



**THE EISENHOWER ADMINISTRATION AND DEVELOPMENT IN
LATIN AMERICA AND SUB-SAHARAN AFRICA**

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DECLARATION

This thesis contains no material that has been accepted for the award of any other degree or diploma in any university, and to the best of my knowledge and belief it contains no material previously published or written by another person, except where due reference is made in the text.

Should this thesis fulfil the requirements for the degree of Doctor of Philosophy I consent to it being made available for photocopying and loan.

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ABSTRACT

This thesis examines the response of the Eisenhower administration to development in Latin America and sub-Saharan Africa. First, it analyses why Eisenhower initially relied on the free enterprise system to meet demands for development in the two regions, and whether agreement on this issue existed within the administration. It argues that until the late 1950s, Eisenhower's grand strategy for maintaining national security determined the administration's policies towards development in Latin America and sub-Saharan Africa. Within this strategy, Eisenhower restricted economic assistance to the nations on the periphery of the Soviet bloc. From 1953 to 1957, other individuals within the administration argued that the United States should extend economic assistance to meet development needs in both regions. They asserted that American interests in the regions could not be attained without the extension of development assistance. These individuals attempted to change the administration's policies towards development in the two regions but they lacked authority within Eisenhower's formal and informal systems of policy formulation. Second, this thesis analyses why the Eisenhower administration began to extend resources to promote development in Latin America and sub-Saharan Africa from 1958. It argues that this change in policy came as a result of the work of C. Douglas Dillon. Dillon wanted to extend assistance to both regions to promote democracy and prevent totalitarianism. He did not believe that Soviet subversion posed the only threat to American interests in the less developed regions. A number of factors enabled Dillon to change the administration's approach. He held authority within the administration and shared many of Eisenhower's and John Foster Dulles' views. The President and his secretary trusted his judgement and Dillon's ideas were supported by influential individuals within the public sphere. The changing political situations in Latin America and sub-Saharan Africa also helped Dillon to change the administration's policies towards development in both regions. This work supports the conclusion of revisionist historians that Eisenhower was an active President, but it questions whether this activism can be viewed in a positive light.

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ABBREVIATIONS

ARA - State Department Bureau for inter-American Affairs
 AWF - Ann Whitman File, Eisenhower Library
 CCTA - Consultative Committee for Technical Assistance in Africa
 CIA - Central Intelligence Agency
 CFEP - Council on Foreign Economic Policy
 CFEPOC - Records of the Council on Foreign Economic Policy, Office of the
 Chairman, Eisenhower Library
 CFEPR - Records of the Council on Foreign Economic Policy, Eisenhower Library
 DDEP - Published Papers of Dwight D. Eisenhower
 DLF - Development Loan Fund
 DP - John Foster Dulles Papers, Eisenhower Library
 DSB - Department of State Bulletin
 EL - Eisenhower Library
 EXIM - Export - Import Bank
 FFA - Ford Foundation Archives
 FFOHP - Ford Foundation Oral History Project
 FOA - Foreign Operations Administration
 ICA - International Cooperation Administration
 IBRD - International Bank for Reconstruction and Development
 IMF - International Monetary Fund
 JCS - Joint Chiefs of Staff
 JFDOHC - John Foster Dulles Oral History Collection, Mudd Library
 JFDP - John Foster Dulles Papers, Mudd Library
 LLGU - Lauinger Library, Georgetown University
 ML - Mudd Library
 NA - National Archives
 NSC - National Security Council
 OCB - Operations Coordinations Board
 ODM - Office of Defense Mobilization
 OECD - Organization for Economic Cooperation and Development
 OEEC - Organization of European Economic Cooperation
 OIR - State Department Office of Intelligence and Research
 RBFA - Rockefeller Brothers Fund Archives
 RFA - Rockefeller Foundation Archives
 RFAMA - Rockefeller Family Archives
 RFC - Reconstruction Finance Corporation
 RG - Record Group
 SCRM - Selected Correspondence and Related Material
 TL - Truman Library
 TP - Harry S. Truman Papers, Truman Library
 WHCF - White House Central Files, Truman and Eisenhower Libraries
 WHONSCS - White House Office of the National Security Council Staff,
 Eisenhower Library
 WHOSANSA - White House Office of the Special Assistant for National Security
 Affairs, Eisenhower Library
 WHOSS - White House Office of the Staff Secretary, Eisenhower Library

INTRODUCTION

I

In the post Second World War period, the people of the emerging Third World expected development assistance from the United States. Future relations between these nations and the US would depend on how American governments responded to demands for development assistance. In particular, the people of the less developed regions expected the United States to extend grant economic aid. The capital would be used to establish the basic infrastructure required for economic and social development. This thesis examines the response of the Eisenhower administration to the issue of development in two regions of the emerging Third World, Latin America and sub-Saharan Africa.

The focus of this thesis is on Latin America and sub-Saharan Africa for two reasons. First, because the Eisenhower administration treated both regions differently to the rest of the developing world. From the beginning of his administration, Eisenhower sent economic assistance to nations in Asia, the Middle East and North Africa. But Latin America and sub-Saharan Africa only began to receive economic assistance after 1958. The second reason why both regions were chosen as the focus is because Eisenhower implemented similar economic policies in both. That is, he refused to send economic assistance until later in his presidency and, until this time, he only extended technical assistance to both regions. Examining Latin America and sub-Saharan Africa, therefore, makes it possible to arrive at conclusions about Eisenhower's entire foreign aid programme, and it

places the administration's policies towards the individual regions of Latin America and sub-Saharan Africa in a broader context. From such an analysis, it is also possible to see that the Eisenhower administration placed far greater importance on Latin America than on sub-Saharan Africa. Latin America had been a source of vital raw materials in the Second World War, and would be again in the event of war with the Soviet Union. The Eisenhower administration, therefore, always placed greater importance on Latin America than on sub-Saharan Africa. For this reason, the sections on Latin America in this thesis are larger than those on sub-Saharan Africa.

In this thesis, Latin America refers to Central and South America, and the Caribbean. Latin America is identified in this way, because this is how the Eisenhower administration defined the region. When Eisenhower and his colleagues spoke of Latin America, they meant Central and South America and the Caribbean. Sub-Saharan Africa refers to the area south of the Sahara Desert, excluding the Union of South Africa, Eritrea, the Sudan, Ethiopia and the Somalilands. These five areas are not included in this analysis because the Eisenhower administration treated them separately from the rest of the region. The administration believed that the Sudan, Eritrea, Ethiopia and the Somalilands were orientated towards the nations in North Africa, particularly Egypt. Being closer to the Communist bloc, these four countries also were a greater security concern to the United States than other areas in sub-Saharan Africa. The administration approached the Union of South Africa differently to the rest of the region because of the unique political history of the nation, and because the United States

conducted a greater amount of trade with South Africa, particularly for strategic materials.¹

The emerging Third World expected economic assistance from the United States as reward for the support given and sacrifices made during the Second World War. Latin Americans and Africans made human and economic sacrifices to the conflict. The nations of Brazil and Mexico sent troops.² Africa provided manpower and bases for the Allies.³ Latin Americans sold their raw materials at reduced prices to the restricted markets of the United States and Great Britain. The wartime shortage of commodities in the United States and Great Britain meant that Latin Americans received few manufactured goods in return. The resulting accumulation of capital and commodity shortages in Latin America contributed to inflation, leading to an 80 per cent increase in the cost of living.⁴ The colonised in Africa made similar economic sacrifices. They worked to provide a large amount of raw materials.⁵ In addition, the wartime talk of self-determination and the involvement of Africans in the world conflict against totalitarian tyranny led to a political awakening. At the close of the conflict, Africans clamoured for rapid independence and development assistance.⁶

¹Peter Duignan and L. H. Gann, The United States and Africa: A History (New York and Melbourne, 1984), pp.301-302; Thomas J. Noer, Cold War and Black Liberation: The United States and White Rule in Africa, 1948-1968 (Columbia, 1985), p.13.

²Stephen G. Rabe, Eisenhower and Latin America: The Foreign Policy of Anticommunism (Chapel Hill and London, 1988), p.8.

³Martin Meredith, The First Dance of Freedom: Black Africa in the Postwar Era (London, 1984), p.9.

⁴David Green, "The Cold War Comes to Latin America" in Barton J. Bernstein, ed., Politics and Policies of the Truman Administration (Chicago, 1970), pp.150-151; Rabe, Eisenhower and Latin America, p.16; Samuel L. Baily, The United States and the Development of South America, 1945-1975 (New York, 1976), p.39.

⁵Meredith, First Dance of Freedom, p.9.

⁶Ibid., pp.8, 35, 40; Noer, Cold War and Black Liberation, pp.15-16; Thomas J. Noer, "'Non-Benign Neglect': The United States and Black Africa in the Twentieth Century", in Gerald K. Haines and J. Samuel Walker, eds, American Foreign Relations: A Historiographical Review (Westport, Connecticut, 1981), p.278.

Latin Americans and Africans directed their expectations of economic assistance at the United States for two reasons. First, because America emerged as the most economically powerful at the close of the conflict. Second, because of the historical relationships between the United States and the two regions. The United States began to dominate the economies of Latin American nations in the early twentieth century. The main purchases by the United States included raw materials and tropical products, particularly coffee.⁷ Latin Americans used the revenue raised from the sale of such commodities to purchase manufactured goods from the United States. Most Latin American nations relied on the sale of single commodities to earn foreign exchange. When prices of certain raw materials or the level of trade with the United States fell, Latin Americans blamed their northern neighbour for the resulting economic crises. This situation was exacerbated by United States capitalists, who invested mostly in the extractive industries of Latin America. As a result, large amounts of money earned through the sale of raw materials reverted to the northern foreign owners.⁸ Because of the nature of the economic relationship, Latin Americans blamed the United States for the lack of development in the region, and expected assistance from their northern neighbours. After sacrificing so much to the world conflict, Latin Americans believed in 1945 that assistance for development would be forthcoming.

Unlike in Latin America, the United States did not have a history of involvement in Africa predating the Second World War. American merchants conducted a large amount of trade with Africa before the continent was colonised. After colonisation by the European powers, however, American economic

⁷Rabe, *Eisenhower and Latin America*, pp.75-76.

⁸*Ibid.*, p.76; Green, "Cold War Comes to Latin America", p.150.

involvement in Africa decreased.⁹ American trade became confined to the independent nations of Liberia and South Africa.¹⁰ But Africans expected the United States to assist with economic development for another reason. They saw economic assistance from the United States as evidence of America's commitment to independence and self-determination.

American leaders, during and immediately after the war, began to respond to demands for development assistance in Latin America and Africa. To strengthen the wartime alliance in the early 1940s, President Franklin D. Roosevelt began to help nations in Latin America to diversify their economies. In particular, he extended a loan of \$45,000,000 to Brazil for the establishment of a steel mill through the Export Import (EXIM) Bank and used bank funds to create national development corporations in a number of Latin American nations.¹¹ Roosevelt supported the efforts of Nelson A. Rockefeller, as the co-ordinator of inter-American affairs, to establish technical assistance programmes.¹² He also agreed to the establishment of an Inter-American Development Bank.¹³ But Roosevelt did not fulfil his promise to create a bank for development. In early 1945, representatives from the Latin American republics met with a delegation from the United States in Chapultepec, near Mexico City. The Latin Americans listed ways in which the United States could assist in the region's development. Their demands included international commodity agreements, price stabilisation of both raw materials and commodity goods, foreign investment controls and economic

⁹Duignan and Gann, United States and Africa, p.300.

¹⁰Ibid.

¹¹Rabe, Eisenhower and Latin America, p.8; Green, "Cold War Comes to Latin America", p.152.

¹²Claude C. Erb, "Prelude to Point Four: The Institute of Inter-American Affairs", Diplomatic History, 9, 3 (Summer 1985), pp.250-255.

¹³Green, "Cold War Comes to Latin America", p.152.

assistance through the promised development bank.¹⁴ But Roosevelt's immediate concerns lay in reconstructing Europe. Representatives of the United States at the conference opposed demands for a regional bank, advising Latin Americans to apply to the new International Bank for Reconstruction and Development (IBRD), and warned that scarce commodity items would go to Europe first.¹⁵ To avoid a break down in the wartime alliance, the delegation from the United States softened the blow by agreeing to hold a special economic conference on 15 June 1945.¹⁶ Roosevelt's death in April 1945 meant that it would be up to the Truman administration to appease the intense postwar expectations of development assistance in Latin America.

Like Roosevelt, President Harry S. Truman focused on the postwar reconstruction of western Europe, especially as tensions with the Soviet Union increased. But Truman remained receptive to the opinions of individuals dealing with Latin America in the State Department. At both the Inter-American Conference for the Maintenance of Continental Peace and Security in Brazil, from 15 August to 2 September 1947, and the United Nations Conference on Trade and Employment in Havana, from 21 November 1947 to 24 March 1948, Latin American representatives demanded development assistance.¹⁷ State Department officials worried that relations with Latin America would deteriorate unless the United States presented a programme of assistance at the Ninth International Conference of American States, to be held in Bogotá from 30 March to 2 May

¹⁴Rabe, *Eisenhower and Latin America*, p.16.

¹⁵Green, "Cold War Comes to Latin America", pp.156-157.

¹⁶Rabe, *Eisenhower and Latin America*, p.16.

¹⁷Memorandum by the director of the office of financial and development policy Norman T. Ness to the assistant secretary of state for economic affairs Willard L. Thorp. 19 February 1948, U.S. Department of State, *Foreign Relations of the United States*, 1948, IX, p.5. (hereafter cited as *FRUS*, with year, volume number and, if required, part number).

1948.¹⁸ On 19 February, the director of the office of financial and development policy, Norman T. Ness, sent a proposed economic programme to the assistant secretary of state for economic affairs, Willard L. Thorp. Ness stated that Latin Americans were dissatisfied with the lack of United States assistance, and that these feelings were exacerbated by the extensive amounts of American foreign aid flowing to Europe.¹⁹ He explained that the IBRD had not made loans to Latin America since its creation in 1944. This was despite the fact that Latin Americans had succeeded in inserting a clause into the bank's articles of agreement, stating that loans would be given for development, as well as reconstruction, projects. In addition, Ness continued, the United States had restricted EXIM Bank lending to Latin America, believing the IBRD to be the main institution for making long-term development loans.²⁰ As part of an economic programme for Latin America, Ness recommended that the amount of long-term development loans extended to the region through the EXIM Bank be increased.²¹ On 8 April 1948, Truman sent a message to Congress, requesting that the lending authority of the EXIM Bank be increased by \$500,000,000, "to assist in meeting essential requirements for the financing of economic development in the other American Republics".²² In 1952, the assistant secretary of state for inter-American affairs, Edward Miller Jr, urged Truman to take the revolutionary step of sending a team to Brazil to assist in drawing up loan applications to the bank. This action resulted in a \$300,000,000

¹⁸Ibid.

¹⁹Ibid.

²⁰Ibid., pp.5-6.

²¹Ibid., p.9.

²²Truman to Congress, 8 April 1948, OF87 1945-48, box 577, White House Central Files (hereafter cited as WHCF), Official File 85-PP, Papers of Harry S. Truman (hereafter cited as TP), Truman Library (hereafter cited as TL).

EXIM Bank loan being extended to Brazil in late 1952.²³ Sub-Saharan Africa also benefited from the new development role of the EXIM Bank. Between April 1949 and April 1953, the bank authorised \$79,417,000 worth of loans to the region.²⁴

Truman also responded to demands for development in the two regions by increasing the amount of technical assistance to Latin America, and beginning a technical assistance programme in Africa. In early 1949, a speech writer in the State Department, Benjamin H. Hardy, urged Truman to use technical assistance as a tool to meet the revolution in rising expectations occurring throughout the emerging Third World. Hardy believed that such a programme would meet development needs and orientate the less developed regions away from the Soviet Union. In his Inaugural Address on 20 January 1949, Truman announced the Point Four Program. The aim of the programme was to extend technical assistance to the less developed regions.²⁵ Truman also sent technical and economic assistance to Africa indirectly through the European Recovery Program. The 1947 aid agreement between the United States and western Europe specified that assistance would be directed to European countries devastated by war and to their dependent territories.²⁶

The efforts of the Truman administration did not fulfil expectations of development assistance in either region. Latin Americans and Africans welcomed

²³Rabe, Eisenhower and Latin America, p.23.

²⁴Memorandum by member of the Investment and Economic Development Staff Douglas B. Smith to the officer in charge of west, central and east Africa affairs Nicholas Feld, 27 May 1953, FRUS, 1952-1954, XI, p.40.

²⁵Erb, "Prelude to Point Four", p.268; Russell Edgerton, Sub-Cabinet Politics and Policy Commitment: The Birth of the Development Loan Fund (Syracuse, 1970), p.14; .Walter Lafeber, America, Russia and the Cold War 1945-1990 6th edition (New York, 1991), p.80.

