc.

In an understanding spirit that the Mexican people and I appreciate very much, Your Excellency offered to oppose an increase in duty or the adoption of new measures restricting trade in these products between Mexico and the United States.

In view of the foregoing, I trust that the reports we have received, and about which we are deeply concerned, of the imminent possibility that the interests of the economy and miners of the Mexican Republic will be seriously affected by legislative measures, are exaggerated.

I avail myself of the opportunity to renew to Your Excellency the assurance of my highest consideration and cordial friendship.

**Adolfo López Mateos<sup>2</sup>**

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<sup>2</sup> Printed from a copy that bears this typed signature.

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**339. Memorandum of a Conversation Between President Eisenhower and the Mexican Ambassador (Carrillo Flores), White House, Washington, July 1, 1960<sup>1</sup>**

SUBJECT

Mexico: Lead and Zinc Problem; Agrarian Reform

The President smilingly began by referring to his “bad humor” due to the House of Representatives having just overridden his veto of the pay raise bill. He inquired regarding the health of President Lopez Mateos, the Ambassador replying that he was in excellent health. The President expressed the wish that he might pay a farewell call on the Mexican President and stressed his belief in the importance of the personal ties that had linked them in the past two years. He mused that it might be pleasant if they could meet, even for lunch, somewhere on the border—perhaps in Lower California where the hunting and fishing were so good.

The Ambassador handed a letter from President Lopez Mateos to the President and explained that it recalled the discussion of the two Presidents regarding any possible additional restrictions on lead and

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<sup>1</sup> Source: Department of State, President’s Memoranda of Conversation: Lot 66 D 149. Confidential. Drafted by Rubottom and approved in the White House, July 11.

zinc.<sup>2</sup> The President said that he did not "wobble" in his positions, that he was still opposed to a lead and zinc tariff and would alert everybody to try to keep things on an even keel.

The Ambassador cited two reasons why the Congress should not approve a higher tariff on lead and zinc: (1) the Tariff Commission is making a study to be completed next fall, and (2) the UN Committee has been meeting and the countries concerned have agreed to reduce production.

The President asked Mr. Rubottom to bring this subject to General Persons' attention so that he could follow it. He observed that domestic political factors had to be taken into account in achieving any understanding of the lead zinc subject. He recalled that the Tariff Commission had once recommended an increase in tariff, but the Ambassador reminded him that quotas had been substituted.

The Ambassador said that he understood the problem stemmed from the fact that certain smelters in Oklahoma and Arkansas could not get Mexican ore under the present quota system. This problem had stimulated the activity on behalf of a tariff increase by Senator Kerr (Oklahoma) and Congressman Mills (Arkansas). The Ambassador said that he knew that President Lopez Mateos recognized that the President would do his best and that the relations between them would stay friendly "no matter what the outcome".

President Eisenhower repeated that his attitude was unchanged. He would remain watchful and would do what he could. He would write the Mexican President but asked the Ambassador also to send him greetings.

The Ambassador told the President that Mexico would like to bestow its highest decoration on Dr. Milton Eisenhower and Mr. Sam Waugh. The President said that this would be a very nice thing to do.

The President pointed out his concern over some of the observations he had made on his recent trip and some of the things that had been said to him at that time. For example, the United States, by its assistance, is perpetuating the feudal system, according to certain critics. Our assistance helps only the wealthy, and we are not interested in the poor people, they go on to say. The President then recalled what had just happened in Korea and Turkey. He inquired of the Ambassador what a government can do to help the poor people, recalling Mexico's experience in agrarian reform.

Ambassador Carrillo Flores said that two views were under continual discussion in Mexico. First, there were those who said that economic profits had to come first in order to finance the cost of social reform. Second, others advocated that educational and social reform must come first no matter what the cost. The Ambassador said that his

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<sup>2</sup> *Supra.*

own background was such that he had to recognize the need for more productive facilities. Yet, there had to be strict care that some of the benefits went to the poor people; thus, he found himself standing on “middle ground”.

The Ambassador expressed his concern about the radical ideas of some of the graduates being turned out by the schools of economics in Latin America, who think that social reform must come first at any cost. He recalled that the United States had been sympathetic to agrarian reform in Mexico, going all the way back to President Wilson. This country had not opposed land reform, he recalled, but had demanded compensation when properties were expropriated. He thought that both positions were fair.

The Ambassador thanked the President for receiving him and departed.

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### 340. Memorandum of a Conversation, Embassy Residence, San José, Costa Rica, August 16, 1960, 4 p.m.<sup>1</sup>

#### PARTICIPANTS

*United States*  
Secretary Herter  
Mr. Rubottom  
Ambassador Dreier  
Ambassador Willauer  
Mr. Barnes

*Mexico*  
Foreign Minister Tello  
Ambassador Sánchez Gavito

#### SUBJECT

Meetings of Consultation<sup>2</sup>

Minister Tello began by expressing the hope that he would see Secretary Herter in Mexico in September for the independence anniversary celebrations. He said that at no time had there been a question of Mr. Khrushchev attending the celebrations, since a circular had been sent out by his Foreign Ministry quite a while ago indicating that the Mexican President would be too busy to receive Heads of State.

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Donald F. Barnes, Division of Language Services, on August 17, and approved in S on August 18.

<sup>2</sup> The Sixth and Seventh Meetings of Consultation of Ministers of Foreign Affairs of the American Republics met in San José, Costa Rica, August 16–28, to consider, respectively, Venezuelan allegations of Dominican complicity in the assassination attempt on President Rómulo Betancourt and the dispute between Cuba and the United States. See vol. vi, p. 1060.

