

NO. 67



1947 and 1954

A Charter for Covert Action?

*The Congress of the United States and
the Doolittle Committee*

During the Cold War, covert action by the U.S. Central Intelligence Agency, both for and against foreign governments, political parties, labor unions and other groups and individuals, became an important instrument of U.S. foreign policy in Latin America. As many of the CIA's covert operations gradually were exposed to public knowledge in the 1970s, questions were asked about the authority of the agency to carry them out. Was the CIA limited merely to collecting, analyzing and distributing foreign intelligence? Or was it also empowered to undertake secret operations abroad? The debate over these questions often began by quoting what has served as the "charter" of the CIA: that section of the National Security Act, approved by Congress on July 26, 1947, that established the agency. The so-called "Fifth Function," as Sec. 102 (d) (5) became known, was interpreted by successive administrations as authorizing covert action. Further support for covert action was provided in 1954 by the Special Study Group, also known as the Doolittle Committee after its chairman, General James H. Doolittle. President Eisenhower appointed the four-man panel to study the covert activities of the CIA; the committee submitted its report, classified top secret, directly to the president on September 30, 1954. Declassified excerpts are reprinted below.

NATIONAL SECURITY ACT OF 1947

Central Intelligence Agency

Sec. 102.

- a. There is hereby established under the National Security Council a Central Intelligence Agency with a Director of Central Intelligence, who shall be

Sources: (1) U.S. *Statutes At Large . . . 1947 . . .* Vol. 61, Part I. Ch. 343, Section 102. Pp. 497-98. Washington, D.C.: GPO, 1948. (2) National Archives of the United States. Record Group 263, 190/24/34/5, "History Source Collection, Records Relating to the Doolittle & Hoover Investigation of the CIA, 1954-56, Box 1."

the head thereof. The Director shall be appointed by the President, and with the advice and consent of the Senate, from among the commissioned officers of the armed services or from among individuals in civilian life. . . .

- d. For the purpose of coordinating the intelligence activities of the several Government departments and agencies in the interest of national security, it shall be the duty of the Agency, under the direction of the National Security Council—

(1) to advise the National Security Council in matters concerning such intelligence activities of the Government departments and agencies as relate to national security; (2) to make recommendations to the National Security Council for the coordination of such intelligence activities of the departments and agencies of the Government as relate to the national security; (3) to correlate and evaluate intelligence relating to the national security, and provide for the appropriate dissemination of such intelligence within the Government using where appropriate existing agencies and facilities: Provided, That the Agency shall have no police, subpoena, law-enforcement powers, or internal-security functions: . . . (4) to perform for the benefit of the existing intelligence agencies, such additional services of common concern as the National Security Council determines can be more efficiently accomplished centrally; (5) to perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct. . . .

THE DOOLITTLE COMMITTEE REPORT OF 1954

The acquisition and proper evaluation of adequate and reliable intelligence of the capabilities and intentions of Soviet Russia is today's most important military and political requirement. Several agencies of Government and many thousands of capable and dedicated people are engaged in the accomplishment of this task. Because the United States is relatively new at the game, and because we are opposed by a police state enemy whose social discipline and whose security measures have been built up and maintained at a high level for many years, the usable information we are obtaining is still far short of our needs.

As long as it remains national policy, another important requirement is an aggressive covert psychological, political and paramilitary organization more effective, more unique and, if necessary, more ruthless than that employed by the enemy. No one should be permitted to stand in the way of the prompt, efficient and secure accomplishment of this mission.

In the carrying out of this policy and in order to reach minimal standards for national safety under present world conditions, two things must be done. First, the agencies charged by law with the collection, evaluation and distribution of intelligence must be strengthened and coordinated to the greatest practicable degree. This is a primary concern of the National Security Council and must be

accomplished at the national policy level. Those elements of the problem that fall within the scope of our directive are dealt with in the report which follows. The second consideration is less tangible but equally important. It is now clear that we are facing an implacable enemy whose avowed objective is world domination by whatever means and at whatever cost. There are no rules in such a game. Hitherto acceptable norms of human conduct do not apply. If the United States is to survive, long-standing American concepts of "fair play" must be reconsidered. We must develop effective espionage and counterespionage services and must learn to subvert, sabotage and destroy our enemies by more clever, more sophisticated and more effective methods than those used against us. It may become necessary that the American people be made acquainted with, understand and support this fundamentally repugnant philosophy. . . .

NO. 68



1947

The Rio Treaty

The Governments of the United States and Latin America

The Act of Chapultepec of 1945 (Document No. 64) committed the American states to negotiate a mutual security treaty, a task that was carried out two years later by delegates from the United States and nineteen Latin American countries at the Inter-American Conference for the Maintenance of Continental Peace and Security in Petropolis, Brazil, forty miles from Rio de Janeiro, from August 15 to September 2, 1947. The result was the Inter-American Treaty of Reciprocal Assistance, better known as the Rio Treaty. While it committed all the American states to share responsibility for the defense of the Western Hemisphere, the overwhelming military and industrial superiority of the United States made its government the principal influence in the maintenance of the treaty system and in determining what constituted aggression.

In the name of their Peoples, the Governments represented at the Inter-American Conference for the Maintenance of Continental Peace and Security, desirous of

consolidating and strengthening their relations of friendship and good neighborliness, and

Considering:

... That the High Contracting Parties reaffirm their adherence to the principles of inter-American solidarity and cooperation, and especially to those set forth in the preamble and declarations of the Act of Chapultepec, all of which should be understood to be accepted as standards of their mutual relations and as the juridical basis of the Inter-American System....