²⁶Address by acting officer in charge of trusteeship affairs, office of dependent area affairs Vernon McKay, 31 January 1953, "The United States, the United Nations, and Africa", Department of State Bulletin, 16 February 1953, volume XXVIII, number 712, pp.269-270. (hereafter cited as DSB with date, volume number and edition number).

the Eisenhower administration, believing that the new government would extend economic aid, and support the establishment of international commodity agreements and common markets. But within months Eisenhower had decreased the lending capacity of the EXIM Bank and restricted its operations to short-term sound loans. Economically sound loans meant that the borrowing countries could not repay the amount with local currencies. Rather, the borrowing nation had to prove the capacity to earn foreign exchange to repay the loan. As a result, the nations of Latin America and sub-Saharan Africa could rarely meet the lending criteria of the bank. Until 1958, Eisenhower restricted grant economic assistance to the nations on the periphery of the Communist bloc and asserted that the free enterprise system could meet development needs in Latin America and sub-Saharan Africa. The first two sections of this thesis examine why the Eisenhower administration relied on the free enterprise system to meet development demands in Latin America and sub-Saharan Africa until 1958, and whether an agreement on this policy existed within the administration. It analyses whether the individuals who disagreed attempted to change the administration's approach and why, until 1958, they could not. The final section examines why the administration abandoned its reliance on the free enterprise system to meet demands for development after 1958. During the late 1950s and 1960, Eisenhower extended grant economic assistance to both regions, supported the establishment of a common market in Central America, created an inter-American development bank, and allowed the United States to participate in international study groups on commodities.

II

Historians to date have not provided adequate explanations for the Eisenhower administration's policies towards development in Latin America and sub-Saharan Africa. Stephen G. Rabe, in a general account of relations between the United States and Latin America during the Eisenhower administration, argues that Cold War concerns drove the administration to maintain the political status quo in the region, by supporting dictators.²⁷ Through the provision of military assistance, Rabe argues, Eisenhower sought to prevent Soviet infiltration into the hemisphere, secure continued access to raw materials and markets, and ensure military support in the event of war with the Soviet Union.²⁸ Rabe stresses in his account the importance the Eisenhower administration placed on maintaining political stability in the region and ensuring its orientation towards the United States. However, he does not analyse why the administration did not alter its reliance on the free enterprise system to meet development demands in Latin America, when this policy resulted in anti-Americanism and heightened nationalism. Rabe only briefly refers to the world views of the two individuals charged with conducting the foreign policy of the United States, Eisenhower and his secretary of state John Foster Dulles. Rabe highlights their anti-Communism and emphasises their faith that free trade and private investment led to world prosperity and security in those areas not directly threatened by Soviet

²⁷Rabe, *Eisenhower and Latin America*, pp.39-40.

²⁸*Ibid.*, pp.26, 34-36.

Communism.²⁹ As a result of these world views, Rabe argues, Eisenhower and Dulles mostly ignored Latin America. He asserts that Eisenhower and his key advisers began to extend development assistance to Latin America only when they believed that Soviet infiltration to the region had increased. The violence experienced by Nixon in 1958, and the rise of Fidel Castro in Cuba in 1960, Rabe argues, convinced the administration that Soviet involvement in the region had intensified. This, combined with the demise of dictators in the region, led the administration to extend development assistance.³⁰

The work of recent historians supports Rabe's analysis. Marvin R. Zahniser and W. Michael Weis stress the importance of the Nixon trip to Latin America in 1958. They argue that the aggressive response to Nixon's presence lent support to those members within the administration and the Congress who had begun to question the lack of assistance to the region.³¹ Thomas Zoumaras agrees, arguing that both the Nixon trip and the rise of Castro in Cuba provided the climate in which various members of the administration could successfully change the administration's policy.³² But the evidence indicates that Eisenhower responded to the Nixon trip and the rise of Castro with traditional Cold War tactics. In the case of the Nixon trip, Eisenhower increased the level of military assistance, and the amount to be spent on information programs and cultural exchanges. In Cuba,

²⁹*Ibid.*, pp.29-30, 64-65.

³⁰*Ibid.*, pp.102-104, 117, 133, 140-144, 152, 174, 177.

³¹Marvin R. Zahniser and W. Michael Weis, "A Diplomatic Pearl Harbour? Richard Nixon's Goodwill Mission to Latin America in 1958", *Diplomatic History*, 13, 2 (Spring 1989), pp.166-169, 184-190.

³²Thomas Zoumaras, *The Path to Pan Americanism: Eisenhower's Foreign Economic Policy Toward Latin America* unpublished PhD dissertation (University of Connecticut, 1987), pp.389, 407-410, 497-499, 508-528, 542, 570-640; Thomas Zoumaras, "Eisenhower's Foreign Economic Policy" in Richard A. Melanson and David Mayers, eds, *Reevaluating Eisenhower: American Foreign Policy in the 1950s* (Urbana and Chicago, 1987), pp.175, 181; Thomas Zoumaras, "Containing Castro: Promoting Home Ownership in Peru, 1956-1961", *Diplomatic History*, 10, 2 (Spring 1986), p.162.

Eisenhower used covert operations, as he had in Guatemala six years earlier. In addition, the evidence indicates that the administration began to review its economic policies towards Latin America before Nixon's trip to the region. And Eisenhower agreed to extend resources to Latin America for development long before Castro came to power.

James Siekmeier disagrees that the change of policy from trade and private investment to development assistance came as a result of a perceived increase in the level of Soviet activity in the region. Siekmeier argues that the Eisenhower administration was determined to achieve economic integration with Latin America. To attain this goal, Eisenhower opposed economic nationalism, and increased private investment and trade to achieve rapid industrialisation. Only with the deteriorating economic conditions in the late 1950s, Siekmeier argues, did the administration employ aid as a foreign policy tool to oppose increased economic nationalism and create a suitable climate for trade and private investment.³³ However, Siekmeier does not explain why circumstances at the beginning of the administration similar to those evolving in the late 1950s did not result in a change in policy from private means to development assistance. A recession followed the close of the Korean War in 1953, and resulted in economic nationalism and anti-Americanism in the region. In addition, Siekmeier fails in his work to show the actions of the Eisenhower administration to be anti-nationalistic rather than anti-Communist. Other historians have shown convincingly that Eisenhower opposed regimes in Guatemala and Cuba and used economic aid in both of these nations,

³³James Forshee Siekmeier, Fighting Economic Nationalism: U.S. Economic Aid and Development Policy Toward Latin America, 1953-1961 unpublished PhD dissertation (Cornell University, 1993), pp.xiv-xxvi, 98-104, 158-160, 177-178, 230-239, 248, 269, 312.

and Bolivia, to prevent the advent of successful Communist regimes in the hemisphere.³⁴

Historians also use external factors to explain why the Eisenhower administration began to extend economic assistance to sub-Saharan Africa in 1960. As with Latin America, historians present the Eisenhower administration conducting a policy of anti-Communism. Thomas J. Noer argues that Eisenhower and his colleagues did not support the movement towards independence in sub-Saharan Africa, because they wished to maintain western European strength and political stability. Only with the rapid independence of nations in the region in the period from 1957 to 1960, did the Eisenhower administration support the nationalist leaders and respond positively to aspirations for development assistance.³⁵ However, Noer does not explain why the Eisenhower administration underestimated the strength of nationalist movements and failed to contribute to development in the region in the period leading up to independence, when their avowed goal was to promote long-term stability. Noer merely points to the anti-Communist world views of Eisenhower and Dulles, and asserts that Eisenhower's southern upbringing and formative experience in a segregated U.S. army prevented him from supporting rapid independence.³⁶

Burton I. Kaufman, in a general account of the economic aid policies of the Eisenhower administration, also uses external reasons to account for the

³⁴See for example Richard H. Immerman, The CIA in Guatemala: The Foreign Policy of Intervention (Austin, 1982), pp.81-82, 101-105, 182-183, 192-193, 122-123; Rabe, Eisenhower and Latin America, pp.122-132; Naoki Kamimura, The United States and the Bolivian Revolutionaries, 1943-1954: From Hostility to Accommodation to Assistance unpublished PhD dissertation (University of California, 1991), pp.27-28.

³⁵Thomas J. Noer, Cold War and Black Liberation: The United States and White Rule in Africa, 1948-1968 (Columbia, 1985), pp.34-35, 48-49.

³⁶Ibid., pp.35, 44.

administration's change in policy. He argues that the Eisenhower administration began to extend economic aid to the less developed regions to promote development in the mid-1950s because of the new economic offensive of the Soviet Union, and because Eisenhower and his key officials became aware of the force of nationalism in the emerging Third World.³⁷ These factors, Kaufman argues, prompted the administration to establish an institution capable of lending long-term soft loans. But the regions of Latin America and sub-Saharan Africa initially did not receive funds from the new Development Loan Fund. This suggests that the changes in the administration's aid policies in the mid-1950s were made purely to meet the threat of Soviet subversion.

As shown, historians have focused on events outside the United States to explain the policy changes towards development in Latin America and Africa. However, historians have also suggested that factors within the United States contributed. Rabe, Zoumaras, Siekmeier, Zahniser and Weis argue that changes of personnel within the administration helped to bring about the policy change towards Latin America. In particular, they assert that the deputy under secretary of state for economic affairs C. Douglas Dillon advocated policy change, after experiencing the intense anti-Americanism at the Buenos Aires economic conference in late 1957.³⁸ However, these historians have concentrated on external factors to explain the administration's policy change, and they do not present evidence of Dillon's involvement. In addition, they have not adequately explained

³⁷Burton I. Kaufman, Trade and Aid: Eisenhower's Foreign Economic Policy 1953-1961 (Baltimore, 1982), pp.154-156; Burton I. Kaufman, "The United States Response to the Soviet Economic Offensive of the 1950s", Diplomatic History, 2, 2 (Spring 1978), pp.153-154, 165.

³⁸Rabe, Eisenhower and Latin America, pp.111-112; Zoumaras, Path to Pan Americanism, pp.401-407; Siekmeier, Fighting Economic Nationalism, pp.248-249, 258; Zahniser and Weis, "A Diplomatic Pearl Harbour?" p.168.

why Dillon succeeded in changing the administration's approach. Zoumaras asserts that Dillon managed to change policy because fiscal conservatives within the administration, especially the secretary of the Treasury, George Humphrey, had retired and been replaced by individuals more receptive to foreign aid.³⁹ Zoumaras presents Eisenhower as a weak president concerned only with gaining consensus within the administration. Such action, Zoumaras argues, allowed strong fiscal conservatives to dominate policy formulation.⁴⁰ But this explanation cannot be reconciled with the revisionist work of the 1970s and 1980s. This scholarship presents Eisenhower as a self-confident man with firm views and extensive leadership experience. Eisenhower, the revisionists argue, dominated the decision making process and used his subordinates and the policy process to achieve his goals in the domestic and foreign fields.⁴¹

Similarly, Zoumaras' portrayal of John Foster Dulles contradicts the picture emerging from recent studies. Zoumaras argues that Dulles disagreed with the secretary of the Treasury's anti-development stance but, for fear of harming an already fragile relationship with Eisenhower, failed to push the matter with the President.⁴² Dulles was careful to cultivate his relationship with Eisenhower. He

³⁹Zoumaras, Path to Pan Americanism, pp. iv, 52-54, 59, 136-139, 303-304, 358-359, 379; Zoumaras, "Eisenhower's Foreign Economic Policy", pp. 163-164, 166-167; Siekmeier, Fighting Economic Nationalism, pp. 120-123, 224; Rabe, Eisenhower and Latin America, p. 68.

⁴⁰Zoumaras, Path to Pan Americanism, pp. iv, 16-18, 165, 170, 656-657; Zoumaras, "Eisenhower's Foreign Economic Policy", pp. 166, 182.

⁴¹See for example Fred I. Greenstein, "Eisenhower as an Activist President: A New Look At the Evidence", Political Science Quarterly, 94, 4 (Winter, 1979-80), pp. 580-581, 597; Richard H. Immerman "Eisenhower and Dulles: Who Made the Decisions?", Political Psychology, 1 (Autumn 1979), pp. 29-31; Stephen E. Ambrose, Eisenhower the President (London and Sydney, 1984), pp. 9-10, 79-80, 344-345; John W. Sloan, "The Management and Decision-Making Style of President Eisenhower", Presidential Studies Quarterly, 20, 2 (Spring 1990), pp. 297-298, 301, 305; Shirley Anne Warshaw, ed., The Eisenhower Legacy: Discussions of Presidential Leadership (Silver Spring, Maryland, 1992), p. 1.

⁴²Zoumaras, Path to Pan Americanism, pp. 53-54, 302-304; Zoumaras, "Eisenhower's Foreign Economic Policy", p. 182.

had seen what happened when his uncle, Robert Lansing, acted too independently of President Woodrow Wilson at the Versailles Peace Conference.⁴³ However, contemporary scholars have shown that Dulles and Eisenhower worked as a team constantly sharing ideas on international developments. The evidence indicates that Eisenhower respected Dulles' knowledge and experience, and expected him to present his ideas on a broad range of issues, in both formal meetings and during informal private discussions.⁴⁴ Zoumaras incorrectly asserts that Eisenhower and Dulles did not share an after hours relationship.⁴⁵ The President and his secretary often met for an evening cocktail to discuss developments around the world.⁴⁶ In contrast, Rabe argues that Dulles did not highlight the importance of economic aspirations in Latin America to Eisenhower because he was obsessed with anti-Communism and concerned only with the political aspects of diplomacy.⁴⁷ This view is more consistent with the revisionist scholarship on the nature of Eisenhower's presidency and his relationship with Dulles, but Rabe does not show how these factors impacted on the policy process. In addition, Rabe's critical portrayal of Dulles is inconsistent with the recent scholarship, which indicates that Dulles could abandon the Cold Warrior armour.⁴⁸

⁴³ Immerman, "Eisenhower and Dulles", p.35; Ronald W. Pruessen, "John Foster Dulles and the Predicaments of Power" in Richard H. Immerman, ed., John Foster Dulles and the Diplomacy of the Cold War (Princeton, New Jersey, 1990), pp.21-22.

⁴⁴ Immerman "Eisenhower and Dulles" pp.25, 35-36; Richard H. Immerman, "Introduction" to Immerman, ed., Dulles and Diplomacy, p.9; Pruessen, "John Foster Dulles and the Predicaments of Power", p.26; Greenstein, "Eisenhower as an Activist President", p.582; John Robinson Beal, John Foster Dulles 1888-1959 (New York, 1959), p.4.

⁴⁵ Zoumaras, Path to Pan Americanism, pp.108-109.

⁴⁶ Immerman, "Introduction", p.13; Ambrose, Eisenhower the President, p.110; Dwight D. Eisenhower, The White House Years: Waging Peace 1956 - 1961 (London, 1965), p.367.

⁴⁷ Rabe, Eisenhower and Latin America, pp.29-31, 68-69; Stephen G. Rabe "Dulles, Latin America, and Cold War Anticommunism", in Immerman, ed., Dulles and Diplomacy, pp.159, 161.

⁴⁸ Robert A. Divine, "John Foster Dulles: What You See is What You Get", Diplomatic History, 15, 2 (Spring 1991), pp.278, 281.

Historians have also suggested that factors within the United States can explain the administration's policies towards sub-Saharan Africa. Noer asserts that the increasing racial problems within the United States resulted in the policy change towards Africa in the late 1950s.⁴⁹ But the evidence indicates that Eisenhower only acted within the domestic arena, to avoid the disrespect of the nations emerging from colonial rule.⁵⁰ As with Latin America, historians suggest that explanations for why the Eisenhower administration did not actively support development in sub-Saharan Africa prior to 1960, and the change in policy after this time, can be found within the administration. However, they do not elaborate. Noer and Peter J. Schraeder suggest that bureaucracies and officials, who wished only to maintain western European strength, dominated the administration.⁵¹ As part of this argument, Noer describes the inferior position of African specialists within the State Department.⁵² However, both historians do not explicate how this factor impacted on policy formulation or implementation. Noer and Schraeder only assert in conclusion that inter-departmental rivalry resulted in compromise and inactivity.⁵³ As in the case of work on Latin America, Noer and Schraeder fail to reconcile their use of internal explanations with the conclusion of the revisionists that Eisenhower dominated the policy process.

In 1990 the Eisenhower scholar, Richard H. Immerman, suggested a methodology to incorporate the revisionist literature with foreign policy studies,

⁴⁹Noer, *Cold War and Black Liberation*, pp.48, 51-52.

⁵⁰Cary Fraser "Understanding American Policy Towards the Decolonization of European Empires, 1945-64", *Diplomacy and Statecraft*, 3, 1 (March, 1992), pp.111-112; Ambrose, *Eisenhower the President*, p.498.

⁵¹Noer, *Cold War and Black Liberation*, pp.1-2, 257; Peter J. Schraeder, *United States Foreign Policy Toward Africa: Incrementalism, Crisis, and Change* (Cambridge and New York, 1994), pp.12, 51-52.

⁵²Noer, *Cold War and Black Liberation*, pp.35, 49.

⁵³*Ibid.*, p.257; Schraeder, *United States Foreign Policy Toward Africa*, p.49.

including Eisenhower's policies towards the emerging Third World. Immerman promoted an approach in response to arguments put forward by Robert J. McMahon. In 1986 McMahon highlighted the discrepancy between the revisionist literature, which applauds Eisenhower's record, and the work on Eisenhower's foreign policy towards the Third World, which presents a record of consistent failure. McMahon argues that this discrepancy exists because revisionist scholars have concentrated on Eisenhower's consistent involvement in an orderly policy process, and focused on foreign policy issues such as maintaining the peace, controlling the nuclear arms race and managing relations with the Soviet Union. The impact and consequences of policies in the Third World have not been included.⁵⁴ Future analysis of the record of the Eisenhower administration in the foreign policy arena, McMahon argues, should include the Third World and move away from the policy process.⁵⁵ Immerman responded to McMahon's assertions in 1990. He disagreed that future analyses of the foreign policies of the Eisenhower administration could be made independently of the policy process. Based on his own observations concerning the Eisenhower administration, Immerman argues that Eisenhower used the policy process to achieve his own goals. Immerman asserts that Eisenhower possessed a broad view of national security. Most fundamentally, he wished to protect the American way of life. To achieve this goal, Eisenhower believed that a strategy had to be employed to maintain a balance between the spiritual, economic and military strength of the nation. The way he defined the nature of national security, his view of the internal and external threats

⁵⁴Robert J. McMahon, "Eisenhower and Third World Nationalism: A Critique of the Revisionists", *Political Science Quarterly*, 101, 3 (centennial year, 1886-1986), pp.453-457.