When Secretary Herter asked him how he viewed the meeting, Minister Tello said that it was very clear that the Trujillo Government was responsible for the attempt on the life of President Betancourt, that the report prepared by the Venezuelan Government was conclusive and the Dominican defense was weak. He said that Mexico had suffered many affronts from the Dominican Republic, notably the disappearance of a Mexican businessman in Ciudad Trujillo, Pereña, and the killing of a naturalized Mexican, Almoina, as well as many attacks on the Mexican Embassy in Ciudad Trujillo, the latest of which had taken place only three days ago. He said that Mexico had not reported these event to the Peace Commission so as not to pour fuel on the flames but that it had come to the conclusion that the attack on President Betancourt was a case of aggression by the Dominican Government. He was also convinced that Generalissimo Trujillo had spoken with the would-be assassins. He said that Mexico would approve any collective measures that might be adopted, but that it had no resolutions of its own.

Secretary Herter asked if he meant sanctions as provided for by the Rio Treaty.

Minister Tello said that last year he had spoken with Secretary General Mora, and had told him that Mexico was one hundred per cent against intervention, but that the Rio Treaty provided for measures against intervention, which might be called counter-intervention. He cited the example of Italy and the sanctions that the League of Nations had taken against it because of its attack on Abyssinia, saying that the sanctions had failed.

Secretary Herter asked, if diplomatic relations were broken under the Rio Treaty, would that mean that the break would continue until the OAS voted to renew them.

Minister Tello said that this would probably be the case.

Secretary Herter said that the OAS should have the means to observe the situation in the Dominican Republic to see if a new government was following the principles of the Santiago Declaration and other resolutions and to determine whether a new government should be recognized.

Minister Tello gave a detailed account of the League of Nations' sanctions against Italy, including the setting up of a Coordinating Committee to receive reports from the various governments as to how the sanctions were being applied. He said that it might be possible to establish a similar Committee in the case of the Dominican Republic, or perhaps to use the Peace Committee, to coordinate information.

Ambassador Sanchez Gavito said that in the event of a break of relations, it would be up to each individual country to establish relations with a new government.



Secretary Herter said that it seemed to him that the recent events in the Dominican Republic were nothing more than a facade. He said that would it not be true that if two-thirds of the OAS voted for a break, it would require two-thirds of the OAS to establish relations with a new government.

Mr. Rubottom said that the United States had already taken positive action against the Dominican Republic by not allotting to it a sugar quota that it otherwise would have received, and that this certainly was a more important sanction than a break in relations.

Minister Tello said that he had spoken with Venezuelan Foreign Minister Arcaya and had received the impression that the latter would be satisfied with nothing less than two or three strong sanctions.

Ambassador Dreier said that perhaps a general statement might be appropriate, which would say more or less that the conduct of the Dominican Republic was outside of what the conduct of a Member State of the OAS should be, and recommending that the Member States take such action as they considered appropriate, then listing possible action that might be taken.

Secretary Herter said that some countries were faced with the problem of obtaining Congressional approval for certain measures.

Minister Tello said that he had advised Minister Arcaya not to try for anything that he was not sure of getting, and that the latter had replied that the "die was cast".

Ambassador Dreier asked whether Mexico would have any constitutional problems in applying economic sanctions. Minister Tello said that Mexico had not signed any trade treaties with the Dominican Republic, and that he doubted any serious legal problems would arise.

Secretary Herter pointed out that the U.S. would face such problems regarding economic sanctions in general, but said that there were none in the case of a break of relations. However, the United States had certain reservations about this step, because it felt it was necessary to observe events in the Dominican Republic because of the possibility of a government of Castro or Communist domination replacing the Trujillo regime. He said that he realized that the United States took more seriously than did Mexico the possibility of Communist infiltration in Cuba, and that it would be unhappy to see Trujillo replaced by a Castro.

Secretary Herter asked what would happen if all countries recognized a new government, after the members of the OAS had broken with the old one as the result of OAS recommendations. Should not the OAS be the one to decide when a new government should be recognized? He said that this was a very serious problem.

Minister Tello said that a government that was not supported by the people would not be democratic, and that the existence or non-existence of diplomatic relations would not prevent the people from making their own decision.

Secretary Herter said that it was one thing to have a decision by revolutionary means, and another to have one by constitutional means.

Mr. Rubottom said that when the United States saw a people getting rid of its government, it hoped for an improvement. In Cuba, without elections or freedom of expression, it was not possible to know what measure of popular support the government had. He said that Cuba violated all of the principles approved in Santiago. This was a very delicate situation because of its being a precedent, and that it would be very risky to force a government out with no responsibility over what might follow.

Minister Tello said that the maintenance by the United States of diplomatic relations with Cuba had not prevented the events that had taken place there. He said that Colombian Foreign Minister Turbay had mentioned the possibility of maintaining consular relations.

Ambassador Dreier said that it would be of interest to observe what went on in the Dominican Republic, and that consular personnel did not have diplomatic immunities with the corresponding privileges of communication.

Mr. Rubottom said that the United States had exerted no pressure to have relations with Cuba broken, although Cuba was intervening in other nations' affairs more than the Dominican Republic. From the point of view of American public and congressional opinion as well as of the responsibility of the Executive Branch, any action against the Dominican Republic had to be considered in relation to action regarding Cuba.

Secretary Herter said that there was no difference between a dictatorship of the right and one of the left, to use the words of the Santiago Declaration. Speaking frankly, he said that no member of the OAS was afraid of Trujillo, but that many were afraid of Castro, and were afraid to get tough on Castro.

Minister Tello said that Mexico feared neither Trujillo nor Castro, and that ten days before Mexico had expelled two Cuban agents.

Secretary Herter said that with regard to Cuba there were two interconnected factors that the inter-American system had to recognize: First, the involvement of Khrushchev and the matter of Cuba's relationship with Russia and Red China; and second, Cuba's violation of all of the resolutions it voted for in Santiago.

Minister Tello said that Mexico was prepared to vote for the strongest possible resolution against Russia's intervention in the American States. He believed however that a resolution against Cuba

would strengthen Castro's position in Cuba and in Latin America, because of the tendency of people to unite against outsiders. He said that this had happened in the case of Perón in Argentina, of Mussolini in Italy, and of Hitler in Germany.

Secretary Herter asked whether this would really be an attack from the outside or was it rather a family matter.