That the American regional community affirms as a manifest truth that juridical organization is a necessary prerequisite of security and peace, and that peace is founded on justice and moral order and, consequently, on the international recognition and protection of human rights and freedoms, on the indispensable well-being of the people, and on the effectiveness of democracy for the international realization of justice and security,

Have resolved, in conformity with the objectives stated above, to conclude the following Treaty, in order to assure peace, through adequate means, to provide for effective reciprocal assistance to meet armed attacks against any American State, and in order to deal with threats of aggression against any of them:

ARTICLE 1. The High Contracting Parties formally condemn war and undertake in their international relations not to resort to the threat or the use of force in any manner inconsistent with the provisions of the Charter of the United Nations or of this Treaty.

ARTICLE 2. ...[T]he High Contracting Parties undertake to submit every controversy which may arise between them to methods of peaceful settlement and to endeavor to settle any such controversy among themselves by means of the procedures in force in the Inter-American System before referring it to the General Assembly or the Security Council of the United Nations.

ARTICLE 3. The High Contracting Parties agree that an armed attack by any State against an American State shall be considered as an attack against all the American States and, consequently, each one of the said Contracting Parties undertakes to assist in meeting the attack in the exercise of the inherent right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations....

ARTICLE 6. If the inviolability or the integrity of the territory or the sovereignty or political independence of any American State should be affected by an aggression which is not an armed attack or by an extra-continental or intra-continental conflict, or by any other fact or situation that might endanger the peace of America, the Organ of Consultation shall meet immediately in order to agree on the measures which must be taken in case of aggression to assist the victim of the aggression or, in any case, the measures which should be taken for the common defense and for the maintenance of the peace and security of the Continent.

ARTICLE 7. In the case of a conflict between two or more American States, without prejudice to the right of self-defense in conformity with Article 51 of the Charter of the United Nations, the High Contracting Parties, meeting in consultation shall call upon the contending States to suspend hostilities and restore matters

to the *status quo ante bellum*, and shall take in addition all other necessary measures to reestablish or maintain inter-American peace and security and for the solution of the conflict by peaceful means....

ARTICLE 8. For the purposes of this Treaty, the measures on which the Organ of Consultation may agree will comprise one or more of the following: recall of chiefs of diplomatic missions; breaking of diplomatic relations; breaking of consular relations; partial or complete interruption of economic relations or of rail, sea, air, postal, telegraphic, telephonic, and radiotelephonic or radiotelegraphic communications; and use of armed force.

ARTICLE 9. In addition to other acts which the Organ of Consultation may characterize as aggression, the following shall be considered as such:

- a. Unprovoked armed attack by a State against the territory, the people, or the land, sea or air forces of another State;
- b. Invasion, by the armed forces of a State, of the territory of an American State, through the trespassing of boundaries demarcated in accordance with a treaty, judicial decision, or arbitral award, or, in the absence of frontiers thus demarcated, invasion affecting a region which is under the effective jurisdiction of another State....

NO. 69



1948

The Charter of the Organization of American States

*The Delegates to the Ninth International
Conference of American States*

Delegates to the Chapultepec conference in Mexico City in 1945 approved a resolution directing the Governing Board of the Pan American Union to draft a charter "for the improvement and strengthening of the pan-American system." In compliance with this directive, delegates at the Ninth

International Conference of American States meeting at Bogotá from March to May 1948 approved the charter of the Organization of American States (OAS), which replaced what had been known since 1910 as the Union of American Republics, whose staff organization was the Pan American Union.

In the name of their peoples, the states represented at the Ninth International Conference of American States,

Convinced that the historic mission of America is to offer to man a land of liberty, and a favorable environment for the development of his personality and the realization of his just aspirations;

Conscious that that mission has already inspired numerous agreements, whose essential value lies in the desire of the American peoples to live together in peace, and, through their mutual understanding and respect for the sovereignty of each one, to provide for the betterment of all, in independence, in equality and under law;

Confident that the true significance of American solidarity and good neighborliness can only mean the consolidation on this continent, within the framework of democratic institutions, of a system of individual liberty and social justice based on respect for the essential rights of man;

Persuaded that their welfare and their contribution to the progress and the civilization of the world will increasingly require intensive continental cooperation;

Resolved to persevere in the noble undertaking that humanity has conferred upon the United Nations, whose principles and purposes they solemnly reaffirm;

Convinced that juridical organization is a necessary condition for security and peace founded on moral order and on justice; . . . have agreed upon the following charter of the Organization of American States.

Part One

Chapter I: Nature and Purposes

ARTICLE 1. The American States establish by this Charter the international organization that they have developed to achieve an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity and their independence. Within the United Nations, the Organization of American States is a regional agency.

ARTICLE 2. All American States that ratify the present Charter are Members of the Organization. . . .

ARTICLE 4. The Organization of American States, in order to put into practice the principles on which it is founded and to fulfill its regional obligations under the Charter of the United Nations, proclaims the following essential purposes:

- a) To strengthen the peace and security of the continent;
- b) To prevent possible causes of difficulties and to ensure the pacific settlement of disputes that may arise among the Member States;
- c) To provide for common action on the part of those States in the event of aggression;

- d) To seek the solution of political, juridical and economic problems that may arise among them; and
- e) To promote, by cooperative action, their economic, social and cultural development.