⁵⁵*Ibid.*, pp.455, 471-473.

to it and the means and objectives inherent to the strategies he wished to implement, Immerman argues, stemmed from Eisenhower's firmly held values and beliefs. These values and beliefs, in turn, originated in his past experience. Through the policy process and carefully chosen key officials, Immerman asserts, Eisenhower attempted to achieve policies consistent with strategies designed to maintain national security and adequate for the specific situation.⁵⁶

The recent historiography on the Eisenhower administration was the main influence on the approach taken in this thesis. But my methodology has also been directed by the various theories being used in the study of American foreign relations. In particular, I have been influenced by the realist school of thought which advocates a nation's foreign policy is a product of the situation in the international environment, and the constant search by nations for security.⁵⁷ But I agree with historians, including William Appleman Williams, Richard Immerman, Michael Hunt and Akira Iriye, who stress the importance of individual's views, values and systems of belief. Individuals, these historians argue, use their belief systems to interpret the external environment, to define the interests of the United States within it and to determine the tactics necessary to secure American interests.⁵⁸ My methodology has also been influenced by recent work which emphasises the role of bureaucracies. The approach draws attention to the fact that

⁵⁶Richard H. Immerman, "Confessions of an Eisenhower Revisionist: An Agonizing Reappraisal", *Diplomatic History*, 14, 3 (Summer, 1990), pp.321-325, 327-329, 335-342.

⁵⁷ For a summary of this approach see Stephen Pelz, "Balance of Power" in Michael J. Hogan and Thomas G. Paterson, eds, *Explaining the History of American Foreign Relations* (New York, 1991), p.112.

⁵⁸ Richard H. Immerman, "Psychology", *The Journal of American History*, 77, 1 (June 1990), pp.171-172; William Appleman Williams, *The Tragedy of American Diplomacy* (Cleveland, 1959), p.20; Michael H. Hunt, "Ideology", *The Journal of American History*, 77, 1 (June 1990), pp.108-109, 114; Akira Iriye, "Culture", *The Journal of American History*, 77, 1 (June 1990), pp.100-101.

various bureaucracies within the United States government often have different views on a particular issue, but each bureaucracy needs to have authority within the administration if their view is to prevail.⁵⁹

III

Research in Eisenhower's pre-presidential and presidential papers found that Eisenhower's strategy for maintaining national security determined his policy towards development in Latin America and sub-Saharan Africa. Eisenhower saw two main threats to national security, Soviet Communism and increased government spending. Eisenhower believed that the Soviet Union would gradually take over the free world. To meet this threat, Eisenhower wanted to extend economic assistance to countries supporting defence establishments on the periphery of the Communist bloc. At the same time, he believed that government expenditures should be limited. The American way of life, Eisenhower asserted, would be threatened if taxes and inflation increased. He argued that the United States could not afford to extend economic assistance for development, and would not need to. The free enterprise system, Eisenhower declared, would suffice to promote development in the emerging Third World. In turn, development through the free enterprise system would lead to the economic and spiritual strength required to prevent Soviet infiltration, and ensure American access to markets and raw materials.

⁵⁹ J. Garry Clifford, "Bureaucratic Politics", *The Journal of American History*, 77. 1 (June 1990), p.161.

Eisenhower's presidential papers and government records reveal that, within the first weeks of his presidency, Eisenhower acted to ensure that his administration carried out his strategy for national security. He selected cabinet officials carefully, reorganised the formal process of policy formulation, conducted and directed reviews of basic national security policy and used the budget procedure to restrict foreign economic aid to the Soviet periphery. These actions effectively restricted foreign aid to the purpose of assisting countries supporting defence establishments, and gained agreement on this issue among Eisenhower's key officials. But other members of the administration did not agree with Eisenhower's reliance on the free enterprise system to meet development demands in the emerging Third World. State Department records reveal that key officials concerned with Latin America and sub-Saharan Africa in this organisation argued that a failure to extend grant assistance, and employ other measures to promote development, would harm relations between the United States and the regions. They attempted to change the administration's approach. But Eisenhower's formal and informal processes of policy formulation were designed to ensure that the key elements of Eisenhower's strategy for maintaining national security prevailed. In the period 1955 to 1957, Eisenhower's special adviser C.D. Jackson and members of the Policy Planning Staff argued that the administration needed to fight Communist subversion by extending development assistance throughout the less developed regions. Dulles agreed but he remained committed to Eisenhower's fundamental belief that maintaining national security entailed protecting the economic well-being of Americans. As a result, Dulles only partly supported his subordinates' position. He convinced Eisenhower to make assistance for

development a part of the grand strategy to maintain national security, but only for those nations closest to the Soviet threat. Latin America and sub-Saharan Africa did not benefit from the change in policy.

The evidence indicates that C. Douglas Dillon brought about the change in development policy towards Latin America and sub-Saharan Africa after 1958. Dillon thought that the United States should assist development in the less developed regions, not just to prevent Soviet subversion, but to promote democracy. He believed that the people of the emerging Third World would resort to totalitarian forms of government if their immediate needs were not met. These governments would abandon the free enterprise system and use controlled forms of production. Dillon could influence the views of Eisenhower and Dulles because the President and his secretary trusted Dillon's judgement, Dillon shared many of their beliefs, he held authority within the administration and his views were supported by influential individuals within the public sphere. In addition, events occurring in Latin America and sub-Saharan Africa validated his opinions.

PART ONE

1952 - APRIL 1954



CHAPTER ONE

EISENHOWER AND THE MAINTENANCE OF NATIONAL SECURITY, 1952 - MARCH 1954

I

By the time Eisenhower became the President of the United States, he held firm views on the threats to national security and the strategy necessary to maintain it.¹ Eisenhower's views were formed from limited experiences. In particular, Eisenhower's pre-presidential positions had been military in nature, and concerned with the threat of international Communism. Eisenhower's strategy for maintaining national security reflected his limited experience. He perceived the Soviet Union to be the only external threat to the security of the United States. He opined that the United States needed to expend resources to secure the free world. However, he asserted that national security would not be maintained if the economic and spiritual strength of the United States was sacrificed to military preparedness. As a result, Eisenhower argued that the United States needed to rely on tactics such as the Mutual Security Program (MSP). This programme involved extending military, economic and technical assistance to the free world. But Eisenhower wanted expenditures within this programme to be restricted. Economic assistance would only be extended to nations supporting defence establishments on the Soviet periphery. In countries not burdened with military

¹Immerman, "Confessions", p.323.

expenditures, Eisenhower asserted, the free enterprise system would provide economic strength. Increased trade and private investment would lead to development. The United States could not afford to send aid. Within Eisenhower's strategy for maintaining national security, therefore, Latin America and sub-Saharan Africa would not receive economic assistance.

On being elected to the presidency, Eisenhower acted to ensure that his administration implemented his strategy for maintaining national security. He chose his members of cabinet carefully, particularly his secretary of state John Foster Dulles. He reorganised the formal process of foreign policy formulation, and immediately conducted a review of basic national security policy. The outcome of this review dictated expenditures within the budgets for fiscal years 1954 and 1955. Eisenhower continued to review basic national security policy throughout 1953, to ensure the allegiance of his key cabinet officials and Congress to his grand strategy for maintaining national security. By March 1954, Eisenhower had gained consensus at the highest levels of the administration that the free capitalist system would provide economic strength in those areas not immediately threatened by Soviet Communism.

II

Eisenhower and National Security

As President-elect, Eisenhower believed that the Soviet Union posed the only external threat to the security of the United States. Immediately after the

Second World War, Eisenhower asserted that co-operation between the United States and the Soviet Union was possible.² However, by early 1947 he had changed his mind. Soviet repression in eastern Europe, crises in Iran, Greece and Turkey, and the growing pessimism within Washington, convinced Eisenhower that the Soviet Union sought world domination.³ He did not believe that the Soviet Union would resort to global war. In the nuclear age, no one could win such a confrontation. Rather, he believed that the Soviets would use other tactics, particularly subversion, to take over the free world gradually.⁴

Eisenhower's view of the Soviet threat only partly determined the tactics which he thought were necessary to contain the Soviet Union. He also believed that there were internal threats to national security. He perceived these internal threats because he believed that maintaining national security meant protecting the American way of life.⁵ To achieve this goal, Eisenhower asserted that a balance needed to be maintained between military, economic and spiritual strength.⁶ To Eisenhower, ensuring prosperity, spiritual strength and, ultimately, democracy entailed providing the conditions necessary for the free enterprise system to thrive.⁷

²Stephen E. Ambrose, Eisenhower: Soldier, General of the Army, President-Elect (New York, 1983), pp.400-401, 447-449; Chester J. Pach, Jr, and Elmo Richardson, The Presidency of Dwight D. Eisenhower revised ed (Lawrence, Kansas, 1991), p.12; Letter Eisenhower to Henry Agard Wallace, 28 August 1945, Alfred D. Chandler, Jr, and Louis Galambos, ed., The Papers of Dwight David Eisenhower (Baltimore and London, 1978), volume VI, pp.314-315. (hereafter cited as DDEP with volume number. Volumes VII to XIII are published solely by Louis Galambos.).

³Ambrose, Eisenhower: Soldier, pp.450-452, 468; Pach and Richardson, Presidency, p.12.

⁴Immerman, "Confessions", p.334; Pach and Richardson, Presidency, p.12; Letter Eisenhower to Bernard Mannes Baruch, 30 June 1952, DDEP, XIII, p.1263; Letter Eisenhower to George Arthur Sloan, 20 March 1952, DDEP, XIII, pp.1098-1099; Letter Eisenhower to President Harry S. Truman, 16 December 1950, DDEP, XI, p.1488.

⁵Immerman, "Confessions", pp.327-329; Eisenhower diary entry, 22 January 1952, DDEP, XIII, p.897; Letter Eisenhower to Edward Everett Hazlett, Jr, 12 September 1950, DDEP, XI, p.1312.

⁶Immerman, "Confessions", p.328; Letter Eisenhower to Lucius Du Bignon Clay, 9 February 1952, DDEP, XIII, pp.963-964; Letter Eisenhower to George Arthur Sloan, 20 March 1952, DDEP, XIII, p.1100.

⁷Immerman, "Confessions", p.328; Iwan W. Morgan, "Eisenhower and the Balanced Budget", in Shirley Anne Warshaw, ed., Reexamining the Eisenhower Presidency (Westport, Connecticut,

Eisenhower's upbringing in the small mid-western town of Abilene, Kansas, had impressed on him the belief that opportunities for economic success and personal strength lay in the free enterprise system.⁸ He opined that a responsible government should support the free enterprise system by balancing the budget, through decreased spending not increased taxes.⁹ Balanced budgets would prevent inflation.¹⁰ Eisenhower therefore wanted to limit government spending but, at the same time, he stressed that the free enterprise system depended on America's continued access to markets and raw materials.¹¹ As a result, he sought tactics which would not stifle the free enterprise system, and would contain the Soviet Union, thereby ensuring America's access to raw materials and markets.

Eisenhower's 'New Look' strategy, therefore, aimed to contain the Soviet Union at the least cost, and consisted of many tactics. In particular, it involved the use of nuclear weapons. These weapons could be used to deter armed aggression by the Soviets, and strike at the source of the threat.¹² More importantly, as Richard Immerman states, Eisenhower believed that the existence of these weapons

1993), p.121; Richard D. Challener, "The National Security Policy From Truman to Eisenhower: Did the 'Hidden Hand' Leadership Make Any Difference?" in Norman A. Graebner ed., The National Security: Its Theory and Practice, 1945 - 1960 (New York, 1986), p.54; Ambrose, Eisenhower: Soldier, p.513; Letter Eisenhower to George Arthur Sloan, 29 January 1952, DDEP, XIII, p.930; Eisenhower diary entry, 22 January 1952, DDEP, XIII, p.897; Letter Eisenhower to Robert Justus Kleberg, Jr, 18 December 1951, DDEP, XII, p.794.

⁸Ambrose, Eisenhower: Soldier, pp.24-26; Letter Eisenhower to Maud Rogers Hurd, 14 January 1952, DDEP, XIII, p.878.

⁹Ambrose, Eisenhower: Soldier, pp.513-514; Letter Eisenhower to George Whitney, 29 January 1952, DDEP, XIII, p.932

¹⁰Pach and Richardson, Presidency, pp.52-53.

¹¹Immerman, "Confessions", pp.329, 339; Foreword by Louis Galambos in Warshaw, ed., Reexamining the Eisenhower Presidency, p.viii; Letter Eisenhower to Robert Earl McConnell, 29 June 1951, DDEP, XII, p.391; Letter Eisenhower to Earl Dewey Eisenhower, 5 October 1951, DDEP, XII, p.619; Letter Eisenhower to Paul Gray Hoffman, 9 February 1952, DDEP, XIII, p.955; Letter Eisenhower to George Arthur Sloan, 20 March 1952, DDEP, XIII, p.1098.

¹²Charles C. Alexander, Holding the Line: The Eisenhower Era 1952 - 1961 (Bloomington, 1975), pp.68-69; Ambrose, Eisenhower the President, pp.171-172; John Lewis Gaddis, Russia, the Soviet Union and the United States: An Interpretive History (New York, 1990), pp.214-215; John Lewis Gaddis, Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy (New York, 1982), p.147.

served “to remind and drive home to the Soviets the ramifications of the nuclear revolution”.¹³ But Eisenhower feared that the tactic of ‘massive retaliation’ would not work against Soviet subversion.¹⁴ To combat the non-military methods of the Soviets, Eisenhower intended to employ the tactics of alliances, psychological warfare, covert action and, most importantly, the Mutual Security Program.¹⁵ President Harry S. Truman established the Mutual Security Program in December 1951. He abolished the European Cooperation Administration and created the Mutual Security Agency. The military and economic assistance programmes administered by various agencies of the government came under the control of one director. These assistance programmes included technical aid, funds for defence support and economic assistance for development.¹⁶ Eisenhower believed that military assistance could be used by free world nations to resist armed aggression by the Soviets, and fight Soviet subversion. He opined that military assistance would enhance the spiritual strength of nations, thereby helping them to resist internal Soviet aggression. He also supported the use of economic aid to assist nations on the periphery of the Soviet bloc supporting defence establishments. Like the United States, these nations could not sacrifice economic strength to military preparedness.¹⁷ Most importantly, Eisenhower felt that assisting other countries to defend themselves would be cheaper than arming America.¹⁸ In those

¹³Immerman, “Confessions”, p.340.

¹⁴*Ibid.*; Letter Eisenhower to Lucius Du Bignon Clay, 10 April 1952, *DDEP*, XIII, p.1173; Letter Eisenhower to John Foster Dulles, 15 April 1952, *DDEP*, XIII, p.1179; Letter Eisenhower to John Foster Dulles, 20 June 1952, *DDEP*, XIII, p.1254.

¹⁵Immerman, “Confessions”, pp.339, 341; Gaddis, *Strategies of Containment*, pp.147-148, 157; Piers Brendon, *Ike His Life and Times* (New York, 1986), p.257

¹⁶Message Truman to Congress, 6 March 1952, *Public Papers*, 1952, p.182.

¹⁷Immerman, “Confessions”, p.328; Letter Eisenhower to John Foster Dulles, 20 June 1952, *DDEP*, XIII, p.1254; Letter Eisenhower to John Foster Dulles, 15 April 1952, *DDEP*, XIII, p.1179.

¹⁸Cable AP 83964, Eisenhower to Thomas Terry Connally, 6 May 1952, *DDEP*, XIII, pp.1205-1206; Letter Eisenhower to George Arthur Sloan, 20 March 1952, *DDEP*, XIII p.1101.

areas of the free world not under immediate threat of Soviet Communism, he advocated the free enterprise system would provide adequate economic and spiritual strength. The United States, Eisenhower asserted, could not afford to send economic assistance to all regions of the world.¹⁹ In January 1952, Eisenhower declared that

if free enterprise has proved anything, it has proved that, under roughly equal conditions as to resources, people living under it can and will produce and enjoy more of this world's goods than can any other form of society. More important it is to remember that, unless each individual enjoys a maximum degree of economic freedom, his spiritual aspirations will likewise be ignored. All his cherished rights of free speech and free worship will soon disappear.²⁰

Eisenhower argued that the United States only needed to provide small amounts of technical assistance to the areas far removed from the periphery of the Communist bloc. This technical information would help the developing areas to participate in the system of free enterprise.

Eisenhower's grand strategy for maintaining national security determined his policies towards Latin America and sub-Saharan Africa. Latin America would receive military assistance to fight internal Communist subversion, and thereby keep an important source of raw materials and markets open to the United States. In sub-Saharan Africa, the European colonial powers (the metropolises) would secure the region from Soviet infiltration. In addition, the United States Information Agency would operate in both regions to warn of the dangers of Soviet Communism. The free enterprise system would provide the private

¹⁹Kaufman, *Trade and Aid*, p.14.

²⁰Letter Eisenhower to George Arthur Sloan, 29 January 1952, *DDEP*, XIII, pp.929-930.

investment and trade necessary for economic and social development, not economic aid. In sub-Saharan Africa the metropolises would also promote development to prepare their dependent territories for independence. Eisenhower believed that independence for the region was at least twenty five years away.²¹ Latin America, Liberia and the dependent overseas territories of sub-Saharan Africa would receive small amounts of technical assistance. Through these tactics, Eisenhower argued that the economic, spiritual and military strength of the two regions would be assured, and the United States would maintain access to important sources of raw materials and markets.