Minister Tello asked whether the Secretary believed that Cuba would vote in favor of a strong resolution, and the Secretary replied in the affirmative.

Minister Tello said that Mexico was prepared to vote for a strong resolution against the Soviet Union.

When Secretary Herter asked whether this included Soviet infiltration in Cuba, Minister Tello said that he meant it to apply everywhere.

Mr. Rubottom said that there was also the question of Cuban intervention in other countries, and that it was important for the OAS to take this into account, as well as Cuba's contempt for the OAS. President Dorticos had publicly expressed his contempt for the OAS, and had said that the American people would not be represented in San José except by the Cuban Delegation.

Secretary Herter said that the United States felt that the San José meetings were a real test for the OAS, and that the United States believed strongly in the OAS, but that the latter should be consistent in dealing with the Dominican and Cuban problems.

Minister Tello said that Mexico was prepared to approve any resolution that would strengthen the inter-American system and hemispheric solidarity.<sup>3</sup>

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<sup>3</sup> On August 20, the Foreign Ministers approved a resolution condemning the Dominican Republic for acts of aggression against Venezuela and calling on all members of the OAS to break diplomatic relations with the Dominican Republic. On August 26, the Foreign Ministers approved a resolution, known as the "Declaration of San José," condemning any threat of extracontinental intervention in the affairs of the American Republics.

**341. Editorial Note**

Secretary of State Herter and Secretary of Defense Gates, accompanied by Milton Eisenhower and several others, visited Mexico, September 15–17, to attend the celebration of the 150th anniversary of Mexico's independence. On September 16, Herter had a conversation with President López Mateos in the latter's private residence at 6 p.m. Their conversation covered the following topics: "Address by Mexican Deputy at Special Session of Chamber of Deputies", "Fifteenth General Assembly of the United Nations", "The Seventh Meeting of Foreign Ministers at San José, Costa Rica", "Proposed Meeting of U.S. and Mexican Presidents", and "Presentations to President López Mateos". A separate memorandum was prepared on each subject by Joseph J. Montllor, First Secretary of the U.S. Embassy, and approved in the Department of State's Executive Secretariat, September 26–28. The memorandum covering the Seventh Meeting of Foreign Ministers is *infra*; copies of the others are in Department of State, Conference Files: Lot 64 D 559, CF 1763.

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**342. Memorandum of a Conversation, President López Mateos' Residence, Mexico City, September 16, 1960, 6 p.m.<sup>1</sup>**

## SUBJECT

The Seventh Meeting of Foreign Ministers at San José, Costa Rica

## PARTICIPANTS

The Secretary  
 Dr. Milton Eisenhower  
 Ambassador Hill  
 Mr. Montllor, First Secretary, Embassy Mexico City  
 President Adolfo Lopez Mateos  
 Foreign Minister Manuel Tello  
 Juan Gallardo, Minister, Mexico Embassy in Washington

The Secretary referred to the recent Seventh Meeting of Foreign Ministers of the American Republics at San José, Costa Rica, and stated that the courtesies and behavior that usually prevail at international gatherings were overlooked by some. Foreign Minister Tello said that when the USSR joined the League of Nations its representa-

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<sup>1</sup> Source: Department of State, Central Files, 712.00/9-1660. Secret. Drafted by Montllor and approved in S on September 26.

tives, being used to dealing with workers' groups at home, followed the same discourteous tactics and methods in international gatherings. The Secretary recalled the personal insults which Prime Minister Khrushchev heaped upon President Eisenhower in Paris prior to the cancellation of the Summit Conference. The Secretary said he was angered by the Soviet Prime Minister's behavior and that President Eisenhower was to be admired for not having lost his self-composure in the face of this provocation.

With respect to the San José Declaration, the Secretary said that he and Foreign Minister Tello seemed to have different interpretations as to the applicability of the Declaration to the Cuban situation, since the Foreign Minister appeared to think that it was not directed against Cuba. Foreign Minister Tello told the Secretary that he had not said that the Declaration of San José was not aimed at Cuba. He explained that he had described the Declaration as one of general applicability to any situation of extra-continental interference in continental affairs, but he had never mentioned Cuba or its revolution. The Secretary said that the Cuban Government certainly seemed to interpret the Declaration as aimed at Cuba; Foreign Minister Tello readily agreed with the Secretary.

President Lopez Mateos explained that Mexico always distinguished between a people and their government and did so in the case of Cuba as well. The Secretary replied that the United States also did; in fact, the United States differentiated between the Cuban Revolution and the present government of Cuba. He said that the Cuban Revolution and its announced early aims were viewed with deep sympathy by the American people, but that the trend and tactics followed by the Cuban Government were condemned.

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**343. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, October 19, 1960.*

**SUBJECT**

Your Visit to Ciudad Acuña, Mexico, October 24, 1960

It seems to us in the Department of State that the principal objective of your visit to Ciudad Acuña is to renew the friendship the Mexican President has shown you and to assure him of United States support in his program for economic development and for raising the living standards of the masses of the Mexican people.

During the past year the people of southern California and other border areas have become increasingly alarmed over the illicit traffic in drugs, particularly heroin and marijuana, that crosses the Mexican border. Mexico has rejected the various new mechanisms that have been proposed to curb jointly the border drug traffic on the ground that they would authorize United States enforcement officers to operate on Mexican territory. Mexico has, however, made fuller use of existing liaison channels and recently made a number of arrests of well-known narcotics violators on the Mexican side of the border. If the Mexicans raise the subject, you may wish to comment favorably on these developments.

It would also be appropriate to mention your continued interest in the construction of Amistad Dam to be built near Ciudad Acuña. The formal agreement with Mexico authorizing the dam will be completed soon, permitting initiation at once of the detailed design of the structure and preliminary construction work.

A brief summary of some of the specific problems that might be raised by the Mexican party at Ciudad Acuña is enclosed. Also enclosed is the text of suggested remarks of greetings you may wish to make after your arrival at the Municipal Palace at Ciudad Acuña.<sup>2</sup>

Mr. Mann and I will be present during your discussions with the Mexican President and we would be glad to provide any detailed information on any of these subjects that may be necessary.