Chapter II: Principles

ARTICLE 5. The American States reaffirm the following principles:

- a) International law is the standard of conduct of States in their reciprocal relations;
- b) International order consists essentially of respect for the personality, sovereignty and independence of States, and the faithful fulfillment of obligations derived from treaties and other sources of international law;
- c) Good faith shall govern the relations between States;
- d) The solidarity of the American States and the high aims which are sought through it require the political organization of those States on the basis of the effective exercise of representative democracy;
- e) The American States condemn war of aggression: victory does not give rights;
- f) An act of aggression against one American State is an act of aggression against all the other American States;
- g) Controversies of an international character arising between two or more American States shall be settled by peaceful procedures;
- h) Social justice and social security are bases of lasting peace;
- i) Economic cooperation is essential to the common welfare and prosperity of the peoples of the continent;
- j) The American States proclaim the fundamental rights of the individual without distinction as to race, nationality, creed or sex;
- k) The spiritual unity of the continent is based on respect for the cultural values of the American countries and requires their close cooperation for the high purposes of civilization;
- l) The education of peoples should be directed toward justice, freedom and peace.

Chapter III: Fundamental Rights And Duties Of States

ARTICLE 6. States are juridically equal, enjoy equal rights and equal capacity to exercise these rights, and have equal duties. The rights of each State depend not upon its power to ensure the exercise thereof, but upon the mere fact of its existence as a person under international law. . . .

ARTICLE 15. No State or group of States has the right to intervene, directly or indirectly, for any reason whatever, in the internal or external affairs of any other State. The foregoing principle prohibits not only armed force but also any other form of interference or attempted threat against the personality of the State or against its political, economic and cultural elements.

ARTICLE 16. No State may use or encourage the use of coercive measures of an economic or political character in order to force the sovereign will of another State and obtain from it advantages of any kind.

ARTICLE 17. The territory of a State is inviolable; it may not be the object, even temporarily, of military occupation or of other measures of force taken by another State, directly or indirectly, on any grounds whatever. No territorial acquisitions or special advantages obtained either by force or by other means of coercion shall be recognized.

ARTICLE 18. The American States bind themselves in their international relations not to have recourse to the use of force except in the case of self-defense in accordance with existing treaties or in fulfillment thereof.

ARTICLE 19. Measures adopted for the maintenance of peace and security in accordance with existing treaties do not constitute a violation of the principles set forth in Articles 15 and 17....

NO. 70



1948

The Menace of Communism

*The Delegates to the Ninth International
Conference of American States*

While the main achievement of the Ninth International Conference of American States in Bogotá in 1948 was the adoption of the charter of the new Organization of American States (Document No. 69), one of the most important documents to emerge from that meeting reflected the growing concern of the United States with the spread of communism. The security threat attributed to Soviet and later Chinese aggression increasingly shaped U.S. foreign policy interests as the Cold War got under way in the late 1940s. Resolution 32, reprinted in full below, was the first official U.S.-Latin American expression of anticommunism. The first, U.S.-sponsored draft was amended by

Source: U.S. Department of State, *Ninth International Conference of American States, in Bogotá, Colombia, 30 March-2 May 1948, Report of the Delegation of the United States of America with Related Documents*. Department of State Publication 3263. Released November 1948.

Latin American delegates to include a condemnation not just of communism but also of "any other totalitarian doctrine."

Resolution 32. The Preservation and Defense of Democracy in America

Whereas:

In order to safeguard peace and maintain mutual respect among states, the present world situation requires that urgent measures be taken, to proscribe the tactics of totalitarian domination that are irreconcilable with the tradition of the American Nations, and to prevent serving international communism or any other totalitarian doctrine from seeking to distort the true and the free will of the peoples of this continent,

The Republics Represented at the Ninth International Conference of American States

Declare:

That, by its anti-democratic nature and its interventionist tendency, the political activity of international communism or any other totalitarian doctrine is incompatible with the concept of American freedom, which rests upon two undeniable postulates: the dignity of man as an individual and the sovereignty of the nation as a state,

Reiterate:

The faith that the peoples of the New World have placed in the ideal and in the reality of democracy, under the protection of which they shall achieve social justice, offering to all increasingly broader opportunities to enjoy the spiritual and material benefits that are the guarantee of civilization and the heritage of mankind;

Condemn:

In the name of international law, interference by any foreign power, or by any political organization serving the interests of a foreign power, in the public life of the nations of the American continent,

And resolve:

1. To reaffirm their decision to maintain and further an effective social and economic policy for the purpose of raising the standard of living of their peoples; and their conviction that only under a system founded upon a guarantee of the essential freedoms and rights of the individual is it possible to attain this goal.
2. To condemn the methods of every system tending to suppress political and civil rights and liberties, and in particular the action of international communism or any other totalitarian doctrine.
3. To adopt, within their respective territories and in accordance with their respective constitutional provisions the measures necessary to eradicate and prevent activities directed, assisted or instigated by foreign governments, organizations or individuals tending to overthrow their institutions by violence, to foment disorder in their domestic political life or to

disturb, by means of pressure, subversive propaganda, threats or by any other means, the free and sovereign right of their peoples to govern themselves in accordance with their democratic aspirations.

4. To proceed with a full exchange of information concerning any of the aforementioned activities that are carried on within their respective jurisdictions.