Eisenhower's tactics towards the less developed regions reflected his limited experience. His previous involvement in the developing nations had always concerned military matters. In 1922 he travelled to Panama to serve under the commander of the 20th Infantry Brigade of the United States in the Panama Canal Zone.²² In the early 1930s he had been stationed in the Philippines, with the task of creating an army.²³ In 1946 Eisenhower made a good will trip to Mexico, Brazil and Panama. At the time, he argued that the Truman administration should supply Latin America with military assistance in the period after the Second World War.²⁴ Such assistance, Eisenhower asserted, would prevent Soviet subversion in Latin America, and ensure the United States access to the region's resources in the event of another war.²⁵ Eisenhower's positions within the Truman administration

²¹Egya N. Sangmuah, "Eisenhower and Containment in North Africa 1956-1960", The Middle East Journal, 44, 1 (Winter 1990), p.78.

²²Ambrose, Eisenhower: Soldier, p.75.

²³Ibid., p.101.

²⁴Rabe, Eisenhower and Latin America, p.27; Memorandum by Eisenhower to Robert Porter Patterson, 26 November 1946, DDEP, VIII, p.1399.

²⁵Memorandum by Eisenhower to the Joint Chiefs of Staff, 10 May 1947, DDEP, VIII, pp.1700-1701.

included military consultant to the secretary of defence, informal chairman of the Joint Chiefs of Staff and, from January 1951, head of the North Atlantic Treaty Organization (NATO). These positions involved using tactics on the periphery of the Communist bloc to combat the Soviet threat. Eisenhower did not participate in the development of policies by the Truman administration concerning the needs of the less developed regions. He had no involvement in the deliberations which led to increasing the lending authority of the EXIM Bank to meet demands for development assistance in Latin America. Eisenhower was not involved in the establishment of the Point Four Program. Nor did he have access to the report on foreign economic policies by Gordon Gray in 1950. Gray warned that a failure to extend economic assistance to the less developed regions would result in anti-Americanism, and urged that the focus of aid change from purely military to economic.²⁶ Eisenhower's limited pre-presidential experiences did not educate him on such matters.

Eisenhower's past experiences, values and beliefs meant that he thought the United States should restrict foreign aid expenditures. But domestic political concerns also motivated this decision. Eisenhower knew that the conservative wing of the Republican party, the Old Guard, disapproved of foreign aid programmes. In particular, senator Robert Taft wanted all expenditures, including foreign aid, to be reduced.²⁷ Most republicans in Congress wanted Eisenhower to decrease foreign aid and rely on nuclear weapons to defend America.²⁸

²⁶Gordon Gray, "Report to the President on Foreign Economic Policies", undated, Report to the President on Foreign Economic Policies-Draft, box 25, Staff Member and Office Files, Office Files of Gordon Gray as Special Assistant to the President, RG 286, TP, TL.

²⁷ Ambrose, Eisenhower the President, pp.47, 86-87.

²⁸ Ibid., p.91.

The antagonism towards the foreign aid programmes of the United States extended beyond the Republican party. Individuals within the Democratic party, and within American society generally, found it difficult to understand why the United States should extend economic assistance throughout the world. Eisenhower had to work tirelessly throughout his presidency to inform the American public of his view that American security was dependent on the military and economic strength of United States allies. This argument could support foreign assistance being sent to the nations close to the Soviet bloc, but not to nations far removed from the Soviet threat.

III

John Foster Dulles and National Security

On being elected, Eisenhower immediately acted to ensure that his administration carried out his grand strategy for maintaining national security. He selected individuals to be key cabinet officials who agreed with his assessment of the external and internal threats to the nation.²⁹ In particular, Eisenhower wanted a secretary of state who shared his determination to use tactics which would contain the Soviet Union without stifling the free enterprise system within the United States. Eisenhower chose John Foster Dulles.

²⁹Pach and Richardson, eds, *Presidency*, pp.29, 33; Douglas Kinnard "Civil-Military Relations: The President and the General", in Graebner, ed., *The National Security*, p.201; Richard M. Nixon, *Six Crises* (London, 1962), p.140; Milton S. Eisenhower, *The President is Calling* (Garden City, N.Y., 1974), p.256.

In 1952, Dulles agreed with Eisenhower that the Soviet Union sought world domination.³⁰ Dulles did not hold these views at the close of the Second World War. During and immediately after the war, Dulles believed that the Soviet Union would expand its influence in eastern Europe at the close of the conflict. But he viewed this as the rational behaviour of a nation state, not the act of a country driven by an ideological crusade to dominate the world.³¹ However, Dulles had held a fear of Bolshevism since his participation in the administration of Woodrow Wilson. In the period 1917 to 1919, Ronald Pruessen asserts that “he had witnessed and shared the first reactions to the Bolshevik Revolution”. During this time, Pruessen argues, Dulles was “surrounded ...by men who felt revulsion at the violence and chaos associated with the communists”.³² Soviet actions in the immediate postwar period reaffirmed Dulles’ early view of the Soviets as dangerous revolutionaries. Dulles experienced the growing pessimism in Washington as events in eastern Europe, Germany and Iran unfolded. His contact with representatives from the Soviet Union at the San Francisco Conference, the London meeting of the Council of Foreign Ministers and the first session of the General Assembly of the United Nations, led him to question the possibility of future co-operation with the Soviets.³³ By spring 1946, Dulles viewed the Soviets as ideologically driven revolutionaries.³⁴ At this time, he divided the world into

³⁰Address by Dulles before the World Affairs Council of Seattle, Untitled, 18 September 1952, 1952 (Sa-So), Selected Correspondence and Related Material (hereafter cited as SCRM), box 64, John Foster Dulles Papers (hereafter cited as JFDP), Seeley G. Mudd Manuscript Library, Princeton (hereafter cited as ML), p.1; Address by Dulles before the National Farm Institute, Iowa, “Foreign Policy and the National Welfare”, 16 February 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.1.

³¹Ronald W. Pruessen, John Foster Dulles: The Road to Power (New York, 1982), pp.268-272.

³²Ibid., p.267.

³³Ibid., pp.276-277, 293.

³⁴Ibid., p.285; Article by Dulles, “Thoughts on Soviet Foreign Policy and What to do About it”, part 1, 1946 (A-E), SCRM, box 28, JFDP, ML, pp.1-4.

three sections, based on the threat of Soviet Communism. The “Inner Zone” consisted of the countries already subjugated by the Soviet Union.³⁵ Countries “not yet ripe for incorporation into the U.S.S.R., but...close enough...to be amenable to the influence of Soviet military power” made up the “Middle Zone”.³⁶ The “Outer Zone” consisted of areas “sufficiently distant physically, from Soviet land power so that ‘friendly’ governments cannot be achieved by direct power methods”.³⁷ Latin America and sub-Saharan Africa fell into this category. In the colonial areas, Dulles asserted that the Soviets would co-opt nationalist movements, and incite them to revolution. In Latin America, the Communists would use economic grievances to infiltrate the region, and destroy solidarity with the United States.³⁸ Dulles agreed with Eisenhower that the Soviets would not risk their own security by initiating a global war.³⁹ They would use diverse tactics to take over the free world gradually.

Dulles believed that the Soviet Union had to be contained, because the security of the United States depended on ensuring access to raw materials and markets.⁴⁰ Dulles’ career as an international business lawyer had instilled in him the view that American security depended on maintaining access to the markets and raw materials of the world.⁴¹ Dulles opined that the Soviets would defeat the

³⁵ Article by Dulles “Thoughts on Soviet Foreign Policy and What to do About it”, part I, 1946 (A-E), SCRM, box 28, JFDP, ML, pp.4-5.

³⁶ *Ibid.*, p.6.

³⁷ *Ibid.*, p.8.

³⁸ *Ibid.*, pp.8-9, 11.

³⁹ Article by Dulles, “How We Can Have Peace with Russia”, 25 September 1946, 1946 (A-E), SCRM, box 28, JFDP, ML, p.1.

⁴⁰ Pruessen, John Foster Dulles, p.337; Speech by Dulles at the Annual dinner of the Advertising Council, “Can We Stop Russian Imperialism?”. 27 November 1951, 1951 (Sa-Re Speeches), SCRM, box 55, JFDP, ML, pp.2-3; Address by Dulles at Colegate University Conference on American Foreign Policy. Untitled, 7 July 1950, 1950 (S-T), SCRM, box 50, JFDP, ML, p.1; Address by Dulles before the Bond Club of New York, “The Defense of Freedom” 6 May 1948, 1948 (R-T), SCRM, box 38, JFDP, ML, p.10.

⁴¹ Pruessen, John Foster Dulles, pp.18-19, 79, 134, 150, 207, 500-501.

West through a strategy of “encirclement”. They would target the less developed regions, particularly Asia, and slowly deprive the “hard core of the West” of the means of survival.⁴² Dulles also agreed with Eisenhower that the United States could not sacrifice economic and spiritual strength to containing the Soviet threat through military means.⁴³ This concern, along with his view of the Soviet threat, influenced the nature of the tactics Dulles believed should be employed by the United States. In 1952, Dulles outlined the concept of massive retaliation.⁴⁴ But he agreed with Eisenhower that this tactic alone would not be adequate. The United States would also have to use alliances, good will trips, propaganda, military assistance, economic aid and covert operations.⁴⁵

Dulles shared Eisenhower’s view that economic aid should be limited to providing defence support to the areas closest to the Soviet bloc, and extending technical assistance to the less developed regions.⁴⁶ He agreed with Eisenhower that welfare stifled personal initiative and spiritual strength, and that the United States could not afford to assist the entire free world.⁴⁷ In 1948, Dulles declared that

⁴²Address by Dulles, Untitled, 18 September 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.1; Address by Dulles at the annual award dinner of the New York Board of Trade, “Foreign Policy Making”, 14 October 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, pp.1-2.

⁴³Frederick W. Marks III, *Power and Peace: The Diplomacy of John Foster Dulles* (Westport, Connecticut, 1993), pp.133-134; Address by Dulles, Untitled, 18 September 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.3; Address by Dulles, “The Defense of Freedom”, 6 May 1948, 1948 (R-T), SCRM, box 38, JFDP, ML, p.7.

⁴⁴Pruessen, “John Foster Dulles and the Predicaments of Power”, p.32.

⁴⁵*Ibid.*, p.24; Address by Dulles, “Foreign Policy Making”, 14 October 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, pp.4-5; Address by Dulles, Untitled, 18 September 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, pp.3-4; Address by Dulles, “The Defense of Freedom”, 6 May 1948, 1948 (R-T), SCRM, box 38, JFDP, ML, pp.9-10; Article by Dulles, “Thoughts on Soviet Foreign Policy and what to do About It”, Part II, 1946 (A-E), SCRM, box 28, JFDP, ML, pp.29-30.

⁴⁶Address by Dulles, “Foreign Policy Making”, 14 October 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, pp.5-6; Address by Dulles, “Foreign Policy and the National Welfare”, 16 February 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.4.

⁴⁷Address by Dulles, “Foreign Policy and the National Welfare”, 16 February 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.2; Speech by Dulles, “Can We Stop Russian Imperialism?”, 27

there are many areas where economic aid will not stop communism at all because it would merely keep people alive on a pitiful dole. That may be humanitarian, but to keep people alive, without hope or self-respect, is merely to provide recruits for communism. So, while foreign economic aid is an important element in our defense, it is no more all-sufficient than is a military establishment.⁴⁸

Dulles believed that international capitalism would provide the United States with vital raw materials and markets, promote economic and spiritual strength in the less developed regions, and help to prevent conflict between nations.⁴⁹ Dulles' contact with the less developed regions of the world had been limited. In 1917, he travelled to Central America for his uncle, Robert Lansing, to ensure that the countries involved with the Panama Canal supported the allies in the war.⁵⁰ Before the First World War and in the 1920s, Dulles undertook a small amount of legal work concerning Latin America.⁵¹ But, during his long career as a lawyer, Dulles focused on Europe.⁵² At the San Francisco Conference after the Second World War and in sessions of the United Nations General Assembly in January 1946 and April 1949, Dulles participated in the discussions about the colonial areas. But his concerns lay with the European powers. He advocated a slow movement towards independence for the dependent territories, and supported the trusteeship system.⁵³

November 1951, 1951 (Sa-Re) speeches, SCRM, box 55, JFDP, ML, p.2; Paper by Dulles, Untitled, 15 August 1947, 1947 (A-D), SCRM, box 31, JFDP, ML, p.8.

⁴⁸Address by Dulles, "The Defense of Freedom", 6 May 1948, 1948 (R-T), SCRM, box 38, JFDP, ML, pp.6-7.

⁴⁹Address by Dulles, "Foreign Policy and the National Welfare", 16 February 1952, 1952 (Sa-So). SCRM, box 64, JFDP, ML, p.4, Pruessen, *John Foster Dulles*, pp.165-167, 169-170, 174, 176.

⁵⁰*Ibid.*, p.22.

⁵¹*Ibid.*, pp.17, 67; Beal, *John Foster Dulles*, p.57.

⁵²Pruessen, *John Foster Dulles*, pp. 18, 68; Immerman, "Introduction", p.18.

⁵³Pruessen, *John Foster Dulles*, pp.251, 409-410, 425-426; Speech by Dulles before the Committee of Direction of the Commission on a Just and Durable Peace, 16 January 1947, 1947 (E-O), SCRM, box 32, JFDP, ML.

Both Eisenhower and Dulles, therefore, wished to continue Truman's policies towards the colonial areas. During the Second World War, President Franklin D Roosevelt had supported the end of colonial rule and self determination for the dependent territories. But Truman feared that the Soviet Union would take advantage of the end of colonial rule, and extend its sphere of influence into the newly independent nations. The Truman administration, therefore, supported the colonial powers, including the French return to Indochina.⁵⁴

Dulles agreed with the fundamental aspects of Eisenhower's grand strategy for maintaining the national security. But, as he entered the Eisenhower administration, he held one reservation about relying on the capitalist system to promote economic strength in the free world. Dulles did not doubt that private foreign investment would lead to development. However he feared that the amount of foreign investment in the less developed regions would be limited in the post Second World War era, because of the risks involved. Expropriation and political instability, Dulles believed, made these areas unattractive for foreign investors. Dulles opined that governments would have to play a larger role in developing these regions.⁵⁵ In 1952, Dulles believed that the extension of technical assistance would suffice. But, as Soviet economic activity in the less developed regions increased, his concerns about the lack of foreign investment would later lead him to convince Eisenhower of the need to use economic assistance to promote development.

⁵⁴ H. W. Brands Jr, The Specter of Neutralism: The United States and the Emergence of the Third World, 1947-1960 (New York, 1989), p.52.

⁵⁵ Address by Dulles, "Foreign Policy Making", 14 October 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.3; Interview with Dulles, 29 June 1949, 1949 (N-Senate Activities), SCRM, box 43, JFDP, ML, p.8; Letter Dulles to Christian Herter, 13 April 1949, 1949 (D-J), SCRM, box 41, JFDP, ML.

Eisenhower and Dulles were aware of the nationalism sweeping through the emerging Third World. In 1944, Dulles asserted that “nationalism is the most powerful force in the world today”.⁵⁶ In January 1953, Eisenhower declared that “Nationalism is on the march”.⁵⁷ Both men understood that the people of the less developed regions sought an increased standard of living. But neither man believed that aspirations for development alone threatened the security of the United States. Eisenhower and Dulles opined that it was important for the United States to fulfil demands for development only because dissatisfied people could be easily subverted by the Soviet Union.⁵⁸ In 1952, both men agreed that the capitalist system, small amounts of technical assistance and the metropolises would ensure economic strength in Latin America and sub-Saharan Africa without harming the welfare of the people of America.

IV

Eisenhower and Organising for National Security

Eisenhower did not rely on his selection of key cabinet officials alone to ensure that the administration implemented his strategy for maintaining national security. He also reorganised various agencies to ensure that his views prevailed. In particular, Eisenhower established a formal system of foreign policy formulation,

⁵⁶Draft of a paper by Dulles, “Concerning Foreign Policy”, 26 January 1944, 1943 (O-Z), SCRM, box 23, JFDP, ML, p.11.

⁵⁷Eisenhower diary entry, 6 January 1953, Robert H. Ferrell, ed., *The Eisenhower Diaries* (New York, 1981), p.223.

⁵⁸*Ibid.*; Address by Dulles, “Foreign Policy and the National Welfare”, 16 February 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.2; Address by Dulles, Untitled, 18 September 1952, 1952 (Sa-So), SCRM, box 64, JFDP, ML, p.3.

designed to maximise his input and to ensure that his strategy for maintaining the national security influenced the decisions reached.⁵⁹

Eisenhower made the National Security Council (NSC) the central focus of his formal process of foreign policy formulation. The Truman administration established the NSC in 1947, as part of the National Security Act. The purpose of the NSC was to gain co-operation between the military, domestic and diplomatic organisations within the government, to obtain an integrated approach towards maintaining national security.⁶⁰ The advent of the Cold War was the immediate reason for the establishment of the NSC. But the experience of the United States in the Second World War also contributed to its creation. The bombing of Pearl Harbour had indicated that advances in technology made the United States vulnerable to attack.⁶¹ Total war had forced independent organisations to cooperate in new ways.⁶² Initially, the members of the NSC included the President, secretaries of state, defense, army, air, and navy, and the chairman of the National Security Resources Board.⁶³ In 1949, Truman formally placed the NSC within the executive office of the President and reconsidered its membership. He removed the secretaries of the three military services and the chairman of the National Security Resources Board, and added the vice president, the chairman of the Joint Chiefs of Staff, and the Director of Central Intelligence as statutory advisers.⁶⁴ Truman did

⁵⁹Immerman, "Confessions", pp. 321, 335; Douglas Kinnard "Civil-Military Relations: The President and the General" in Graebner, ed., National Security, pp.201-202.