**Christian A. Herter<sup>3</sup>**

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<sup>1</sup> Source: Eisenhower Library, Staff Secretary's Records, International Series, Mexico. No drafting information is given on the source text.

<sup>2</sup> Not printed.

<sup>3</sup> Printed from a copy that bears this stamped signature.

**[Enclosure]**

## SUMMARY OF SPECIAL PROBLEMS

*Proposed Gas Pipeline Across Northern Mexico Connecting Texas with California.* The official Mexican oil monopoly has made a tentative agreement with the Tennessee Gas Transmission Company under which the latter would build a gas pipeline from Texas to Mexico across northern Mexico and into southern California. The Tennessee company has not applied for the necessary United States permits. The El Paso Natural Gas Company has applied for permits to build a pipeline wholly in the United States to supply many of the same southern California consumers. If the Mexican President asks your opinion regarding the Tennessee proposal, you might wish to say that the United States firm should apply for the necessary permits from the Federal Power Commission so that that agency can give the matter appropriate technical and other consideration.

*Possible Sale of Feed Grains to Mexico Under Public Law 480.* Recently an officer of the Mexican Embassy in Washington inquired of the Department of Agriculture regarding the possibility of purchasing \$7.2 million worth of sorghum grains under Public Law 480 because Mexico's corn crop will be below average this year and because Mexico could use the funds generated from the sale for its development. The Department of Agriculture gave a very discouraging reply on the ground that Mexico has dollars with which to pay for the grain and because the proposed agreement would prevent Mexico from exporting feed grains during the period of the agreement, a limitation which could be irksome to Mexico. If the Mexican President should raise this subject, you may wish to reassure him that the United States is willing to meet Mexico's grain requirements if an emergency develops and if it is legally possible to do so.

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**344. Memorandum of a Conversation, Ciudad Acuña, Mexico, October 24, 1960<sup>1</sup>**

## SUBJECT

Meeting of the President with the President of Mexico at Ciudad Acuña, October 24, 1960

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<sup>1</sup> Source: Department of State, Central Files, 711.11–EI/10–2460. Confidential. Drafted by Osborne and approved by the White House on November 3.

## PARTICIPANTS

*United States*

The President  
 The Secretary of State  
 Ambassador Hill  
 Mr. Hagerty  
 Assistance Secretary Mann  
 Brig. Gen. Howard McC. Snyder  
 General Patrick Hurley  
 Mr. W. Alton Jones  
 Colonel Robert Schulz  
 Colonel Vernon Walters  
 Melville E. Osborne  
 Robert Montgomery

*Mexico*

The President  
 The Foreign Minister  
 Federico Mariscal  
 Ambassador Carrillo Flores  
 Humberto Romero  
 Joaquin Bernal  
 Justo Sierra  
 Gen. José Gomez Huerta

The President expressed his satisfaction with steps being taken to complete the agreement between the United States and Mexico to permit rapid construction of Amistad Dam. In recognition of the completion of Anzalduas Dam, the President commented that it might be desirable to hold appropriate inauguration ceremonies in the reasonably near future.

The President made gifts to the Mexican President of a desk clock, an album of photographs of the Mexican President's visit to the United States in October 1959, and a silver-framed and autographed photograph of himself. He distributed to the other members of the Mexican party specially made medallions commemorating the occasion. The Mexican President presented silver-framed photographs of himself to the President and to members of the President's party. He also presented to the President a silver model of the bell of Dolores Hidalgo, the symbol of Mexico's independence. The President noted its similarity with the Liberty Bell of Philadelphia and the similarity of the traditions of liberty in the two countries.<sup>2</sup>

<sup>2</sup> In telegram 229 to Mexico City, October 22, the Department transmitted the text of a joint communiqué issued following the meeting of the two Presidents at Ciudad Acuña. (*Ibid.*, 711.11-EI/10-2060) For text of the joint communiqué, see Department of State *Bulletin*, December 5, 1960, p. 851.



**345. Memorandum of a Conversation Between Secretary of State Herter and the Mexican Ambassador (Carrillo Flores), Washington, October 24, 1960<sup>1</sup>**

SUBJECT

Cuban Situation

PARTICIPANTS

The Secretary of State  
Mexican Ambassador Antonio Carrillo Flores  
Assistant Secretary Thomas C. Mann  
Ambassador Robert C. Hill  
Max V. Krebs—S  
Melville E. Osborne—CMA

After presenting the regrets of the Mexican Foreign Minister, who on doctor's advice was unable to join the Secretary for the breakfast meeting, the Mexican Ambassador said he had spent six hours the previous day in conversation with Mexican President Adolfo López Mateos during which United States-Mexican relations and the Cuban situation had been discussed. The Mexican Ambassador said he did not feel at liberty to quote the Mexican President but he did wish to point out the current popular thinking in Mexico on the subject of Cuba. He said he had pointed out to the Mexican President that at least 95 percent of the people of the United States were opposed to the Castro regime, while in Mexico opinion was generally favorable to the aims of the Castro revolution though concerned over its excesses. He said he realized that communism in Cuba presented serious problems to the United States but over-emphasis by the United States on its anti-communist posture was frequently interpreted in Mexico as an essentially negative position and possibly a more favorable response in the hemisphere could be attained in sponsoring positive economic goals that would remove much of the danger of communism in the hemisphere. The Ambassador commented favorably upon the recent Bogotá Conference and its espousal of economic and social programs in the hemisphere.<sup>2</sup>

The Secretary remarked that communism presented a danger to all the countries of the hemisphere rather than merely to the United States where the communist danger is recognized and the possibility of a communist take-over is remote. He added that the communist threat is a political one, not fundamentally economic, for in a commu-

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<sup>1</sup> Source: Department of State, Conference Files: Lot 64 D 559, CF 1779. Confidential. Drafted by Osborne and approved in S on November 2.