NO. 71



1950

A Realist Views Latin America

George F. Kennan

George F. Kennan was the U.S. State Department's leading expert on the Soviet Union when he sent his famous "long telegram" to the State Department from his post in the U.S. embassy in Moscow in February 1946. Kennan warned that Washington's wartime ally was power-hungry and insecure and that the United States would have to be ready to firmly resist the Kremlin's expansionistic impulses. In an unsigned article in *Foreign Affairs* the following year, Kennan publicly presented his so-called "realist" view of U.S.-Soviet relations; his prescription for a "long-term, patient but firm and vigilant containment of Russian expansive tendencies" became the U.S. Cold War policy of containment. Just before resigning from the State Department in 1950 to join the Institute for Advanced Study at Princeton University, Kennan made his first and only trip to Latin America for the State Department. Excerpted below is the secret, thirty-five page report he submitted to Secretary of State Dean G. Acheson on March 29, 1950.

Mr. Secretary:

Below are some views about Latin America as a problem in United States foreign policy, as these things appear to me at the conclusion of a visit to some of the

Source: U.S. Department of State, *Foreign Relations of the United States, 1950, 2: The United Nations, The Western Hemisphere*, "Memorandum by the Counselor of the Department (Kennan) to the Secretary of State," 29 March 1950, pp. 598-624. Washington, D.C.: GPO, 1976.

Latin American countries.... Our relationship to Latin America occupies a vitally important place in our effort to achieve, within the non-communist world in general, a system of international relationships, political and economic, reasonably adequate to the demands of this post-war era, and henceforth qualified to serve as a rebuttal of the Russian challenge to our right to exist as a great and leading world power....

If the countries of Latin America should come to be generally dominated by an outlook which views our country as the root of all evil and sees salvation only in the destruction of our national power, I doubt very much whether our general political program in other parts of the non-communist world could be successful....

While there are some fairly common and serious misunderstandings as to the nature of the importance to us of Latin America in the event of war with the Soviet Union, there is no question of that importance itself.

This is only in minor degree a question of bases, since Latin America offers little in this respect which could be of serious interest to the Russian adversary in the light of existing military realities. It is also no longer, to the degree that it once was, a problem of the defense of the Panama Canal and of assuring the fusion of our naval power in the two oceans, although that is still important. Finally, it is definitely not a question of the possible mobilization of Latin American military strength against us. In these days, when apprehensions of Soviet military expansion assume such fantastic forms, we could do well to remember that not even the Russians can create military strength where the essential components of that strength, in manpower, in industrial background and in native leadership are lacking.

The military significance to us of the Latin American countries lies today rather in the extent to which we may be dependent upon them for materials essential to the prosecution of a war, and more importantly in the extent to which the attitudes of the Latin American peoples may influence the general political trend in the international community....

It seems to me unlikely that there could be any other region of the earth in which nature and human behavior could have combined to produce a more unhappy and hopeless background for the conduct of human life than in Latin America.

As for nature, one is struck at once with the way in which South America is the reverse of our own North American continent from the standpoint of its merits as a human habitat....

Against this unfavorable geographical background, which would have yielded only to the most progressive and happy of human approaches, humanity superimposed a series of events unfortunate and tragic almost beyond anything ever known in human history.... To those portions of the New World where an Indian civilization was already in existence, [the Spaniards] came like men from Mars: terrible, merciless conquerors... to whom the only possible relationship was one of tragic and total submission, involving the abandonment of all prior attachments and customs....

Elsewhere in Latin America, the large scale importation of Negro slave elements into considerable parts of the Spanish and other colonial empires, and the extensive intermarriage of all these elements, produced other unfortunate results which seemed to have weighed scarcely less heavily on the chances for human progress.

In these circumstances, the shadow of a tremendous helplessness and impotence falls today over most of the Latin American world. The handicaps to progress are written in human blood and in the tracings of geography; and in neither case are they readily susceptible of obliteration. . . .

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

It is true that most of the people who go by the name of "communist" in Latin America are a somewhat different species than in Europe. Their bond with Moscow is tenuous and indirect. . . . Many of them are little aware of its reality. For this reason, and because their Latin American character inclines them to individualism, to indiscipline and to a personalized, rather than doctrinaire, approach to their responsibilities as communists, they sometimes have little resemblance to the highly disciplined communists of Europe, and are less conscious of their status as the tools of Moscow. The Moscow leaders, we may be sure, must view them with a mixture of amusement, contempt, and anxiety. . . .

Our problem then, is to create, where such do not already exist, incentives which will impel the governments and societies of the Latin American countries to resist communist pressures, and to assist them and spur them on in their efforts, where the incentives are already present. . . .

[W]here the concepts and traditions of popular government are too weak to absorb successfully the intensity of the communist attack, then we must concede that harsh governmental measures of repression may be the only answer; that these measures may have to proceed from regimes whose origins and methods would not stand the test of American concepts of democratic procedure; and that such regimes and such methods may be preferable alternatives, and indeed the only alternatives, to further communist successes.

I am not saying that this will be the case everywhere; but I think it may well be the case in certain places. And I would submit that it is very difficult for us, as outsiders, to pass moral judgement on these necessities and to constitute ourselves the arbiters of where one approach is suitable, and where the other should be used. . . . For us, it should be sufficient if there is a recognition of communist penetration for the danger that it is, a will to repel that penetration and to throw off communist influence, and effective action in response to that will. . . .