⁶⁰Challener "The National Security Policy from Truman to Eisenhower", p.39.

⁶¹Ibid., p.42.

⁶²John Prados, Keepers of the Keys: A History of the National Security Council From Truman to Bush (New York, 1991), p.29.

⁶³U.S. Congress, Senate, Final Report of the Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Senate Report 94-755, 94th Congress, Second Session, Book VI, (Washington DC, 1976), p.245.

⁶⁴Prados, Keepers of the Keys, p.31.

not use the NSC much initially. Of the first 36 meetings, he attended only six, and, of these, sat through three.⁶⁵ Only from mid-1950, at the time of the Korean War, did Truman begin to meet regularly with the council.⁶⁶

Under Truman, therefore, the NSC did not become the centre of foreign policy formulation. In its early years, the State Department dominated the council.⁶⁷ Usually the State Department wrote the papers that were sent to the staff of the NSC. A representative of the State Department co-ordinated the NSC staff. The staff merely reviewed the paper and sent it back to the departments concerned for consideration by senior officials. Then the paper was sent to the NSC.⁶⁸ In 1950, Truman instructed that each department involved in the NSC had to appoint an individual to become a member of the senior staff. This staff would be co-ordinated by an executive secretary of the NSC, not the State Department.⁶⁹ Eisenhower agreed with Truman that the NSC should not be dominated by the State Department. He wanted foreign policy to be formulated within the context of his grand strategy for maintaining national security. To ensure that domestic economic concerns influenced each decision, Eisenhower invited the secretary of the Treasury and the director of the Bureau of the Budget to attend. Eisenhower expected these two individuals to stress the importance of safeguarding the American economy during every discussion.⁷⁰ From 20 July 1953, the Bureau of

⁶⁵Challener, "The National Security Policy From Truman to Eisenhower", p.45.

⁶⁶*Ibid.*, p.45.

⁶⁷I.M. Destler "The Presidency and National Security Organization" in Graebner, ed., National Security, p.228.

⁶⁸Anna Kasten Nelson, "The 'Top of Policy Hill': President Eisenhower and the National Security Council", Diplomatic History, 7, 4 (Fall 1983), p.309.

⁶⁹*Ibid.*

⁷⁰Dwight D. Eisenhower, The White House Years: Mandate For Change 1953-1956 (London, 1963), pp.131, 447; Elmo Richardson, The Presidency of Dwight D. Eisenhower (Lawrence, Kansas, 1979), p.63.

the Budget had to provide the NSC with an estimated cost of each policy under consideration.⁷¹ Eisenhower also invited the director of the Mutual Security Program to attend, to ensure that the NSC influenced foreign aid expenditures.⁷² To increase presidential control over the council, Eisenhower replaced the secretariat of the NSC with a special staff in the executive office of the President, and appointed a special assistant to the President for national security affairs.⁷³ This special assistant was the executive officer at NSC meetings, and chaired meetings of the Planning Board, which replaced the senior staff.⁷⁴ Eisenhower made the NSC the main forum for foreign policy formulation by attending regularly. The NSC met 366 times during Eisenhower's presidency, and Eisenhower presided over 339 of the meetings.⁷⁵ In September 1953, Eisenhower created the Operations Coordinating Board (OCB). The board consisted of representatives from the departments and agencies involved in the NSC. The role of the OCB was to coordinate the implementation of policies formulated by the NSC.⁷⁶

Eisenhower believed that the multi-departmental membership of the NSC would ensure that his strategy for maintaining national security influenced each

⁷¹Eisenhower, Mandate For Change, p.132; Memorandum by Eisenhower's special assistant for national security affairs Robert Cutler and the director of the Bureau of the Budget Joseph Dodge to Eisenhower, 20 July 1953, Dodge, Joseph M. 1952-53 (3), box 12, Administration Series, Papers of Dwight D. Eisenhower as President, 1953-61, Ann Whitman File, (hereafter Eisenhower's Presidential Papers, otherwise known as the Ann Whitman File, will be cited as AWF), Eisenhower Library (hereafter cited as EL).

⁷²Prados, Keepers of the Keys, p.62.

⁷³Nelson, "Policy Hill", p.309.

⁷⁴Ibid.

⁷⁵Fred I. Greenstein, The Hidden Hand Presidency: Eisenhower As Leader (New York, 1982), p.124.

⁷⁶Anna K. Nelson "The Importance of Foreign Policy Process: Eisenhower and the National Security Council" in Günter Bischof and Stephen E. Ambrose, eds, Eisenhower: A Centenary Assessment (Baton Rouge and London, 1995), p.113; Robert Ellsworth Elder, The Policy Machine: The Department of State and American Foreign Policy (Syracuse, N.Y., 1960), p.14.

foreign policy decision. The department primarily responsible for the policy in question would draft a policy paper. The Planning Board, under the direction of his special assistant for national security affairs, would then review the policy paper for the consideration of the NSC. The board consisted of officials from each of the departments and agencies represented on the NSC. Any disagreements between departments would be included in the papers as splits.⁷⁷ The council itself consisted of Eisenhower's carefully chosen key officials. Eisenhower anticipated that representatives from the State and Defense Departments would support expenditures essential for maintaining national security. Officials from the Treasury Department and the Bureau of the Budget would fight for a balanced budget. In this way, unnecessary expenditures would be debated, and either eradicated or maintained, depending on Eisenhower's point of view. During meetings of the NSC, these officials merely advised Eisenhower. The President always made the final decision.⁷⁸

Eisenhower supplemented this formal process of foreign policy formulation with an informal system. Often he would meet with small groups of his key advisers in the Oval Office. These meetings usually concerned specific operational decisions.⁷⁹ Eisenhower discussed foreign policy issues constantly with his secretary of state John Foster Dulles.⁸⁰ Sometimes he sought the advice of individuals outside the administration. But one element remained constant.

⁷⁷Prados, *Keepers of the Keys*, p.70.

⁷⁸Peter Lyon, *Eisenhower: Portrait of the Hero* (Boston and Toronto, 1974), p.504.

⁷⁹Nelson, "The Importance of Foreign Policy Process", p.113; Destler "The Presidency and National Security Organization", p.232.

⁸⁰Nelson, "Policy Hill", pp.312, 324; Oral History (hereafter cited as OH) #102, Robert R. Bowie. EL, p.17.

Eisenhower dominated both the formal and informal processes of foreign policy formulation.

Eisenhower reorganised two other agencies within the administration in 1953, to ensure that national security considerations prevailed. In June, Eisenhower transmitted to Congress plans to establish the Foreign Operations Administration (FOA). Through the establishment of this agency, Eisenhower sought to control foreign aid expenditures. The new organisation replaced the Mutual Security Agency, which was responsible for the Mutual Security Program, and other organisations concerned with foreign assistance, including the Technical Cooperation Administration and the Institute of Inter-American Affairs.⁸¹ With the establishment of the FOA, foreign economic and military aid, and technical assistance became centralised in one organisation. Eisenhower directed that the head of the new organisation would obtain foreign policy guidance from the secretary of state, but would be solely responsible for the operating details of the aid programme.⁸²

Finally, Eisenhower reorganised the EXIM Bank. Eisenhower wanted the bank to expand overseas markets for the United States, by assisting the movement of American goods and services abroad, and to procure the raw materials needed by American industries. He disapproved of the action of the Truman administration which had expanded the role of the bank to providing soft loans for development. He wanted the bank to be run on strict banking principles, extending sound loans only. In April 1953, Eisenhower sent plans to reorganise the bank to

⁸¹Eisenhower to Congress, 1 June 1953, Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953 (hereafter cited as Public Papers with year), pp.344-345.

⁸²Memorandum by Eisenhower to the heads of all executive departments and the director for mutual security, 1 June 1953, Public Papers, 1953, pp.351, 353-354.

the Congress. He recommended that the board of directors of the bank be replaced with a managing director, a deputy director and an assistant director. And he asked that the President be allowed to appoint the managing director. The director would be responsible for general operations, but would receive general guidance from the National Advisory Council on International Monetary and Financial Problems (NAC).⁸³ The secretary of the Treasury chaired the NAC. The Congress approved Eisenhower's plan. In September 1953, Eisenhower supported a proposal by the secretary of the Treasury to limit the bank's operations to sound loans, for the purpose of expanding trade. Only the International Bank for Reconstruction and Development would provide loans for development.⁸⁴ Restricting the lending operations of the EXIM Bank was part of Eisenhower's general policy in 1953 of decreasing government expenditures and moving towards a balanced budget.⁸⁵

V

Eisenhower, Reviewing Basic National Security Policy and the Budget

In 1953, Eisenhower used his formal and informal systems of policy formulation to conduct a review of basic national security policy. This process educated his key subordinates on the details of his strategy for maintaining national

⁸³Eisenhower to Congress, *DSB*, 13 July 1953, XXIX, 733, pp.49-50.

⁸⁴Memorandum of discussion, including secretary of state John Foster Dulles, secretary of the Treasury George M. Humphrey, secretary of Commerce Sinclair Weeks, director of the MSP Harold E. Stassen, held on 30 September 1953, 1 October 1953, 1953 (F-H), SCRM, box 70, JFDP, ML.

⁸⁵OH, John Moors Cabot, John Foster Dulles Oral History Collection (hereafter cited as JFDOHC), ML, p.3.

security, and gained their support.⁸⁶ In particular, he wanted key members of his administration to see the merits of the MSP, but to concur with the need to limit expenditures within this programme. He directed his key advisers to conclude that private investment abroad and increased trade would meet economic needs in areas not under direct threat of Soviet Communism. Economic aid would only be extended to areas supporting defence establishments on the periphery of the Soviet bloc. In addition, the review of basic national security policy established expenditures within the budgets for fiscal years 1954 and 1955. These budgets included the amount of foreign aid within the Mutual Security Program. By the end of 1953, Eisenhower had established the geographic direction and amounts of foreign aid that the United States would send throughout the world until mid-1955.

As President-elect, Eisenhower began to discuss his grand strategy for maintaining national security with his newly appointed key officials. In December 1952, he fulfilled a pre-election promise by travelling to Korea. During the return journey, he discussed with his advisers the “practical means of reducing planned expenditures without reducing the nation’s security or prospects for prosperity”.⁸⁷ As President, Eisenhower continued these discussions within the NSC. On 6 February, he initiated a review of basic national security policy. He advised the members of the council that the most recent national security policy statements of the Truman administration would be discussed at a meeting on 11 February.⁸⁸ From the beginning of the formal review procedure, Eisenhower directed his key advisers towards the conclusions that he wanted them to reach. He sent the

⁸⁶ Immerman, “Confessions”, p.321.

⁸⁷ Eisenhower, *Mandate For Change*, p.96.

⁸⁸ Memorandum by executive secretary of the NSC James S. Lay, Jr to NSC, 6 February 1953, *FRUS*, 1952-1954, II, 1, p.223.

members of the council summaries of the Truman administration's policies on national security, and a list of questions that Eisenhower wanted his officials to address. Eisenhower circulated the summaries of Truman's national security policies because the final policy paper, NSC 141, echoed his own beliefs. At the NSC meeting on 11 February, Eisenhower told his subordinates that NSC 141 was a valuable "legacy".⁸⁹ By 1952, the Truman administration had reconsidered most of the ideas expressed in NSC 68. The policy statement, NSC 68, had been adopted by the Truman administration in 1950. The document asserted that the United States needed to employ all possible tactics to defeat the Soviet Union.⁹⁰ It argued that the American economy could continually expand to meet the costs. Faced with high taxes and escalating costs, Truman began a review of resources in relation to national security on 4 September 1952. He directed his secretaries of state and defense, and the director of the Mutual Security Program to conduct the review.⁹¹ The resulting policy statement, NSC 141, outlined the tactics necessary to maintain national security. It stated that resources should be directed towards safeguarding the United States from nuclear attack. It recommended that military assistance and economic aid for defence support should be sent to certain countries in Europe, the Middle and Far East and South Asia.⁹² The questions circulated by Eisenhower along with the summaries of past policy statements, also supported the idea that economic grant aid should only be used to help nations supporting

⁸⁹Memorandum of discussion, 131st NSC meeting, held on 11 February 1953, 12 February 1953, *FRUS*, 1952-1954, II, 1, p.236.

⁹⁰Gaddis, *Strategies of Containment*, p.133.

⁹¹Memorandum by executive secretary Lay to the NSC, 6 February 1953, enclosure b "Informal Condensation of NSC 20/4, 68/2, 135/3, and 141", *FRUS*, 1952-1954, II, 1, p.228; Memorandum by secretaries of state, defense and the director of mutual security to Truman, 16 January 1953, *FRUS*, 1952-1954, II, 1, p.210.

⁹²Memorandum by executive secretary Lay to the NSC, 6 February 1953, enclosure b "Informal Condensation of NSC 20/4, 68/2, 135/3, and 141", *FRUS*, 1952-1954, II, 1, pp.228-230.

defence establishments. In other regions, the capitalist system would suffice. Question seven asked if the free enterprise system could “eliminate the necessity for U.S. aid”.⁹³

In the directive of 6 February to members of the NSC, Eisenhower stated that the council needed to complete the review of basic national security policy by April, so that the conclusions could be used to determine instructions for the fiscal 1955 budget.⁹⁴ Eisenhower had already begun to decrease expenditures in the budget for fiscal 1954. The budget created by the Truman administration for fiscal 1954 entailed a deficit of \$10 billion. In addition, no provision had been made in the budget for \$80 billion worth of cash on delivery purchases.⁹⁵ Eisenhower immediately instructed the director of the Bureau of the Budget, Joseph Dodge, to consult with all the departments of the administration, and find ways to decrease expenditures.⁹⁶ On 3 February, Dodge informed the new director of the Mutual Security Program Harold Stassen, that his agency should “proceed only with those projects which are deemed clearly essential in terms of the objectives of this administration and on such projects to employ the strictest standards of economy”.⁹⁷ Dodge instructed Stassen to conduct an immediate review of the Mutual Security Program to decrease expenditures in fiscal years 1954 and 1955.⁹⁸ Stassen consulted with the Department of State. In early March, John Foster Dulles sent a memorandum to Stassen, detailing where cuts could be made. Dulles

⁹³Memorandum by executive secretary Lay to the NSC, 6 February 1953, enclosure c “Some Major Questions Raised by a Review of Approved National Security Policies”, FRUS, 1952-1954, II, 1, p.231.

⁹⁴Memorandum by executive secretary Lay to the NSC, 6 February 1953, FRUS, 1952-1954, II, 1, p.223.

⁹⁵Eisenhower, Mandate For Change, p.128.

⁹⁶Ibid., p.129.

⁹⁷Memorandum by Dodge to Stassen, 3 February 1953, FRUS, 1952-1954, I, 1, p.570.

⁹⁸Ibid., p.571.

argued that the proposed \$25,000,000 for the technical assistance programme in Latin America in fiscal 1954 should not be reduced.⁹⁹ Stassen then submitted the revised programme for fiscal 1954 to the Bureau of the Budget. Dodge and his colleagues reviewed the programme, in light of other expenditures for fiscal 1954, and consulted with Eisenhower.¹⁰⁰ In May, Eisenhower presented the Mutual Security Program for fiscal 1954 to the Congress. Truman had allocated \$7.6 billion to the Mutual Security Program in his budget proposal for fiscal 1954. Eisenhower decreased this to \$5.1 billion.¹⁰¹ Consistent with his strategy for maintaining national security, funds for military assistance and defence support made up the main part of Eisenhower's Mutual Security Program. Eisenhower requested \$5.25 billion for military defence.¹⁰² The President requested \$20,000,000 of this amount for Latin America.¹⁰³ Eisenhower requested only \$550,000,000 for "technical, economic, and development purposes".¹⁰⁴ Of this amount, he asked for only \$24,342,000 for technical assistance in Latin America.¹⁰⁵ For technical assistance to the Near East and Africa, he requested \$43,792,500.¹⁰⁶

Eisenhower believed that the aim of the MSP was to secure regions from Communist takeover. He wanted the MSP to be restricted to this purpose. Congress agreed with Eisenhower that the bulk of the funds for the Mutual

⁹⁹Memorandum Dulles to Stassen, 7 March 1953, FRUS, 1952-1954, I, 1, pp.585-587.

¹⁰⁰Memorandum of discussion, Mutual Assistance Advisory Committee Meeting, held on 13 February 1953, 26 February 1953, FRUS, 1952-1954, I, 1, pp.576-577.

¹⁰¹Eisenhower, Mandate For Change, p.215.

¹⁰²Message Eisenhower to Congress, 5 May 1953, Public Papers, 1953, p.256.

¹⁰³Congressional Record - House, 13 July 1953, 83rd Congress, First Session, Volume 99, Part 7, July 13 1953 - July 25 1953, p.8687.

¹⁰⁴Message Eisenhower to Congress, 5 May 1953, Public Papers, 1953, p.256.

¹⁰⁵Congressional Record - House, 13 July 1953, 83rd Congress, First Session, Volume 99, Part 7, July 13 1953 - July 25 1953, p.8687.

¹⁰⁶Ibid.