<sup>2</sup> Reference is to the third meeting of the Special Committee of the OAS to study the formulation of new measures of economic development, held at Bogotá, Colombia, September 5–13. See the microfiche supplement to this volume.

nist state no individual or political liberties are permitted. Mr. Mann commented that communists have taken over countries that were highly developed economically and the relationship between underdevelopment and receptivity to communism can be exaggerated.

# NICARAGUA

## U.S. RELATIONS WITH NICARAGUA

### 346. Editorial Note

Documentation on U.S. relations with Nicaragua is being printed in an accompanying microform supplement. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents. The document numbers cited in this summary correspond to the document numbers in the purport list and the microform supplement.

U.S. relations with Nicaragua during the final years of the Eisenhower administration were untainted by major differences between the two states. While concern in both countries about invasions of Nicaragua and attempts to overthrow the Somoza government remained a constant theme, none of the several attempts succeeded or even raised the real possibility of revolution.

The most important event in relations between the United States and Nicaragua took place in 1958 when Milton Eisenhower visited Managua, July 21–24. Subsequent to Vice President Nixon's stormy visit to Latin America, April 27–May 15, and in the face of concern that the President's brother might encounter protests, the Embassy in Managua reported that it could protect Milton Eisenhower from similar indignities. (HU-7) The visit proved to be highly successful, as Milton Eisenhower discussed various issues with President Somoza and members of his government and met with leaders of the opposition political parties. (HU-8) The Embassy in Managua speculated that part of the reason for this success stemmed from Somoza's genuine concern about accusations that he was merely another dictator. In a followup report in September, Ambassador Whelan concluded that everyone was satisfied with the visit, which had resulted in "much good" for the United States. (HU-9)

By 1959, the U.S. Government had become sufficiently concerned about attempts to overthrow the Somoza government or assassinate its President that it asked the Embassy in Managua for an assessment of the climate for a deal between the President and the "responsible opposition." (HU-15) While the Embassy's response indicated that this was an unlikely prospect, the Department of State continued to

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urge the Government of Nicaragua to reach an agreement with opposition elements. The Embassy in turn stressed that the only respectable opposition represented a very small part of the antigovernment parties. (HU-17)

At the end of 1960, the Government of Nicaragua began to share the concern of the United States, but its worries were about Communist-backed activities and intervention in Nicaraguan affairs sponsored by Cuba. This led to a request for U.S. assistance. On November 17, James Hagerty, President Eisenhower's press secretary, announced on behalf of the President that air and surface units of the U.S. Navy had assumed positions off the coast of Nicaragua where they could assist the local government against such intervention. (HU-26)

# PANAMA

## U.S. RELATIONS WITH PANAMA

### 347. Editorial Note

Documentation on relations between the United States and Panama is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

U.S. relations with Panama during the final 3 years of the Eisenhower administration focused mainly on questions arising out of the administration of the Canal Zone, and upon the larger issue posed by the symbolic, but politically sensitive, question of whether the Panamanian flag should be allowed to fly alongside of the U.S. flag within the Canal Zone. For the Panamanian Government, the flag issue was one of burning domestic importance. There was no question of challenging U.S. control over the territory and operations of the Canal Zone, but there was a strong Panamanian desire to see Panamanian sovereignty over the territory of the Canal Zone recognized by flying the Panamanian flag within the Canal Zone. On November 3 and November 28, 1959, popular frustration over the refusal of the United States to allow the Panamanian flag to be flown in the Canal Zone led to anti-American riots in Panama City. Relations between the United States and Panama remained strained until President Eisenhower authorized the Panamanian flag to be flown alongside of the U.S. flag in the Canal Zone in September 1960.

President Ernesto de la Guardia initiated a series of high-level exchanges on the flag issue in a conversation with Dr. Milton Eisenhower during the visit of President Eisenhower's brother to Panama in July 1958. (PM-3) In addition to the flag issue, Panamanian officials complained of a number of other irritants relating to the administration of the Panama Canal Zone. In a conversation with Secretary of State Dulles on October 8, 1958, Foreign Minister Miguel J. Moreno argued that the United States was not interpreting the Treaty of Mutual Understanding and Cooperation and the related Memorandum of

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Understanding, which had been signed on January 25, 1955, in the spirit in which they had been intended. (PM-8; for texts of the treaty and the accompanying memorandum, see Department of State *Bulletin*, February 7, 1955, pages 238-243) President de la Guardia made a similar complaint in a letter to President Eisenhower on March 7, 1959. (PM-11) The Panamanian complaints alleged that the United States maintained a dual-wage scale in the Canal Zone which discriminated against Panamanian employees, that a number of the best jobs in the Canal Zone were reserved for U.S. citizens under an unnecessarily broad security system, and that Panamanian enterprise suffered from unfair competition from imports of merchandise into the Canal Zone from "third country" sources, and from "luxury items" from abroad sold through Canal Zone sales outlets. In essence, the Panamanian Government felt that the Canal Zone administration discriminated against Panamanians, and that Panama was not profiting from the operations of the canal as it should. The Panamanian Foreign Minister repeated these complaints in July 1959 in rejecting a U.S. aide-mémoire responding to the Panamanian complaints. (PM-18) Foreign Minister Moreno brought the dispute into the open with public statements at Santiago, Chile, in August and in New York in September 1959 charging the United States with noncompliance with its treaty agreements. (PM-25) Meanwhile, the Panamanian Government continued to press for the right to fly the Panamanian flag in the Canal Zone. (PM-24)