[A]s of today, the protection of U.S. investments in Latin America rests predominantly on the self-interest of the governing groups in the Latin American countries and on the ability of the American owners to enlist that self-interest

through the judicious use of their financial power, where it does not exist from other causes. In many instances, bribery may be said to have replaced diplomatic intervention as the main protection of private capital; and the best sanction for its continued operation lies in the corruptibility, rather than the enlightenment, of the local regimes. . . .

It is important for us to keep before ourselves and the Latin American peoples at all times the reality of the thesis that we are a great power; that we are by and large much less in need of them than they are in need of us; that we are entirely prepared to leave to themselves those who evince no particular desire for the forms of collaboration that we have to offer; that the danger of a failure to exhaust the possibilities of our mutual relationship is always greater to them than to us; that we can afford to wait, patiently and good naturedly; and that we are more concerned to be respected than to be liked or understood. . . .

NO. 72



1950

A New Economic Model for Latin America

Raúl Prebisch

Over the opposition of the United States, the United Nations Economic Commission for Latin America (ECLA) was created in February 1948. The ECLA (or CEPAL, according to its Spanish acronym) undertook the first regular collection, by Latin Americans, of economic and social data on the countries of the region. But its main contribution was a systematic critique of the economic policies that were being advocated by the United States and global financial institutions such as the International Monetary Fund. Raúl Prebisch (1901–86), the director of Argentina's Central Bank from 1935 to 1943, was ECLA's executive secretary from 1949 to 1963. In this 1950 defense of ECLA doctrine, Prebisch argued that the global trade system worked against the economic "peripheries," which export raw materials in exchange for high-cost processed

goods from industrialized "centers." In addition to arguing for increased economic assistance to Latin America, ECLA advocated import-substitution industrialization and Keynesian policies of state-fostered growth as strategies for Latin American development. This approach, which included calls for an Inter-American Development Bank, would challenge the "trade, not aid" philosophy of the Eisenhower administration.

In Latin America, reality is undermining the out-dated schema of the international division of labour, which achieved great importance in the nineteenth century and, as a theoretical concept, continued to exert considerable influence until very recently.

Under that schema, the specific task that fell to Latin America, as part of the periphery of the world economic system, was that of producing food and raw materials for the great industrial centres.

There was no place within it for the industrialization of the new countries. It is nevertheless being forced upon them by events. Two world wars in a single generation and a great economic crisis between them have shown the Latin-American countries their opportunities, clearly pointing the way to industrial activity.

The academic discussion, however, is far from ended. In economics, ideologies usually tend either to lag behind events or to outlive them. It is true that the reasoning on the economic advantages of the international division of labour is theoretically sound, but it is usually forgotten that it is based upon an assumption which has been conclusively proved false by facts. According to this assumption, the benefits of technical progress tend to be distributed alike over the whole community, either by the lowering of prices or the corresponding raising of incomes. The countries producing raw materials obtain their share of these benefits through international exchange, and therefore have no need to industrialize. If they were to do so, their lesser efficiency would result in their losing the conventional advantages of such exchange.

The flaw in this assumption is that of generalizing from the particular. If by "the community" only the great industrial countries are meant, it is indeed true that the benefits of technical progress are gradually distributed among all social groups and classes. If, however, the concept of the community is extended to include the periphery of the world economy, a serious error is implicit in the generalization. The enormous benefits that derive from increased productivity have not reached the periphery in a measure comparable to that obtained by the peoples of the great industrial countries. Hence, the outstanding differences between the standards of living of the masses of the former and the latter and the manifest discrepancies between their respective abilities to accumulate capital, since the margin of savings depends primarily on increased productivity.

Thus there exists an obvious disequilibrium, a fact which, whatever its explanation or justification, destroys the basic premise underlying the schema of the international division of labour.

Hence, the fundamental significance of the industrialization of the new countries. Industrialization is not an end in itself, but the principal means at the disposal

of those countries of obtaining a share of the benefits of technical progress and of progressively raising the standard of living of the masses....

Admittedly much remains to be done in the Latin-American countries, both in learning the facts and in their proper theoretical interpretation. Though many of the problems of these countries are similar, no common effort has ever been made even to examine and elucidate them. It is not surprising, therefore, that the studies published on the economy of Latin-American countries often reflect the points of view or the experience of the great centres of world economy. Those studies cannot be expected to solve problems of direct concern to Latin America. The case of the Latin-American countries must therefore be presented clearly, so that their interests, aspirations and opportunities, bearing in mind, of course, the individual differences and characteristics, may be adequately integrated within the general framework of international economic co-operation....

The industrialization of Latin America is not incompatible with the efficient development of primary production. On the contrary, the availability of the best capital equipment and the prompt adoption of new techniques are essential if the development of industry is to fulfill the social objective of raising the standard of living. The same is true of the mechanization of agriculture. Primary products must be exported to allow for the importation of the considerable quantity of capital goods needed.

The more active Latin America's foreign trade, the greater the possibility of increasing productivity by means of intensive capital formation. The solution does not lie in growth at the expense of foreign trade, but in knowing how to extract, from continually growing foreign trade, the elements that will promote economic development....