Security Program should be used to promote military strength in the free world. And members of Congress wanted the amount of foreign aid to be reduced. On 31 July 1953, the majority leader in the Senate, Robert Taft, died. Eisenhower had used Taft to win the support of the conservative wing of the Republican party. The Californian senator, William Knowland, succeeded Taft. Knowland was even more against the MSP than Taft had been. Knowland's opposition forced Eisenhower to reduce the amount that he wanted to be spent in the MSP. Initially, Eisenhower had wanted to spend \$6 billion, with most to be directed towards countries in Europe.¹⁰⁷

Members of Congress did not question the small amount of technical assistance earmarked for Latin America and sub-Saharan Africa, or the absence of economic assistance for development.¹⁰⁸ They believed that the aim of the MSP was to prevent Soviet expansionism.¹⁰⁹ But, Congressional members still were not happy with the size of the allocation. In 1953 they cut Eisenhower's programme by 22.3%.¹¹⁰ Committees in the House and Senate cut Eisenhower's request for military assistance for Latin America by \$5,000,000 dollars, reducing the amount to \$15,000,000.¹¹¹

While Eisenhower reviewed the budget for fiscal 1954, discussions on basic national security policy within the NSC continued. As part of his formal process of foreign policy formulation, Eisenhower had appointed civilian consultants to the

¹⁰⁷ Ambrose, *Eisenhower the President*, pp.118-119.

¹⁰⁸ Congressional Record - House, 13 July 1953, 83rd Congress, First Session, Volume 99, Part 7, July 13 1953 - July 25 1953, p.8687.

¹⁰⁹ For example see Congressional Record - House, 18 June 1953, 83rd Congress, First Session, Volume 99, Part 5, May 28 1953 - June 24 1953, p.6836.

¹¹⁰ Ambrose, *Eisenhower the President*, p.119.

¹¹¹ Congressional Record - House, 13 July 1953, 83rd Congress, First Session, Volume 99, Part 7, July 13 1953 - July 25 1953, p.8687.

NSC. As always, Eisenhower chose individuals who supported his assessment of the threats to national security and the tactics necessary to maintain it. On 25 February, the members of the NSC agreed that a committee of the civilian consultants would advise the council on how the cost of maintaining national security could be decreased.¹¹² The consultants met with the NSC on 31 March. The meeting began with Eisenhower's key cabinet members outlining the parameters of the debate. Dodge and Humphrey highlighted the dangerous financial situation facing the United States. Dodge and Humphrey were extreme fiscal conservatives. Dodge had been President of the Detroit Bank from 1933-1953. Eisenhower first met Dodge when the latter was the US financial adviser in Berlin from 1945 to 1946.¹¹³ Humphrey also wanted to make massive cuts to US spending. His background was in the steel industry and in banking.¹¹⁴ Continued deficit financing, Humphrey declared, "would bankrupt the free world and force the United States itself to abandon its way of life".¹¹⁵ Eisenhower's secretaries of state and defense then presented the other side of the debate. Wilson and Dulles stressed that expenditures for vital national security programmes should be maintained.¹¹⁶ Dulles argued that the United States had to strengthen the defence capabilities of nations on the periphery of the Soviet bloc. In these vital areas the Mutual Security Program could not be decreased.¹¹⁷ But in Latin America, Dulles opined that grant aid could be replaced with loans.¹¹⁸ Later in the meeting, Stassen supported Dulles' analysis. The director for mutual security agreed that "In Latin

¹¹²Editorial note, *FRUS*, 1952-1954, II, 1, p.244.

¹¹³ *Who's Who*, volume 30, p.743; Ambrose, *Eisenhower the President*, p.22.

¹¹⁴ *Who's Who*, volume 30, p.1365.

¹¹⁵Memorandum of discussion, special NSC meeting, held on 31 March 1953, 7 April 1953, *FRUS*, 1952-1954, II, 1, p.265.

¹¹⁶*Ibid.*

¹¹⁷*Ibid.*, pp.266-267.

America and in Africa we should cut the amount of government aid provided to the area, but greatly increase the role of private capital in the development of backward areas.”¹¹⁹ Eisenhower’s key officials had presented the fundamental aspects of his grand strategy for maintaining national security. Dodge and Humphrey highlighted the necessity to limit expenditures. Dulles agreed but he did not want to cut spending at the expense of the MSP. The civilian consultants then presented their views. Their opinions coincided more with Humphrey’s and Dodge’s than with Dulles’. But Eisenhower made the final decision. Dillon Anderson presented the conclusions of the consultants. He asserted that deficit financing should not continue, but the solution was not increased taxes. Rather, expenditures should be reduced.¹²⁰ Greater reliance, Anderson asserted, should be made on atomic weapons. Expenditures within the Mutual Security Program should be decreased and restricted to nations close to the Soviet bloc requiring defence capabilities.¹²¹

The discussion at the NSC meeting with the civilian consultants formed the basis for the administration’s first policy statement on maintaining national security. The secretarial staff of the NSC prepared a summary of the discussion, and sent it to the Planning Board. The board used the summary to prepare a draft statement of policy.¹²² The members of the NSC discussed the draft policy statement at meetings on 8, 22 and 28 April. During the meetings, Dulles warned of the dangers of dramatically reducing funds for the MSP.¹²³ Dulles received little

¹¹⁸*Ibid.*, p.267.

¹¹⁹*Ibid.*, p.277.

¹²⁰*Ibid.*, p.268.

¹²¹*Ibid.*, p.269.

¹²²FRUS, 1952-1954, 2, I, p.281, footnote 1 (hereafter cited as fnt with number).

¹²³ Memorandum of discussion, 139th NSC meeting, held on 8 April 1953, 16 April 1953, FRUS, 1952-1954, II, 1, p.289; Memorandum of discussion, 140th NSC meeting, held on 22 April 1953, 23 April 1953, FRUS, 1952-1954, II, 1, p.292.

support from the administrator of the MSP, Harold Stassen, but Eisenhower supported his secretary of state's position.¹²⁴ By 29 April the administration had completed its first policy statement on basic national security policy, NSC 149/2. NSC 149/2 summarised Eisenhower's grand strategy for maintaining national security. It highlighted the need to protect the American economy, but stressed that vital national security programmes could not be abolished. It urged that the budget should only be balanced "gradually".¹²⁵ The paper stated that the Mutual Security Program would be continued, but with decreased expenditures. Greater emphasis would be placed on private capital and trade, rather than grant economic aid.¹²⁶ In Latin America and Africa the programme would accelerate the "development of raw materials through private capital", and help increase the standard of living through "technical and educational cooperation, but with minor U.S. Government monetary aid".¹²⁷

Eisenhower expected the departments and agencies of his administration to use NSC 149/2 to establish expenditures within the fiscal 1955 budget. Stassen used NSC 149/2 to create a draft MSP programme for fiscal 1955. Following consultation with Dulles in the State Department, Stassen sent the programme to the Bureau of the Budget. Dodge and his colleagues reviewed the estimated expenditures, and consulted with Eisenhower.¹²⁸ Eisenhower continued to believe that amounts in the MSP should be restricted; he did not want to burden the US economy more than was necessary. But Eisenhower still thought that the MSP was

¹²⁴ Memorandum of discussion, 139th NSC meeting, held on 8 April 1953, 16 April 1953, FRUS, 1952-1954, II, 1, p.289.

¹²⁵ NSC 149/2, "Basic National Security Policies and Programs in Relation to their Costs", 29 April 1953, FRUS, 1952-1954, II, 1, p.307.

¹²⁶ Ibid., p.312

¹²⁷ Ibid., p.313

¹²⁸ Eisenhower, Mandate For Change, p.296.

vital to the nation's security. Congressional members continued to struggle with the idea that foreign aid was an essential national security expenditure. Senators in the Old Guard fought Eisenhower on the allocations for the MSP. This pressure, plus the knowledge that all members of Congress would not support increases in foreign aid, forced Eisenhower to keep his requests low.¹²⁹

The President approved the Mutual Security Program in December.¹³⁰ On 21 January 1954 Eisenhower presented the fiscal 1955 budget to the Congress. He requested \$4,275,000,000 for military programmes, and \$1,125,000,000 for economic and technical assistance.¹³¹ Of this latter amount, Eisenhower allocated only \$23,500,000 for the technical assistance programme in Latin America.¹³² Fear of Communist infiltration into the region later led the Congress to increase this amount by \$10,000,000.¹³³ From 1953 to mid-1955 sub-Saharan Africa received only \$6,500,000 worth of technical assistance.¹³⁴ Eisenhower requested \$130,000,000 for development assistance in the Near East and Africa, but this amount would be spent on nations supporting defence establishments on the Soviet periphery.¹³⁵

In the second half of 1953, Eisenhower also continued to direct reviews of basic national security policy. He established three task forces, made up of

¹²⁹ Ambrose, *Eisenhower the President*, p.151.

¹³⁰Memorandum by the acting special assistant to the secretary of state for mutual security affairs Frederick E. Nolting, Jr to the secretary of state Dulles, 24 December 1953, *FRUS*, 1952-1954, I, 1, p.677.

¹³¹Message Eisenhower to Congress, 21 January 1954, *Public Papers*, 1954, p.136.

¹³²OCB Progress Report on NSC 144/1, 25 May 1954, *FRUS*, 1952-1954, IV, p.55.

¹³³Congressional Record - Senate, 6 July 1954, 83rd Congress, Second Session, Volume 100, Part 7, June 22 1954 - July 7 1954, p.9708.

¹³⁴OCB report on "U.S. Policy Toward Africa South of the Sahara prior to Calendar Year 1960 (NSC 5719/1)", NSC 5719/1 US Policy Toward Africa (1), box 21, NSC Series, Policy Papers Subseries, White House Office of the Special Assistant for National Security Affairs, 1952-1961 (hereafter cited as WHOSANSA), EL, p.15.

¹³⁵Congressional Record - Senate, 19 August 1954, 83rd Congress, Second Session, Volume 100 Part 12, August 19 1954 to December 2 1954, p.15169.

individuals with experience in military and Soviet affairs.¹³⁶ Each task force had to investigate one particular way of combating the Soviet threat.¹³⁷ Through the selection of particular individuals to the task forces and the assignment of their tasks, Eisenhower determined the outcome of the exercise. He ensured that all his tactics for maintaining national security were considered and proposed.¹³⁸ Eisenhower's key officials discussed the reports of the three task forces. The conclusions of the exercise were incorporated into the administration's second statement of basic national security, NSC 162/2.¹³⁹

Eisenhower approved NSC 162/2 on 30 October 1953. The policy statement detailed the tactics which Eisenhower believed were essential to combating the threat of Soviet Communism. Through the constant reviewing of basic national security policy in 1953, Eisenhower ensured that his key officials understood the reasoning behind the tactics, and agreed with their importance. In particular, Eisenhower had educated his advisers on the merits of the Mutual Security Program. The administration would continue to extend military and economic assistance to the free world. But the amount of foreign assistance would be limited. The United States could not afford to aid the entire free world. In areas not under immediate threat of Soviet Communism, the free enterprise system, not grant aid, would promote economic strength. NSC 162/2 emphasised this conclusion.¹⁴⁰

In 1953, Eisenhower had also initiated a review specifically on the foreign economic policy of the United States. The aim of the review was to highlight to

¹³⁶Immerman, "Confessions", p.336.

¹³⁷Ibid.

¹³⁸Ibid., pp.337-341.

¹³⁹Ibid., p.336.

¹⁴⁰NSC 162/2, "Basic National Security Policy", undated, FRUS, 1952-1954, II, 1, pp.587, 592.

the Congress the importance of increasing international trade through the Reciprocal Trade Agreements Act.¹⁴¹ To head the review, Eisenhower wanted an individual who believed in the ability of the free enterprise system to meet the economic needs of the free world. The secretaries of the Treasury and Commerce Departments recommended Clarence Randall. The secretary of the Treasury, George Humphrey, and Randall knew each other well. They shared common backgrounds in the steel industry.¹⁴² In January 1954, the Commission on Foreign Economic Policy submitted its report to the President and the Congress. Eisenhower sent the report to the relevant agencies and departments of his administration, to obtain their opinions.¹⁴³ Eisenhower then incorporated the conclusions of the report by Randall's committee into a special message to the Congress on foreign economic policy in March. In the report, Eisenhower emphasised the importance of increasing international trade and the amount of American private investment abroad. Trade and private investment overseas would strengthen the economies of the United States and her allies, and obtain the raw materials vital to American industries and defence.¹⁴⁴ Grant aid, Eisenhower declared, "should be terminated as soon as possible consistent with our national interest". Only countries supporting defence establishments would receive economic assistance from the United States in the form of grants.¹⁴⁵

¹⁴¹Letter Eisenhower to the President of the Senate and to the Speaker of the House of Representatives, 2 May 1953, Public Papers, 1953, pp.252-254.

¹⁴²OH, Clarence B. Randall, JFDOHC, ML. pp.3, 27.

¹⁴³Memorandum by Eisenhower to agencies and departments of the administration, 23 January 1954, Public Papers, 1954, pp.192-193.

¹⁴⁴Message Eisenhower to Congress, 30 March 1954, Public Papers, 1954, pp.352-354, 357-359.

¹⁴⁵Ibid., p.361.

VI

By April 1953, Eisenhower had instilled in his carefully chosen officials the key elements of his grand strategy for maintaining national security. In particular, he had educated his key officials on the importance of foreign aid within the Mutual Security Program. But Eisenhower taught that the United States could not afford to extend economic assistance throughout the free world. Grant economic aid would be extended only to nations on the periphery of the Soviet bloc, which had to maintain substantial defences. In the rest of the free world, particularly in Latin America and sub-Saharan Africa, Eisenhower thought that the free enterprise system would promote development. Eisenhower conducted reviews of basic national security policy throughout 1953 to gain the consensus of his administration on such issues. In 1953, his key advisers agreed that the free enterprise system would lead to development in the less developed countries. They also saw free enterprise as the way to strengthen the economy of the United States and obtain vital raw materials for American industries. Eisenhower further ensured that his administration limited foreign aid expenditures by using the new national security policy statements to establish amounts within the fiscal years 1954 and 1955 budgets, and through personal involvement in the budget procedure.

Throughout the first year of the administration, Eisenhower and his key officials asserted that the free enterprise system would promote development in Latin America and sub-Saharan Africa. Their views were not based on the situations in the two regions, but on their common desire to protect the economic

well-being of Americans, while still maintaining the government expenditures necessary to prevent the spread of Soviet Communism. As the next chapter shows, this agreement on the administration's approach to development in Latin America and sub-Saharan Africa, only existed among Eisenhower and his key advisers. In 1953, members of Eisenhower's State Department disagreed with the decisions being made at the highest levels. These officials attempted to change the administration's approach. But Eisenhower's actions as President-elect and in the first year of his presidency ensured that the key elements of this strategy for maintaining national security prevailed.

CHAPTER TWO

STATE DEPARTMENT OFFICIALS AND DEVELOPMENT IN LATIN

AMERICA AND SUB-SAHARAN AFRICA: SECURING FUTURE

RELATIONS, JANUARY 1953 - APRIL 1954

I

Key officials within the geographic bureaux of the Department of State concerned with Latin America and sub-Saharan Africa disagreed with Eisenhower's approach towards development in the two regions. The assistant secretary of state for inter-American affairs, John Moors Cabot, argued that relations between the United States and Latin America would be seriously harmed if the administration continued to refuse to send grant aid. He asserted that the free enterprise system would not lead to development in the region. He argued that the single commodity nations of Latin America could not earn the capital required to establish the basic infrastructure necessary for development. He warned of anti-Americanism and increased nationalism if the United States did not extend assistance. Cabot attempted to change the administration's approach, but he lacked authority. Cabot's superior, secretary of state John Foster Dulles, remained committed to Eisenhower's strategy for maintaining national security. Dulles supported the President's desire to limit foreign economic aid expenditures to nations on the Soviet periphery supporting defence establishments. As a result, Dulles disagreed with Cabot's assertion that the administration should extend grant

aid. He did not present Cabot's views informally to Eisenhower or within the NSC forum. The formal review of Latin American policy within the NSC in 1953 did not include Cabot's views. It supported Eisenhower's approach of relying on the free enterprise system to meet demands for development in the region.

State Department officials directly involved with sub-Saharan Africa did not agree with the administration's policy towards development in the region. John P. Hoover and Nicholas Feld warned that African nations were rapidly moving towards independence. They urged that the US should protect their access to strategic materials and prevent Communist subversion by extending economic assistance and increasing the technical assistance programme. But these officials lacked authority within the State Department and within Eisenhower's formal process of policy review.

II

John Moors Cabot, the Inter-American Bureau of the State Department and Development in Latin America, January 1953 - March 1954

Eisenhower and Dulles chose John Moors Cabot to be the assistant secretary of state for inter-American affairs. Cabot's appointments in the post Second World War period had been in areas close to the Soviet Union. He served as a consular to the United States embassy in Yugoslavia in 1947, consul general in China from 1948 to 1949, minister to Finland from 1950 to 1952 and as the

ambassador to Pakistan from 1952 to the beginning of 1953.¹ Eisenhower and Dulles believed, therefore, that Cabot would agree with the administration's policy of restricting the limited resources of the United States to areas on the periphery of the Soviet bloc. Cabot, however, did not agree. The majority of his diplomatic experience before and during the Second World War had been in Latin America. He had been the vice consul in Peru from 1927 to 1928, the third secretary in the Dominican Republic from 1929 to 1931, the third secretary in Mexico from 1931 to 1932, the third and, subsequently, second secretary in Brazil from 1932 to 1935, the secretary in Guatemala from 1939 to 1941, the assistant chief of the division of American republics in the State Department in 1942, chief of the division of Caribbean and Central American Affairs in 1944 and consular of the embassy in Argentina from 1945-1946.² In 1953, Cabot held an informed view of the issues concerning the people of Latin America. He understood that they sought rapid industrialisation, and that they expected the United States to assist them develop. Just prior to being nominated as Eisenhower's assistant secretary of state for inter-American affairs, Cabot acted as Dulles' special representative at the International Conference of the Inter-American Economic and Social Council in Caracas. In a speech at the conference Cabot stated that the Eisenhower administration held an "earnest desire to cooperate with...its sister republics in solving their economic problems and aiding their industrial development".³ From the conference, Cabot wrote optimistically to a friend and former colleague "I shall indeed be glad to see if I can do anything effective to stop the deterioration and drift which has so

¹Who's Who in America, volume 32, 1962-1963, (hereafter cited as Who's Who with volume number), pp.462-463.