The Panamanian complaints engendered a good deal of high-level concern and policy debate in Washington. Panama was of critical strategic importance to the United States because of the canal, and concerns about the political stability of the Panamanian Government were magnified in May 1959 when a group of 80 armed revolutionaries, Cuban led and supported, landed on the north coast of Panama and attempted to overthrow the government. (PM-14) Panamanian concerns and complaints found a sympathetic ear in President Eisenhower, who took a keen and continuing interest in the problems and was inclined throughout the period to accede to most of the Panamanian requests for change. (PM-19, 20, 22, 36) Eisenhower saw little reason to refuse the Panamanian request to have the Panamanian flag fly with the U.S. flag at an appropriate place in the Canal Zone. (PM-26, 49) The President received conflicting advice from his advisers on these questions, however. The Department of State, led by Secretary of State Herter, argued consistently for a more generous interpretation of the terms of the 1955 understandings with Panama, and pointed up the importance of accepting the Panamanian position on the flag issue. (PM-20, 28, 32, 37, 40, 50) Secretary of the Army Wilber M. Brucker, on the other hand, functioned in the capacity of President of the Panama Canal Company and represented the inter-

ests of the Canal Zone government. The tenor of his advice to the President was, by and large, to hold the line against the Panamanian demands, most of which the Department of the Army viewed as unwarranted. (PM-20, 29) Brucker was strongly opposed to raising the Panamanian flag in the Canal Zone, which he argued would be viewed as a sign of weakness, and a concession in the direction of eventual Panamanian control of the canal. (PM-39, 52) Brucker pointed to the fact that there was strong support in Congress for his position on the flag issue. (PM-52)

The tensions involved in relations with Panama, which were highlighted in the policy debate, led the Eisenhower administration to reconsider the possibility of building an alternative sea-level canal in a different country. (PM-17, 41, 42, 43) That review again pointed up the fact that an alternative canal was an impractical project. (PM-48) The United States would have to continue to deal with Panama concerning the operation of the strategically important canal. In March 1960, Brucker and Herter moved in the direction of improving relations with Panama by agreeing on a 9-point program to meet most of the Panamanian concerns. (PM-36) President Eisenhower approved that program, and he took the final step necessary toward improved relations when he ordered, in September 1960, that the Panamanian flag be raised alongside the U.S. flag in the Canal Zone. (PM-49, 52, 55, 59) The new Panamanian Government of Dr. Roberto Chiari expressed gratification at President Eisenhower's decision, and the United States moved to solidify improved relations by reviewing and increasing the package of economic aid available to Panama. (PM-59, 63)

# PARAGUAY

## U.S. RELATIONS WITH PARAGUAY

### 348. Editorial Note

Documentation on relations between the United States and Paraguay is being printed in an accompanying microform publication. A narrative summary based on that documentation is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

During the final years of the Eisenhower administration, U.S. relations with Paraguay experienced no extraordinary departures from normal; indeed, the issues discussed and the policies pursued reflected the same concerns as in the preceding and succeeding periods.

At the outset, Ambassador Walter C. Ploeser set the tone in a letter to Assistant Secretary of State for Inter-American Affairs Roy Rubottom. The primary concern of the United States was to avoid the possibility of any disorderly change in the Paraguayan Government which might open the door to Communist infiltration of the government. (PA-1) President Stroessner, who had seized power in a coup in 1954, would have to employ all of the political sagacity and astuteness at his command to defeat the threat of unrest stemming from Communist provocations. Ploeser was quick to point to Stroessner's constant support for the United States in the world arena, even at the risk of alienating his own neighbors, yet the Ambassador and his colleagues were skeptical of the President's assurances that he was leading the country in the direction of gradual democratization. Ploeser urged impetus for economic projects which would aid Paraguay, chiefly by improving the infrastructure of the country. He also asserted the constant and continuing theme of the United States in dealing with Stroessner that the U.S. goal was to ensure the stability of Paraguay by supporting the country and its people, but not necessarily the Stroessner government. Support for democracy in Paraguay did not mean showing favors to the current regime there. (PA-3)



In September 1958, Paraguay attempted to exert a little leverage to gain U.S. attention when it registered complaints about U.S. aid to Bolivia at a time when that country was expressing interest in recognition of the Soviet Union. (PA-5, 6) Foreign Minister Raul Sapena Pastor said that lack of U.S. economic assistance might force Paraguay to turn to Soviet bloc countries and commented on the seeming incongruity of aid to Bolivia rather than to Paraguay, even though the latter had no dealings with any Communist states. The Department of State's response was to put forcefully to Paraguayan officials the position that efforts to play East vs. West were inappropriate.

On September 25, 1958, Sapena met with Rubottom in Washington. (PA-7) The atmosphere was cordial. The Foreign Minister stressed Paraguay's support for the United States especially in terms of air bases should the United States desire that. Rubottom emphasized the need for Paraguay to eliminate the "authoritarian" character of its government and stressed that the American press referred to Paraguay as a dictatorship. For his part, Sapena again complained of U.S. aid to Paraguay's nemesis, Bolivia, while Paraguay preserved a more staunch anti-Communist posture. Rubottom reassured him that military aid to Bolivia was minute, that the system of inter-American guarantees made unthinkable any aggression by Bolivia, and that economic assistance to that country had to be seen in the light of a larger effort to aid the whole regional economy and shore up the free world.

A year later, Ploeser, close to the end of his tour, could state that the United States had been successful in stabilizing the local economy and nurturing Paraguayan friendship for the United States. (PA-8) He was also able to say that no endorsement had been made of the Stroessner regime, but had to admit that pressures to move the government toward greater political liberalism had not been measurably successful. The United States, he reminded the Department, could only urge strongly; it could not intervene.

In September 1960, Ploeser's successor, Henry Stimpson, came to Washington for talks and met with Assistant Secretary of State for Inter-American Affairs Thomas C. Mann. (PA-12) Stimpson felt that "the troublesome stigma of dictatorship of the Stroessner government notwithstanding, the United States should pursue a policy of working with the [Stroessner] regime." In addition, the United States should press for free elections and a generally more liberal atmosphere in Asuncion. Leftist infiltration would have to be prevented, he said, but once that threat was curbed, the U.S. Government should urge Paraguay to reduce its armed forces and use the manpower thus liberated for projects such as road building and maintenance. The Paraguayan economy by and large was in dismal shape, said Stimpson, and Mann agreed that the United States would have to continue to help.