NO. 73



1954

Terminating a Revolution in Guatemala—A View from Washington

John C. Dreier

U.S. government opposition to the policies of reformist President Jacobo Arbenz of Guatemala (1951–54) proceeded on two tracks. The first was a covert operation organized by the Central Intelligence Agency to forcibly overthrow Arbenz and replace him with a president more acceptable to Washington. The second was a public campaign to isolate and weaken Arbenz politically and economically, a strategy in which the Organization of American States played a role. The United States made frequent reference to anticommunist resolutions adopted by the OAS (see Document No. 70) and sought to use the Rio Treaty procedures for OAS-sponsored “consultation” in the event of a collective security threat (see Document No. 68). On Sunday night, June 27, 1954, the CIA-sponsored invasion succeeded in forcing Arbenz to resign his office. The following day, John C. Dreier, the U.S. government’s representative to the council of the OAS, made the following appeal for a vote to convoke a meeting of foreign ministers to consider the Guatemalan situation. The council immediately complied with Dreier’s request, but Arbenz’s resignation resulted in the indefinite postponement of the meeting called for by Dreier.

I speak today as the representative of one of 10 American countries who have joined in a request that a Meeting of Ministers of Foreign Affairs be convoked to act as Organ of Consultation under articles 6 and 11 of the Inter-American Treaty of Reciprocal Assistance. On behalf of the United States I wish to support this request with all the force and conviction that I can express, feeling profoundly as I and my countrymen do that this is a critical hour in which a strong and positive note of inter-American solidarity must be sounded.

Source: U.S. Department of State, “The Guatemalan Problem Before the OAS Council.” In *Intervention of International Communism in Guatemala*. Department of State Publication 5556, Inter-American Series 48. Released August 1954, pp. 25–30. Washington, D.C.: GPO, 1954.

The Republics of America are faced at this time with a serious threat to their peace and independence. Throughout the world the aggressive forces of Soviet Communist imperialism are exerting a relentless pressure upon all free nations. Since 1939, 15 once free nations have fallen prey to the forces directed by the Kremlin. Hundreds of millions of people in Europe and Asia have been pressed into the slavery of the Communist totalitarian state. Subversion, civil violence, and open warfare are the proven methods of this aggressive force in its ruthless striving for world domination.... The first objectives of this new drive for domination were the countries of Eastern Europe and the Balkans.... Communist forces then turned their attention to Asia....

And now comes the attack on America.

There is no doubt... that it is the declared policy of the American States that the establishment of a government dominated by the international Communist movement in America would constitute a grave danger to all our American Republics and that steps must be taken to prevent any such eventuality....

I should like to affirm the fact that there is already abundant evidence that the international Communist movement has achieved an extensive penetration of the political institutions of one American State, namely the Republic of Guatemala, and now seeks to exploit that country for its own ends. This assertion, which my Government is prepared to support with convincing detail at the right time, is clearly warranted by the open opposition of the Guatemalan Government to any form of inter-American action that might check or restrain the progress of the international Communist movement in this continent; by the open association of that Government with the policies and objectives of the Soviet Union in international affairs; by the evidences of close collaboration of the authorities in Guatemala and authorities in Soviet-dominated states of Europe for the purpose of obtaining under secret and illegal arrangements the large shipment of arms which arrived on board the HMS *Alfhem* on May 15, 1954; by the efforts of Guatemala in the United Nations Security Council, in collaboration with the Soviet Union, to prevent the Organization of American States, the appropriate regional organization, from dealing with her recent allegations of aggression, and finally by the vigorous and sustained propaganda campaign of the Soviet press and radio, echoed by the international Communist propaganda machine throughout the world in support of Guatemalan action in the present crisis.

The recent outbreak of violence in Guatemala adds a further sense of urgency to the matter. We well know from experience in other areas into which the international Communist movement has penetrated the tragic proportions to which this inevitable violent conflict may ultimately extend....

Within the last 24 hours it appears that there has been a change in the Government of Guatemala. It is not possible, however, in the opinion of my Government, to arrive at any considered judgment of how this change may affect the problem with which we are concerned. Under the circumstances, it would appear to be essential that we do not relax our efforts at this moment, but proceed with our plans in order to be ready for any eventuality....

I should like to emphasize the fact that the object of our concern, and the force against which we must take defensive measures, is an alien, non-American force. It is the international Communist organization controlled in the Kremlin which has created the present danger. That it is rapidly making a victim of one American State increases our concern for that country and our determination to unite in a defense of all 21 of our American nations. We are confident that the international Communist movement holds no real appeal for the peoples of America and can only subdue them if allowed to pursue its violent and deceitful methods unchecked. Having read the tragic history of other nations seduced by Communist promises into a slavery from which they later could not escape, we wish to leave no stone unturned, no effort unexerted, to prevent the complete subordination of one of our member states to Soviet Communist imperialism. For when one state has fallen history shows that another will soon come under attack....

NO. 74



1954

Terminating a Revolution in Guatemala—A View from Guatemala

Luis Cardoza y Aragón

A popular revolt that succeeded in overthrowing the Guatemalan dictator Jorge Ubico in 1944 led to the election of President Juan José Arévalo Guzmán on December 19, 1944. Arévalo initiated a series of reforms aimed at modernizing Guatemala's export-oriented economy, raising living standards and democratizing its political system. In Guatemala's first peaceful political transition, Arévalo's former minister of defense, Colonel Jacobo Arbenz Guzmán Bermejo, succeeded to the presidency in 1951 with 60 percent of the vote. Convinced of the need to deepen the process of change initiated by Arévalo, President Arbenz encouraged labor organizing and decreed an agrarian