²Ibid.

unfortunately characterized our Latin American relations in recent years, due to our preoccupation with even more pressing problems in other areas".⁴

On returning to Washington, Cabot immediately advocated the administration do more to assist development in Latin America. He wanted to change the administration's policy of relying on the free enterprise system to promote development in Latin America. But the prevailing climate in Washington was not conducive to questioning the basic policies of the new administration. Senator Joseph McCarthy and his supporters continued to search for "security risks" within the State Department.⁵ Eisenhower and Dulles did not protect State Department personnel from McCarthy. The President and his secretary believed that the previous administration had allowed Communists to infiltrate the department, and they did not trust officials who had worked under Democratic presidents to be loyal to the new administration's policies.⁶ To ensure the allegiance of the State Department to the administration's basic policies, Eisenhower and Dulles appointed new people to the top positions in the department.⁷ Eisenhower made his old friend and colleague, General Walter Bedell Smith under secretary of state.⁸ A Harvard Law School professor, Robert Bowie, became the new director of the Policy Planning Staff. To head the divisions concerned with the areas under immediate threat of Soviet expansionism, Dulles

³Address by John Moors Cabot before the Inter-American Economic and Social Council at Caracas, "The Value of Close Hemispheric Cooperation", 11 February 1953, *DSB*, 2 March 1953, XXVIII, 714, p.339.

⁴Letter Cabot to Spruille Braden, 14 February 1953, #30 Washington DC 1953, Reel 13, J M Cabot Papers, EL.

⁵Jeff Broadwater, *Eisenhower and the Anti-Communist Crusade* (Chapel Hill and London, 1992), p.120; Ambrose, *Eisenhower the President*, p.55.

⁶Ambrose, *Eisenhower the President*, pp.45-46, 64; Broadwater, *Anti-Communist Crusade*, pp.112-113, 115; Emmett John Hughes, *The Ordeal of Power: A Political Memoir of the Eisenhower Years* (London, 1963), p.85.

⁷Ambrose, *Eisenhower the President*, pp.64-65.

⁸OH #162, #3, Sherman Adams, EL, p.157.

appointed people whom he could trust and work with closely. Walter Robertson, a banker from Virginia, filled the position of assistant secretary of state for far eastern affairs. Livingston Merchant became the assistant secretary for European affairs, and Douglas MacArthur II became the counselor of the Department. Bowie, Merchant, Robertson and MacArthur became Dulles' key advisers and confidants in the Department.⁹

From the beginning, formidable barriers stood in the way of Cabot achieving policy change. Cabot risked becoming a victim of McCarthy by arguing that resources should be redirected from the areas closest to the Soviet threat to Latin America. Opportunities for Cabot to convince Dulles that the administration's economic policy towards Latin America should be changed did not come often. Cabot did not belong to Dulles' inner circle of advisers. Cabot admitted that as the assistant secretary of state for inter-American affairs, "I didn't have very much of an opportunity to see Mr Dulles. He was exceedingly busy with European affairs."¹⁰ Speaking of the daily staff meetings Dulles held with the top State Department officials, Cabot asserted that he could rarely gain attention to himself and no issues could be discussed in the depth necessary in the twenty minutes available.¹¹ On the rare occasion that Cabot did obtain a meeting with Dulles, he did not have the influence necessary to convince Dulles of the desirability of policy change. Dulles expected Cabot to implement the policies determined at higher levels. He agreed with Eisenhower's grand strategy for maintaining national security, including the policy of limiting foreign aid

⁹OH, Ambassador Charles E. Bohlen, JFDOHC, ML, pp.22-23; OH # 211, #1, C. Douglas Dillon, EL, p.24.

¹⁰OH, J.M. Cabot, JFDOHC, ML, p.2.

¹¹Ibid., pp.12-13.

expenditures. At his first meeting with Dulles after his appointment to the position of assistant secretary of state for inter-American affairs, Dulles dismissed many of Cabot's suggestions, instructing him to produce an imaginative program for Latin America which required no money to be spent.¹²

Secretary of state Dulles, therefore, did not support Cabot's attempts to change the administration's approach towards Latin America. Without Dulles' support, Cabot had no way of presenting his views within the main forum of foreign policy formulation, the NSC. However, on 18 February 1953, Latin America became an issue at this level. Allen Dulles, as the Director of Central Intelligence (DCI), began each meeting of the NSC with a summary of significant world developments affecting the security of the United States. As part of the briefing on 18 February, Allen Dulles spoke of Latin America. His concerns focused on Soviet subversion in the region, particularly in Guatemala. Dulles asserted that the Soviets were exploiting the economic and political instability which existed in most Latin American nations.¹³ At the close of the briefing, Eisenhower asked Allen Dulles what should be done about the situation in Latin America. Dulles suggested that the administration conduct a review of policy towards the region.¹⁴ Eisenhower agreed, stating that "he was deeply disturbed by what he had learned of developments in Latin America". He asked "whether it weren't possible to take steps, without too great cost, such as visits of notable Americans to these countries--university professors, exchange lecturers, etc."

¹²Ibid., p.2.

¹³Memorandum of discussion, 132nd NSC meeting, held on 18 February 1953, 19 February 1953, 132nd meeting of NSC, February 18, 1953, box 4, NSC Series, AWF, EL, p.1.

¹⁴Ibid., p.2.

Eisenhower concluded that “we must ask the Latin American Division of the State Department to come up with suggestions as to what might be done”.¹⁵

Eisenhower, therefore, expected the State Department to find solutions from within basic national security policy. Their policy suggestions could not involve large expenditures. The formal review of Latin American policy did not even give Cabot the opportunity to present his views at the highest levels of the administration. At the NSC meeting on 18 February, Robert Cutler informed Eisenhower that a policy paper on Latin America existed. On 3 February 1953, the senior staff of the NSC had received a paper drafted in the State Department’s Bureau of Inter-American Affairs entitled “U.S. Policy With Respect To Latin America”, and dated 24 January 1953.¹⁶ The paper originated in the State Department in the fall of 1946. At this time, State Department individuals concerned with Latin American affairs, including, John Dreier and Carlton Savage, began to prepare a policy statement for the region.¹⁷ The work did not continue past the drafting stage and ceased on 15 December 1946.¹⁸ In early 1948, State Department official Louis Joseph Halle Jr used this draft to prepare a policy statement on Latin America.¹⁹ Halle’s paper highlights the dangers associated with writing papers for the NSC. Halle did not analyse the region on its own terms. Rather, the Soviet threat and American priorities in the rest of the world dictated Halle’s policy recommendations. The paper stated that rising expectations for development assistance would be an important factor in future relations between

¹⁵Ibid., p.2.

¹⁶Editorial Comment, FRUS, 1952-1954, IV, p.1.

¹⁷Memorandum by R.F. Woodward to Willard Barber, 29 July 1949, box 6, Lot 58D691, 57D598, 57D634, RG59, General Records of the Department of State (hereafter cited as RG59), National Archives (hereafter cited as NA).

¹⁸Ibid.

¹⁹Ibid.

the United States and Latin America.²⁰ But Halle argued that the United States could not afford to extend resources to the region.²¹ He asserted that

US Government cooperation to strengthen Latin American national economies is in our own national interest, but such cooperation should be contingent upon prior action by Latin American governments -- action which most of them are reluctant to take-- to create conditions that will attract foreign capital and foreign business enterprises to their countries. There is no hope that the great majority of Latin American countries can, in the foreseeable future, achieve anything like the US standard of living, yet we must seek to convince Latin American peoples that a system of free enterprise (but not special privilege) offers the best prospect for economic betterment.²²

Halle offered no analysis of how Latin American nations could develop through the free enterprise system. His conclusions came from the preoccupation at the NSC level with the Soviet threat and how to combat it.

Within Truman's administration, the State Department continued to control foreign policy. Halle's paper had little impact, with only limited circulation through the State Department.²³ In late 1950, now as a member of the policy planning advisory bureau of inter-American affairs, Halle completed another policy paper on Latin America. Again he analysed the region in terms of broad Cold War strategy. The paper began with quotations from the latest statement of basic national security policy, NSC 68/2. The quotations stressed that the Kremlin

²⁰Draft report, 25 February 1949, box 6, Lot 58D691, 57D598, 57D634, RG59, NA, pp.5, 9-10. The document did not state who the author was but given the time, context and documents which discuss it, there is no doubt that it is the draft report by Halle.

²¹*Ibid.*, pp.9-10.

²²*Ibid.*, p.10.

²³Memorandum by R.F. Woodward to Willard Barber, 29 July 1949, box 6, Lot 58D691, 57D598, 57D634, RG59, NA.

sought world domination, and that the United States had to obtain the resources and support of the free world to combat the Soviet threat. Halle analysed Latin America as “an integral part of the free world”.²⁴ He asserted that “The general problem that we face in our Latin American policy today is that of developing a strong community of free and stable states bound securely to us in the positive pursuit of our objective to frustrate the Kremlin design.”²⁵ To achieve this objective, Halle recommended that the United States increase its military assistance to the region.²⁶ Economic aid, Halle asserted, should be limited and mainly used to obtain vital raw materials for the United States.²⁷ The free enterprise system would promote development in the region.²⁸

The State Department continued to control Latin American policy. Halle first sent a draft of the report to the assistant secretary of state for inter-American Affairs, Edward G. Miller Jr. He included a memorandum with the paper, expressing his desire for the report to be considered by the NSC. Halle, like Eisenhower, believed that the NSC could be used to ensure that the limited resources of the United States were restricted to supporting nations on the periphery of the Soviet bloc. He stated in the memorandum to Miller that

The Policy Planning Staff is prepared to consider, with ARA, the drawing up of a basic paper defining (a) the position of Latin America with respect to the world situation and our aims in it, (b) the consequent objectives that our Latin American policy must pursue, and (c) the policies that must therefore be applied./

²⁴Draft report by Halle, “Development of US Latin American Policy in Terms of US World Objectives, 1950-1955”, this particular copy is dated 9 November 1950, 611.20/11-950, box 2754, central decimal file 1950-1954 (hereafter the decimal number and box number will be given), RG59, NA, p.1.

²⁵*Ibid.*, p.12.

²⁶*Ibid.*, pp.19-23.

²⁷*Ibid.*, pp.17-18.

²⁸*Ibid.*, pp.16-17.

After the necessary staff work, such a paper would be submitted by way of the Under Secretary's Meeting for the consideration of the NSC. Upon favorable consideration by the NSC it would be submitted to the President, whose approval would give it the authority of a directive binding upon all agencies of this government concerned with Latin American relations./This would obviate the present situation in which individual officers and divisions of the Department, and individual agencies of the Government, have a large measure of freedom to proceed on their own estimates of the significance of Latin America when they find themselves with the claims of our Latin American relations./Such a directive would establish the terms within which ARA policy planning needs to be developed.²⁹

On 14 December 1950, the Policy Planning Staff discussed Halle's paper but it never went to the NSC. At this time, Truman used the NSC primarily to discuss policy on Korea, not to dictate the administration's policies towards all regions of the world. For months Halle's paper circulated within the inter-American bureau of the Department of State. Assistant secretary Miller argued that the paper needed to pay more attention to the specific problems facing Latin American nations. In particular, he asserted that most Latin American countries relied on the sale of single commodities. The economies of these nations had been in crisis before the Korean War, and they would be again at the close of the conflict. In addition, Miller argued that Latin American countries lacked the confidence and skills to draw up the development proposals necessary to obtain loans from the United States. The government would have to assist in this area.³⁰

Halle used the comments of Miller and his colleagues to revise the policy statement. The new paper emphasised the economic problems faced by Latin American nations. It stated that "The paramount problem with which our

²⁹Memorandum by Halle to Miller, 27 October 1950, 611.20/11-850, box 2754, RG59, NA.

³⁰Memorandum by Miller to Halle, 14 November 1950, 611.20/11-1450, box 2754, RG 59, NA.

economic policies must cope is the need of large parts of Latin America for the capital and technical skill required for the realization of their aspirations for increased productivity, diversification of economies and industrialization. Our future political relations with the area will be greatly affected by the way in which we deal with it.”³¹ It stressed that private capital alone would not be sufficient, and that assistance from the United States government would be required.³² The paper reached the senior staff of the NSC on 3 February 1953.

At a meeting on 18 February 1953 the NSC senior staff, about to become Eisenhower’s NSC Planning Board, directed the NSC staff assistants to complete a draft statement of policy based on Halle’s final paper. The senior staff considered the paper at a meeting on 23 February, and decided to send it to the Policy Planning Staff for review.³³ The inter-American bureau of the State Department had no authority in Eisenhower’s administration. Assistant secretary Cabot did not have the opportunity to review the policy statement. Robert Bowie headed Dulles’ Policy Planning Staff. Like all of Eisenhower’s key officials, he was appointed because he agreed with the administration’s fundamental approach in foreign affairs, and he had not been involved in the policies of the former administration. Bowie also represented the State Department on the Planning Board of the NSC.³⁴ On 4 March, Eisenhower’s key officials, about to be made members of the NSC Planning Board, discussed the revised paper. The multi-departmental

³¹Memorandum by Charles E. Bohlen to all concerned sections of the administration, 4 December 1952, with attached paper, “Latin America and U.S. Policy” (Bohlen states that the paper is to be called “US Policy with Respect to Latin America”), 720.00/12-452, box 3278, RG 59, NA, p.29.

³²*Ibid.*, pp.29-33.

³³Editorial Comment, *FRUS*, 1952-1954, IV, p.1.

³⁴OH, Robert R. Bowie, Lauinger Library, Georgetown University Oral History Collection (hereafter cited as LLGU).

representation at this level ensured that Latin America would be assessed in the context of Eisenhower's basic strategy for maintaining national security.

The resulting policy paper, NSC 144, acknowledged that "there is an increasing popular demand for immediate improvement in the low living standards of the masses, with the result that most Latin American governments are under intense domestic political pressures to increase production and to diversify their economies".³⁵ But this awareness did not determine the administration's policies towards the region. Eisenhower's desire that economic assistance be limited to nations supporting defence establishments on the periphery of the Soviet bloc dictated the administration's response to development demands in Latin America. The paper stated that the administration would help the region to develop by "Encouraging Latin American governments to recognize that the bulk of the capital required for their economic development can best be supplied by private enterprise."³⁶ The administration would not extend grant aid for development. The paper asserted that loans from the EXIM Bank and the IBRD, combined with foreign private investment and small amounts of technical assistance, would be adequate to meet development needs.³⁷ It failed to include Miller's concerns that Latin American nations lacked the expertise required to compile loan submissions. And the paper did not acknowledge that Latin American nations could rarely meet the lending criteria of the banks, especially after the administration restricted the lending capacity of the EXIM Bank to sound loans in September. The paper asserted that the amount of loans offered by the two banks would be increased if

³⁵NSC144, "United States Objectives and Courses of Action with Respect to Latin America", 4 March 1953, NSC 144 - Latin America (2), box 4, NSC Series, Policy Papers Subseries, WHOSANSA, EL, p.1.

³⁶*Ibid.*, p.5.

³⁷*Ibid.*, pp.5-6.

necessary.³⁸ But the administration was unlikely to take such action. The individuals in the State Department, with the opportunity to experience and assess the situation in Latin American nations, had no authority in Eisenhower's administration. Basic national security policy dictated that foreign aid expenditures would decrease, not increase. The financial appendix to NSC 144 included the statement that "before the proposed policy for the area is finally approved, the proposed levels of military and economic assistance should be reviewed in the light of (a) the priority of financing the present and proposed programs for Latin America in relation to programs for other foreign areas and to programs for domestic security, and (b) the over-all objective of achieving a balanced federal budget".³⁹

Eisenhower's formal process of policy formulation achieved a policy statement on Latin America consistent with his grand strategy for maintaining national security. Latin America would not receive economic assistance from the United States. The free enterprise system would promote economic strength. Military assistance would protect the region from internal subversion and external attack.⁴⁰ The paper did not show how the capitalist system would promote development in the region. It did not question Eisenhower's view that the capacity for economic and social development existed in trade and private investment.

Meanwhile, assistant secretary for inter-American affairs Cabot had completed his own review of Latin American policy, in response to Dulles' earlier request for an "imaginative program". Cabot had obtained advice from colleagues

³⁸*Ibid.*, p.5.

³⁹*Ibid.*, p.10.