# PERU

## U.S. RELATIONS WITH PERU

### 349. Editorial Note

Documentation on U.S. relations with Peru is being printed in the accompanying microform supplement rather than in the printed volume. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents. The numbers cited in this summary correspond to the document numbers in the purport list and the microform supplement.

U.S. relations with Peru during the last 3 years of the Eisenhower administration were dominated by Peruvian requests for economic and financial assistance as well as by Vice President Nixon's visit to Bogotá in 1958 and Prime Minister Beltrán's visit to Washington in 1960. For the most part, the relationship was cordial and noncontroversial.

In May 1958, as part of a general trip to Latin America, Vice President Nixon visited Peru. He presented President Prado with a letter from President Eisenhower in which the U.S. President expressed his admiration for Peru's progress in consolidating democracy. (PE-5) Unfortunately, the Vice President's visit did not go smoothly. Crowds of students prevented him from visiting San Marcos University, and he was pelted with stones. An unscheduled stop at the Catholic University proved more successful, but his talks with Peruvian leaders on the country's economic difficulties resulted in no definite agreement for U.S. assistance. (PE-8, 9) In his analysis of the visit, Ambassador Achilles reported that a weak national government had hoped to strengthen its position by utilizing the Vice President's stop at Lima but the seriousness of the anti-American demonstrations had shocked and embarrassed the government. The Ambassador noted further that anti-American sentiment and resentment of the United States were passions that existed just below the surface in Peru, and commented on the ease with which the small number of Peruvian Communists had been able to stage the demonstrations. (PE-10)

Peru's quest for economic assistance, which had begun in the talks with the Vice President, continued in June with an application to the Export-Import Bank for loans (PE-12), but the shaky economic

situation in the country was exacerbated in September when President Eisenhower informed President Prado that the United States was imposing quotas on lead and zinc imports, two of the leading Peruvian currency earners. (PE-15) Not surprisingly, this action caused strong resentment in Bogotá. (PE-16)

By the end of 1958, the situation in Peru had deteriorated further. During his visit to the United States in October, Peruvian Foreign Minister Barrenchea stressed his need to return to Bogotá with specific evidence of U.S. willingness to assist the country. (PE-18) While Assistant Secretary of State for Inter-American Affairs Roy Rubottom expressed his sympathy for Peru's plight, he told the Foreign Minister that he could not give such a commitment, particularly in the form of credits. Peruvian requests for loans, however, were more successful. In 1959, despite an initial cold reception by the Development Loan Fund, Peru was granted a \$4.5-million loan. (PE-23)

At the same time, Prime Minister Beltrán proposed a major series of steps to deal with the country's economic and financial difficulties. The plan, which was discussed with Secretary of State Herter in August (PE-27), received a very sympathetic hearing in the United States. In 1960, the Prime Minister spent nearly a month in the United States lobbying on its behalf. He received an attentive hearing from President Eisenhower on June 9, although the President remarked with some asperity that U.S. assistance was not appreciated in Latin America. (PE-43) A further meeting with Under Secretary of State Dillon on June 21 garnered his support. (PE-43) By the end of 1960, largely because of the impression Beltrán created, the International Bank for Reconstruction and Development, the Export-Import Bank, and the DLF had granted loans to Peru totaling over \$80 million. (PE-1, 45)

# URUGUAY

## U.S. RELATIONS WITH URUGUAY

### 350. Editorial Note

Documentation on relations between the United States and Uruguay is being printed in an accompanying microform publication. A narrative summary, based on that documentation, is provided below, along with a purport list of the documents published in the microform supplement. The document numbers cited in the summary correspond to the document numbers in the purport list and microform supplement.

U.S. relations with Uruguay during the final 3 years of the Eisenhower administration, while experiencing a surprising downturn at the start of the period, improved greatly after a change of government in Montevideo at the beginning of 1959.

In March 1958, Assistant Secretary of State Rubottom noted:

“It is paradoxical but true that with no country in the hemisphere do we have more difficulty in our relations than with Uruguay—traditionally the most stable and democratically-oriented nation in Latin America.” (UR-1)

The problems, in considerable measure, stemmed from the increasingly bad state of the Uruguayan economy. The United States felt that Uruguay had to come to grips with its own sad plight for which it was itself almost solely responsible. (UR-2) The United States was concerned and willing to help, but as a first step Uruguay had to restrict imports and balance its budget.

Vice President Nixon's visit in April 1958 was regarded as a distinct success in smoothing ruffled feelings, as he promised that the United States would not intervene in the case of American meat-packing plants recently expropriated by Uruguay. (UR-3) Later, the Uruguayan Ambassador told Secretary of State Dulles that his country bought from the United States 4½ times what it sold there. The severe imbalance of payments forced Uruguay to seek sales of its goods to the Soviet Union, which in turn attempted to impose further demands in return for the purchases. U.S. efforts to help by providing loans and removing high duties on wool tops, a key Uruguayan export, proved unsuccessful.

General improvement in relations began with the advent to power at the end of 1958 of a different faction of the ruling Nationalist Party, one which favored agricultural interests. This was perceived as a requisite first step in developing agricultural exports, which would produce the foreign exchange necessary for Uruguay to acquire essential imports. The prospect made the Embassy in Montevideo generally optimistic about the future of relations. (UR-9) Early in 1959, it proved possible for the United States to remove its troublesome countervailing duty on Uruguayan wool tops (UR-10), and an aura of good feeling permeated the bilateral relationship. (UR-13)

By 1960, U.S. preoccupation in the area with the threat of Fidel Castro was more and more evident. Uruguay was sympathetic but unwilling to concede that Cuba represented a hemispheric problem any more than did the Dominican Republic. (UR-14, 16)

Nevertheless, the U.S.-Uruguayan relationship could only be described as very cooperative, in no small measure due to the change in government in Uruguay. The local economy, though somewhat stagnant, was basically prosperous. (UR-15) In the realm of politics, the United States felt that it could count on Uruguay's support in the world arena. This was a soothing consideration, since that country maintained its longstanding reputation as the best small country in the Western Hemisphere: democratic, enlightened, and progressive. As the period drew to a close, the International Monetary Fund, with U.S. support, agreed to assist the Uruguayan economy by extending a \$30-million loan. (UR-17)

# VENEZUELA

## U.S. RELATIONS WITH VENEZUELA

### 351. Editorial Note

Documentation on relations between the United States and Venezuela is presented in an accompanying microform publication. A narrative summary based upon that documentation and a purport of the documents included in the microform supplement are provided below. The document numbers cited in the summary correspond to the document numbers in the purport list and the microform supplement.