Source: Luis Cardoza y Aragón, "Interview: The Revolution of '44-'54: A Reappraisal." In *Guatemala*, eds. Susanne Jonas and David Tobis, pp. 55-56. ©1974 by the North American Congress on Latin America, 475 Riverside Dr., 454, New York, N.Y. 10115-0122.

reform law that resulted in the expropriation of 71 percent of the land of the U.S.-owned banana producer, the United Fruit Company. These measures, along with his appointment of Communist Party members to his government, led Arbenz into conflict with the United States (See Document No. 73). The Eisenhower administration considered Arbenz a tool of international communism and authorized the Central Intelligence Agency to organize a secret invasion force of exiled Guatemalans. With CIA support, the invasion force overthrew Arbenz and replaced him with Colonel Carlos Castillo Armas, the leader of the Insurgency. Luis Cardoza y Aragón (1904-92) was a poet and essayist who served in various ambassadorial posts under the Arévalo and Arbenz administrations. Excerpts from an interview with him in 1974 follow.

With respect to my Guatemala, the key factor, decisively and definitively, is summed up totally in *North American Imperialism*. This is the paramount fact: the rest is very relative, secondary, although necessary to recognize. I am just beginning to understand it completely. Given the backwardness of Guatemala (imperialism and its classical local mechanism, using its internal allies), the immense backwardness of Guatemala, it was civil progress rather than revolution (a serious word: Revolution) that commenced with Arévalo and his labor laws, social security, something (not much) in education, public health. A large, unified labor organization, the General Confederation of Guatemalan Laborers (CGTG), survived until the time of Arbenz....

The politicization of the masses was in its initial stages, very rudimentary and without doctrine and was more concerned with labor demands, salaries, work conditions. The formation of the PGT [Guatemalan Labor Party, i.e., Communist Party] leadership was itself improvised, made up of manual workers; the truth is, there were no communists among them. It was a petty bourgeoisie that became radicalized and founded a party that never knew where it stood, or what time it was in the world; it was full of subjectivism, of excellent desires, of self-denial, of ignorance, of petulance, of yearnings to learn, to know, to serve its people with utmost honesty. But they were on the moon.

And even if there had been a real Communist Party, or if Arbenz' government had been communist (both impossible in 1944-54), they would never have posed the least threat to the United States. Apart from the right of a people to have the government it wishes, etc., the fact is that Arbenz' government was a soft nationalist model (none of the laws, including the agrarian reform, were more than moderate). But to people like Nixon and McCarthy, it was still a bad example on the continent. The U.S. (North American imperialism) squashed a little butterfly that wished to fly a little more freely within the capitalist system, and to emerge from a barbaric, inhumane situation to better living conditions for its people, of all classes.

The same climate of liberty, the possibility of forming labor unions, superficially politicized the labor masses and a few artisans and professionals. All was varnish, superficial, even among the leadership. The colossal political backwardness partly explains many things, but it does not excuse the imperialist crime....

As for the Indians, the ingenuous, mistakenly called Revolution of October [1944] was beginning to discover them. Since the country is Indian, they had become invisible. Since racism is secular and daily, familiar, part of the environment, it had gone on undiscovered. The newly-arrived in the country (my case) or the foreigner was astonished by the treatment of the Indian, the native Guatemalan, and by his wretched poverty, his illiteracy, etc.

When it came to governmental decisions, I supposed they were made by Arbenz in consultation with his cabinet and the heads of the political parties that supported him. One of these was the PGT. I do not think there was a fixed strategy or political analysis on the part of Arbenz or the PGT. Had there been real, influential Communists, things would have been oriented differently, and there would have been intense struggle. Arbenz's resignation speech (lamentable) was written by a high functionary of the PGT who had recently stepped down from the Party leadership.

As is the case now, Latin America was submerged, backward, except for the existence of Cuba and combative, politicized groups throughout the continent. With its liberty, its nationalism, Guatemala set a "bad example." Keep in mind what sort of beasts Dulles and Eisenhower had to be to destroy a stammer of freedom in a very small, very backward country, which in no way could endanger anyone. That bestiality has to be seen in the clearest perspective, above all else....

The upper middle class also took part in Arbenz' government.... The middle class provided the leadership; this was true also in the PGT. We hardly even had a proletariat! To recount the errors of the Revolution it would be necessary to write at great length. The chief one is geographical: to be in the zone where North American imperialism exercises its greatest influence.

NO. 75



1956

Taming a Revolution in Bolivia

George Jackson Eder

The U.S. government responded to the Bolivian Revolution of 1952 with an extraordinary outpouring of economic assistance. Although one of the smallest and weakest countries in Latin America, Bolivia was, by the end of the 1950s, the largest recipient of U.S. aid in Latin America. By 1958, one-third of the Bolivian national budget was contributed by the U.S. government, which funded highway construction, food imports, health and educational services and the country's military forces. In exchange, the United States sought, and gained, Bolivia's cooperation in blocking or moderating some of the social and economic reforms proposed by the radical wing of the successful revolutionary movement. Another U.S. demand was the adoption of economic stabilization measures to control inflation; further U.S. aid was conditioned on their success. At the request of the United States, therefore, President Victor Paz Estenssoro created the National Monetary Stabilization Council on August 4, 1956, two days before the inauguration of his successor, President Hernán Siles Zuazo. Paz put George Jackson Eder of International Telephone & Telegraph Co. in charge of the Council, whose stabilization program was launched under Eder's direction in December. A staunch monetarist, Eder believed that the only cure for inflation was to cut government spending. What follows are excerpts from an oral report delivered by Eder on April 17, 1957 to President Siles Zuazo and others.

In the present report I propose to outline the results to date of the stabilization measures taken last December [1956], pointing out the problems we now face and solutions for them, as I am convinced that there is no problem without a solution.... During his visit in August, 1956, Henry Holland [Assistant Secretary of State for Inter-American Affairs] pointed out specifically, in conversations with the President of the Republic and the President of the Senate (Juan Lechín) that it would be extremely difficult to get the American Congress to continue U.S. aid unless Bolivia put its house in order, as Holland phrased it, by carrying out a monetary and financial stabilization program and re-establishing its world credit

Source: George Jackson Eder, *Inflation and Development in Latin America: A Case History of Inflation and Stabilization in Bolivia*. Michigan International Business Studies No. 8, Appendix 6, "Report on the Progress and Problems of the Stabilization Program." Ann Arbor: Program in International Business, Graduate School of Business Administration, University of Michigan, 1968. Copyright The University of Michigan, 1968. Reprinted by permission.

through bilateral agreements with the bondholders and the former mine owners. He concluded by saying, nevertheless, that Bolivia had more than eight months in which to fulfill these conditions.

Now, on his recent visit, Holland repeated this warning, with this difference—that Bolivia no longer has eight months to fulfill these conditions, since the U.S. Congress will be studying the question of foreign aid this month and in the month of May.... All that I can do is to warn, with the utmost respect, the honorable representatives of the Bolivian government that the best and most carefully laid financial plans are bound to fail if they are put aside because of political or labor union pressure, or because of other self-seeking demands of the moment, and that it is not possible to give way here and there in matters which of themselves might not be of major importance, but which in sum must inevitably lead to the failure of the entire monetary and economic structure of the country....

Thus, as a consequence of the *interferences*, departures from the program, and the delays to which I have referred, not only the monetary stabilization program but the entire economic future of Bolivia has been jeopardized. *We cannot assume that the political and labor leaders who have interfered with, and who are continuing to attack the stabilization program, have no desire to understand it, or that they wish to sabotage it, or that they have any ulterior or subversive motives. Instead, I may say that the fault is ours for not having explained the program with the necessary clarity. But the fact remains that the attacks on the program, and the interferences with it, on the part of those who should cooperate, have in actual fact sabotaged President Siles' program, for I repeat and shall continue to repeat that the Stabilization Program is not an "Eder Plan," as it is called by those who do not dare to attack the Chief Executive in person, but the program of the government of Bolivia, presented by that government as the basis for its request for financial aid....*

The purpose of the stabilization measures is to improve the standard of living of the entire population. They are already beginning to show results for the farmers, and they will show results for the workers and middle class as prices go down and production goes up. Thus, time will provide its own remedy, although I admit that nowhere are workers inclined to consider a drop in prices as the equivalent of an increase in wages, so that there will always be pressure, in part demagogic, for a general increase in wages notwithstanding the fact that, unless there is increased production, a wage increase can only be illusory and inflationary....

Inasmuch as, in readjusting wages and salaries between the various occupations, it will be impossible to reduce wages in any sector, this means, as a practical matter, that a readjustment process will result in an increase of the total wage bill. Probably no sector, no matter how well paid, can be left without some increase.

Now, inasmuch as any increase of wages and salaries without a prior increase in productivity inevitably means the issuance of bank notes and a renewal of the inflationary spiral, two other indispensable steps are necessary, namely, a simultaneous cut in the contributions to the National Social Security Administration and other similar funds, and the right of freedom to hire and fire....

Of course, under present circumstances, freedom to fire cannot be granted without a comprehensive program to avoid unemployment. Such a program is being drawn up in Point IV [a U.S. economic assistance program], following the suggestions of the President of the Republic and of the Planning Commission....

These measures, that is, the reduction of social security taxes, the freedom to hire and fire, and the unemployment program, are essential and urgent. I can see no alternative which would permit Bolivia to maintain a sound currency since without these measures the stabilization program must inevitably fail in view of the departures from the original plan. In that event, the continuation of U.S. aid would be endangered, together with any possibility of interesting foreign or domestic capital in the development of the national economy.

As another equally essential and urgent point, *Ross Moore, Director of Point IV, points out* the necessity of putting a definitive and early end to the agricultural reform, since the large estates have already been eliminated and small and medium farmers are now afraid to sow crops or cultivate their lands, under the menace of possible or probable expropriation.

As Bolivia has millions of hectares of vacant land, it is hard to understand why it continues to expropriate private property, particularly as this does not increase production and on the contrary diminishes it to a marked extent....

[T]he people [of Bolivia] can decide whether they wish to listen to the advice of those who brought the country to the utter ruination of 1956, and who continue to proffer advice that is incompatible with reality, or whether they prefer to accept the new course laid out by the government of President Siles with the stabilization program, living within their resources and understanding that there can be no real increase in wages or salaries that does not correspond to an equivalent increase in production....

The future lies in the hands of the Bolivians themselves; and, with the greater productivity resulting from human effort, private capital, and the enormous wealth of the soil and subsoil, Bolivia can look forward to an era of prosperity such as it has never had in its history. This does not mean sacrificing the enduring conquests of the Revolution—namely, universal suffrage, the distribution of the large estates, elimination of a mining empire more powerful than the state itself, and, now, monetary stabilization—but rather preserving those conquests under a regime of monetary and financial integrity.