The overthrow of Venezuelan dictator Marcos Pérez Jiménez on January 23, 1958, ushered in a more hopeful period in Venezuelan politics. The United States, though it had maintained friendly relations with Venezuela during the Pérez period, swiftly recognized the new interim government on the grounds that it was in full control of the governmental machinery, enjoyed wide popular as well as military support, and had pledged to hold free elections as soon as possible. (VE-1) At the same time, the United States admitted Pérez in accord with its customary practice of receiving exiled Latin American leaders "in the absence of extraordinary circumstances," just as Rómulo Betancourt, a Pérez opponent and leader of the *Acción Democrática* Party, had been admitted when Pérez took power. (VE-2) In elections held in December 1958, Betancourt won a near majority of the vote and took office as President of Venezuela in February 1959.

The United States fundamentally approved of the Betancourt government. Support deepened as Betancourt gradually emerged as a leader of the anti-Communist left in Latin America, and thus potentially a solid counterweight to the steady leftward march of the Castro government, which took power less than 2 months before Betancourt's inauguration in Venezuela. Nonetheless, there were sharp conflicts between the two nations over several issues, chief among them petroleum and the status of former President Pérez.

One of the last acts of the interim government was to raise taxes on petroleum. This act had worldwide implications because it effectively exceeded the 50-50 split in revenues between a host country and international oil companies which had become the norm since the

late 1940s. Although the United States vigorously protested, neither the interim government nor Betancourt rescinded the action. (VE-16–19)

In March 1959, President Eisenhower, by an Executive order, made mandatory a previously voluntary oil import control program. This action was the result of lowered worldwide demand for oil and was an attempt to protect the interests of U.S. domestic producers. (VE-21) Although Venezuela did not like the action, it did not formally protest. (VE-22) Venezuelan patience was further strained when the United States, through a technicality, exempted Canada from the operation of the quotas. (VE-22, 26, 28) It was the U.S. view that this loophole had little actual deleterious effect on Venezuela, since increased shipment of Canadian oil overland to the United States would help to maintain Canadian waterborne imports of Venezuelan oil. (VE-29) At the end of 1960, President Eisenhower, at the urging of Secretary of the Interior Fred Seaton and over the protests of the Department of State, made a change to the Executive order giving Seaton power to adjust oil imports more closely to domestic consumption, thus posing the possibility of further reduction in Venezuela's sales. (VE-53)

While insisting on U.S. freedom of action with regard to the oil quotas, U.S. officials gave some thought to means of assisting Venezuela economically. With its large revenues from oil, Venezuela was not as starved for foreign exchange as many developing countries. Nonetheless, Venezuelan reserves plummeted in 1958–1959 in response to decreasing worldwide demand for oil—the same consideration which led to the tightening of U.S. import quotas—and Venezuela was forced to declare quantitative restrictions on luxury items, and eventually full exchange controls. The United States supported these moves as well as Venezuela's increased willingness to work with the International Monetary Fund. (VE-38, 39, 47) The Department worked to keep technical assistance programs alive, while the Embassy urged toward the end of 1960 that if Venezuela's inexperience in applying for assistance made it impossible for it to meet normal economic criteria, then assistance should be provided on political grounds. (VE-36, 37, 47)

Pérez' residence in the United States was deeply resented by Venezuelans and may have stimulated some of the violence which marred Vice President Nixon's trip to Venezuela in May 1958. In March 1959, the Immigration and Naturalization Service issued an expulsion order against Pérez, who then pursued legal remedies. The Department of State acquiesced in the ruling, but its officials complained that the Department had not been consulted. (VE-24) In August, the Venezuelan Government informed the Department that it would ask for extradition on charges of murder and embezzlement,

and late in the month U.S. authorities carried out a preventive arrest. Venezuela filed a formal extradition petition in September, and extradition procedures were completed in August 1963.

One of President Betancourt's overriding objectives was to rally hemisphere opinion against Generalissimo Hector Trujillo Molina of the Dominican Republic, who had harassed him and other democratic leaders in exile and who was probably behind an assassination attempt against Betancourt in June 1960. In August 1960, Venezuela succeeded in obtaining a unanimous vote at the Sixth Meeting of Consultation of the American Ministers, held in San José, Costa Rica, condemning Dominican acts of aggression and intervention. The Foreign Ministers resolved to break diplomatic relations with the Dominican Republic and also to interrupt partially economic relations with it. (VE-43, 46)

The United States, while supporting these initiatives, vigorously urged Betancourt to combine his initiatives against Trujillo with similar actions against Fidel Castro of Cuba. With equal firmness but in a friendly spirit, Betancourt consistently refused these requests. In the words of Ambassador Sparks, "President is convinced Venezuelan people are on his side in this matter and from standpoint his own personal honor he cannot enter into any action against Cuba until Trujillo regime is forced out of power." (VE-41, 49, 51) Betancourt's refusals did not lessen the U.S. tendency to regard him as a natural leader in the developing anti-Castro struggle. Again, according to the Embassy: "He stands for what we stand for. He recognizes the dangers of Castroism and can be counted upon to assist in blocking its spread. He has come long way in being able to be openly critical in his November 1 [1960] speech [on] what is happening in Cuba." (VE-47) Thus, as the period drew to a close, the two countries had overcome or partially dealt with several hurdles and were considering how ties could be further strengthened.





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