⁴⁰*Ibid.*, pp.2, 7-8, 10.

throughout the inter-American bureau. His colleagues supported his view that economic matters dominated relations with the United States. An official within the office of regional American affairs, Edward G. Cale, wrote to Cabot "I believe that fully 90 per cent of our Latin American problems are economic in content or the result of attitudes which grow out of economic conditions".⁴¹ The director of middle American affairs, Roy R. Rubottom Jr, sent Cabot reports on each of the countries under his jurisdiction. The reports highlighted that economic issues dominated relations with the United States.⁴² On 16 March, Cabot sent the draft of a programme for Latin America to Dulles.⁴³ The NSC was scheduled to discuss the new policy statement, NSC 144, two days later. Cabot hoped that he could influence the discussion on policy towards Latin America through Dulles. But Dulles did not attend the NSC meeting. Eisenhower's appointee, Walter Bedell Smith, represented the State Department. Even if Dulles had attended, he would not have supported Cabot's programme. He remained committed to Eisenhower's strategy for maintaining national security. Eisenhower's key officials approved NSC 144 without questioning the economic sections.⁴⁴

Cabot continued to seek to gain policy change at the highest levels of the administration. On 31 March he sent his programme for Latin America to Dulles, undersecretary of state General Walter Bedell Smith, H. Freeman Matthews and

⁴¹Memorandum by Cale to Cabot, 13 March 1953, 611.20/3-1353, box 2755, RG 59, NA.

⁴²Memorandum by Rubottom to Cabot, 13 March 1953, with attached reports, 611.20/3-1353, box 2755, RG 59, NA.

⁴³The memorandum of 16 March to Dulles from Cabot was not found. But comments on the paper by colleagues can be found in the national archives. Memorandum by the acting officer in charge of Caribbean affairs Harvey R. Wellman to Pearson of the bureau of inter-American affairs, 23 March 1953, 611.20/3-2353, box 2755, RG 59, NA; Memorandum by Greenup of the bureau of inter-American affairs to Cabot, 24 March 1953, 611.20/3-2453, box 2755, RG 59, NA.

⁴⁴Memorandum of discussion, 137th NSC meeting, held on 18 March 1953, 19 March 1953, FRUS, 1952-1954, IV, pp.2-5.

Douglas MacArthur.⁴⁵ Cabot's covering note to Smith reveals his desperation to gain support at the highest levels of the administration: "I earnestly hope that you will find an opportunity to read it, and I would greatly appreciate any thoughts which you may wish to give me regarding it--not to mention any help you can give us in putting across such parts of the program as you approve and consider feasible."⁴⁶ Cabot had attempted to fulfil Dulles' request for a programme for Latin America which would not involve additional expenditures. But, at the same time, Cabot stressed the importance of assisting the Latin American nations to develop. In his draft of a programme for Latin America he wrote that

The basic difficulties here stem from the fact that all of the other American republics are very poor by North American or European standards, that they are underdeveloped industrially, that they tend to have one-product economies, that many of them have suffered from economic mismanagement, and that all tend to suffer from economic instability. Spokesmen for their governments generally emphasize their desire for our help in the development of their countries and more or less openly accuse us of giving grant aid to Johnnies-come-lately and ex-enemies while giving none to them, our oldest and most loyal friends. While I do not now recommend any program of direct grant aid for economic development, I wish to emphasize that we cannot indefinitely continue the present discrimination against our sister republics in this hemisphere without gravely prejudicing our relations with them.⁴⁷

Cabot asserted that the United States "cannot expect private investment to assume the entire burden and we (as well as our Latin American friends) shall be in for a

⁴⁵Memorandum by Cabot to the director of the executive secretariat of the Department of State William J. McWilliams, 31 March 1953, with attached memorandum for Dulles, 28 March 1953, 611.20/3-2853, box 2755, RG59, NA; Memorandum by Cabot to Smith, 31 March 1953, 611.20/3-2853, box 2755, RG 59, NA.

⁴⁶Memorandum Cabot to Smith, 31 March 1953, 611.20/3-2853, box 2755, RG 59, NA.

⁴⁷Memorandum Cabot to Dulles, 28 March 1953, 611.20/3-2853, box 2755, RG59, NA, p.2.

very grave disappointment if we do expect this".⁴⁸ He argued that the administration could do more to assist Latin American nations to develop at "relatively modest cost".⁴⁹ In particular, Cabot asserted that the EXIM Bank should work to promote development in the region.⁵⁰ He urged that the United States provide economic assistance to fund the establishment of a basic infrastructure in Latin American nations, including the development of adequate transportation, power, public utilities and fuel.⁵¹ In addition, he recommended that the United States provide funds for low-cost housing, health and education programmes, and an increased agricultural programme.⁵² Cabot also considered the problems involved in distributing grant aid. He argued that the funds could not be given "at the top in the hope that enough of them will trickle down to the bottom". The funds would have to be "channeled...directly to the lowest class".⁵³ He concluded that

Latin Americans appreciate friendly words and gestures, but they are emphatically not going to be satisfied with them. They are going to interpret them in the light of our acts which effect Latin America. In a nutshell, Latin America expects us to make it possible for them to acquire dollar exchange. The tendency at the moment is to provide less dollars for them and the basic policy question we must decide is what, if anything, we are going to do about it. If we continue on our present discriminatory course, we can expect a deterioration in our relations with Latin America despite our best efforts with resources now available.⁵⁴

⁴⁸Ibid., p.5.

⁴⁹Ibid., p.5.

⁵⁰Ibid., pp.2-3.

⁵¹Ibid., p.3.

⁵²Ibid., pp.4-5.

⁵³Ibid., p.4.

⁵⁴Ibid., p.6.

Cabot's memorandum did not convince Dulles of the need to alter the administration's approach towards Latin America. The secretary of state continued to support Eisenhower's grand strategy for maintaining national security. At this time, Dulles' only interest in Latin America concerned Soviet subversion. In the initial months of 1953, Eisenhower and Dulles received warnings about Communist infiltration in Guatemala.⁵⁵ In a speech before the Council of the Organization of American States at Washington in March, Dulles warned Latin Americans that the Soviet Union could attack "by open aggression or by subversion".⁵⁶ Dulles continued to believe that the administration's tactics of military assistance, covert operations and the free enterprise system would prevent the infiltration of Soviet Communism. As a result, he did not present Cabot's recommendations and warnings to Eisenhower.

Eisenhower also asserted that Soviet expansionism posed the only threat to American interests in Latin America. He agreed with his secretary that the tactics of military assistance, covert operations and the free enterprise system would be adequate to prevent Soviet subversion in Latin America. Eisenhower also placed great importance on goodwill trips. On 12 April 1953, Eisenhower announced that his brother Milton would conduct a tour of Latin America to assess "the economic and social conditions now prevailing" in Latin America.⁵⁷ Milton Eisenhower's trip to Latin America was not, however, designed to change the administration's policy towards development in the region. Eisenhower had already determined the

⁵⁵ Immerman, *CIA In Guatemala*, pp.132-133.

⁵⁶ Address by Dulles before the Council of the Organization of American States at Washington, "Developing Relations of Mutual Trust and Respect", 23 March 1953, *DSB*, 30 March 1953, XXVIII, 718, p.459.

⁵⁷ Eisenhower speech at the Pan American Union in Washington, "The Pan American Union: A True Community of Equal Nations", 12 April 1953, *DSB*, 20 April 1953, XXVIII, 721, p.564.

administration's approach. He hoped that Milton's visit to the region would help to prevent Soviet subversion in the region. The trip would show Latin Americans that the United States placed great importance on its relations with the region. Eisenhower expected his brother to "carry to each of the governments he visits the most sincere and warm greetings of this administration", and then to recommend ways "for strengthening the bonds between us and all our neighbours in this Pan American Union".⁵⁸ He never intended to extend more resources to Latin America to assist with development. He continued to believe that the free enterprise system offered the best way to develop.⁵⁹ At a cabinet meeting on 3 July, Eisenhower "stressed the need for getting Latin American countries to search out private capital", and explained that economic aid would merely stifle initiative: "We put a coin in the tin cup and yet we know the tin cup is still going to be there tomorrow".⁶⁰

Eisenhower chose his brother to make the trip to Latin America because Milton agreed with Eisenhower's approach towards the region. Milton fulfilled the role of Eisenhower's chief confidant. He spent most weekends in Washington DC, discussing a broad range of topics with his brother.⁶¹ This close working relationship had begun in the 1930s and continued from this time.⁶² Milton Eisenhower and his brother "were philosophically compatible".⁶³ He shared

⁵⁸ Ibid.

⁵⁹ Address by Eisenhower at the dedication of the Falcón Dam, "Falcón Dam- A Monument to Inter-American Cooperation", 19 October 1953, DSB, 2 November 1953, XXIX, 749, p.580; Memorandum of conversation Eisenhower and Mexican President Ruiz Cortinez, 24 October 1953, DDE Diary October 1953 (3), box 3, DDE Diaries Series, AWF, EL.

⁶⁰ Minutes of cabinet meeting, 3 July 1953, Cabinet meeting of July 3 1953, box 2, Cabinet Series, AWF, EL, p.2.

⁶¹ Eisenhower, President is Calling, pp.309-310; Stephen E. Ambrose and Richard H. Immerman, Milton S. Eisenhower: Educational Statesman (Baltimore, 1983), pp.148-149, 152.

⁶² OH #292, #1, Milton S. Eisenhower, EL, p.12; Ambrose and Immerman, Milton, pp.46-47.

⁶³ Eisenhower, President is Calling, p.308.

Eisenhower's concern that the economic strength of the United States needed to be protected, and he agreed that opportunities for economic and spiritual growth existed in the free enterprise system.⁶⁴ Milton Eisenhower supported his brother's use of a grand strategy for maintaining national security. In March 1953, he stressed to Eisenhower the importance of employing a total program for peace in which all actions, including extending foreign aid, were assessed.⁶⁵ Only when the action contributed to the overall goal of attaining peace, Milton Eisenhower asserted, should it be carried out.⁶⁶ Eisenhower trusted his brother to submit recommendations compatible with the administration's basic national security policy.

Milton Eisenhower's trip to Latin America provided John Moors Cabot with another opportunity to change the administration's policy in the region. Cabot would accompany Milton Eisenhower to Latin America, and assist with the final report to the President. In addition, Eisenhower's appointment of Milton to conduct a review of relations with Latin America prompted secretary of state Dulles to initiate his own review. Dulles resented Eisenhower's use of informal advisers in foreign affairs, and wanted to maintain a strong influence over Latin American policy. Eight days before Milton Eisenhower left for Latin America, Dulles held a meeting with Cabot and the head of the Policy Planning Staff, Robert Bowie. Dulles instructed Bowie to make "a thorough analysis of U.S. political, economic and strategic interests in the area and an evaluation of the short and

⁶⁴Ibid.

⁶⁵Letter Milton Eisenhower to Eisenhower, 18 March 1953, Eisenhower, Milton 1952 thru 1953 (5), box 12, Name Series, AWF, EL.

⁶⁶Ibid.

long-term importance of these interests".⁶⁷ The review would "form the basis for a new NSC paper on Latin America, and...lay a foundation for recommendations which will be developed as a result of Dr. Eisenhower's...trip".⁶⁸ Dulles wanted Bowie's study to support the basic national security policy of the administration. To conduct the study, Bowie would consult with the Departments of Defense, Treasury, Commerce and Interior, and the EXIM Bank.⁶⁹ The input of these agencies would ensure that military and domestic economic considerations were taken into account.

Cabot attempted to use the formal review of Latin American policy to change the administration's approach towards development in the region. The weekend before the June 15 meeting with Dulles and Bowie, Cabot and his staff hastily prepared briefing papers.⁷⁰ The first paper consisted of a memorandum from Cabot to Dulles, dealing exclusively with economic issues. Cabot stated that

in view of declining prices on some of the major commodities upon which the prosperity of the Latin American countries largely depends and of Latin America's expectation that this Government will be more cooperative than under the past Administration, we must increase our economic assistance to Latin America or be prepared to see a considerable lessening of United States prestige throughout the area and a material lessening of Latin American cooperation with the United States.⁷¹

Cabot argued that the administration's technical assistance programme in the region was not adequate since "the need of Latin America is for large amounts of

⁶⁷Memorandum by Bowie to the deputy under secretary of state for political affairs H. Freeman Matthews, 25 June 1953, 611.20/6-2553, box 2755, RG59, NA.

⁶⁸Ibid.

⁶⁹Ibid.

⁷⁰Memorandum by Cabot to Bowie, with attachments, 16 June 1953, 611.20/6-1653, box 2755, RG59, NA.

⁷¹Memorandum Cabot to Dulles, 15 June 1953, 611.20/6-1653, box 2755, RG59, NA.

capital as well as technical assistance”.⁷² He asserted that “Private capital will not be available in anywhere near adequate volume, especially since there are many areas of activity such as transportation, power and other facilities in which it is not interested.”⁷³ He urged that increased loans from the EXIM bank and grant aid from the government would have to meet development needs in Latin America.⁷⁴ Fifteen briefing papers accompanied Cabot’s memorandum to Dulles. Each highlighted the importance of economic issues in relations between the United States and Latin American nations.⁷⁵ The day after the meeting with Dulles and Bowie, Cabot sent the briefing papers to Bowie. In a covering memorandum, Cabot stated that he hoped the papers would help Bowie to conduct the review of Latin American policy.⁷⁶

However, Cabot held no authority at the highest levels of the administration. Dulles and Bowie did not pay any attention to Cabot’s evaluation of the situation in Latin America. Both men thought that Cabot lacked insight into the threat of Soviet Communism and the global responsibilities of the United States. During the review of policy, Bowie directed Cabot and his colleagues in the inter-American bureau to analyse the political importance of Latin America to the United States.⁷⁷ Bowie instructed Isaiah Frank of the State Department’s office of economic defense and trade policy to analyse economic issues. The paper

⁷²Ibid.

⁷³Ibid.

⁷⁴Ibid.

⁷⁵Memorandum Cabot to Bowie, 16 June 1953, with attachments, 611.20/6-1653, box 2755, RG59, NA.

⁷⁶Ibid.

⁷⁷Memorandum by John C. Dreier to Milton Eisenhower, 4 August 1953, with attached report by Dreier and Bowie, “Significance of Latin America to the United States”, part c by the inter-American bureau, “Political Significance of Latin America to the United States”. 611.20/8-453, box 2755, RG59, NA.

by Frank merely examined the importance of the region as a market for manufactured goods, and a source of raw materials. It asserted that the present policy of encouraging trade and foreign private investment, and providing technical assistance would be adequate to promote development in the region.⁷⁸

Once again, Cabot's participation in a formal review of Latin American policy did not enable him to change the administration's approach. The assistant secretary lacked authority. To change the administration's policies towards Latin America, he required Dulles' support. But the secretary remained committed to Eisenhower's grand strategy for maintaining national security. Dulles continued to agree with Eisenhower that foreign economic assistance should be restricted to the periphery of the Soviet bloc, to help nations supporting defence establishments. Dulles did not agree with Cabot's assessment that a failure to extend grant aid would seriously harm relations with the US. He continued to believe that only Soviet Communism could deprive the United States of access to vital regions of the free world. Dulles remained sure that the administration's tactics of military assistance, free enterprise and small amounts of technical assistance would prevent Soviet infiltration into Latin America. The administration did not need to extend development assistance. Dulles organised the process of policy review so that basic national security considerations would prevail. He did not rely on his assistant secretary of state for inter-American affairs. Rather, Dulles utilised Bowie and his Policy Planning Staff to ensure that the review supported the administration's established approach towards the region. Dulles sent the papers

⁷⁸Memorandum by John C. Dreier to Milton Eisenhower, 4 August 1953, with attached report by Dreier and Bowie, "Significance of Latin America to the United States", part b by Isaiah Frank, "The United States Economic Interest in Latin America", 611.20/8-453, box 2755, RG59, NA.

resulting from the review to Milton Eisenhower and thereby maintained some influence over Eisenhower's informal process of policy formulation.⁷⁹

Cabot also had little chance of influencing Milton Eisenhower's report to the President. The papers sent by Dulles and Bowie to Milton did not contain Cabot's views. Cabot did accompany Milton on his trip, but so did representatives from the Treasury and Commerce Departments. During the month of May, Milton Eisenhower consulted with Dulles on who should accompany him on the trip.⁸⁰ Dulles and Eisenhower recommended in particular that the assistant secretary of the Treasury, Andrew N. Overby, should participate.⁸¹ The Treasury representative would emphasise the importance of relying on private means to develop, not foreign economic aid. In addition, Cabot had little chance of influencing the final report to Eisenhower because Milton continued to agree with the administration's approach towards the region.

Milton travelled to South America from 23 June to 29 July. He announced publicly immediately after the trip that development requirements "can and should be met by private investment, chiefly, of course, from local savings".⁸² On 9 October 1953, he wrote to Eisenhower "you and I know that the bulk of...capital--no matter how much the International and Ex-Em banks are prepared to do--must come from private sources".⁸³ Milton Eisenhower completed his report for his

⁷⁹Memorandum by John C. Dreier to Milton Eisenhower, 4 August 1953, with attached report by Dreier and Bowie, "Significance of Latin America to the United States", 611.20/8-453, box 2755, RG59, NA.

⁸⁰Report by Milton S. Eisenhower to Eisenhower, "United States-Latin American Relations: Report to the President", 18 November 1953, DSB, 23 November 1953, XXIX, 752, p.695.

⁸¹OH, Milton S. Eisenhower, JFDOHC, ML, p.6.

⁸²Statement by Milton S. Eisenhower, "Results of Good Will Mission to South America", 29 July 1953, DSB, 10 August 1953, XXIX, 737, p.185.

⁸³Letter Milton Eisenhower to Eisenhower, 9 October 1953, EISENHOWER, Milton 1952 thru 1953 (3), box 12, Name Series, AWF, EL.

brother by November. He acknowledged that Latin Americans desperately sought development and increased standards of living.⁸⁴ He asserted that Latin Americans “want greater production and higher standards of living, and they want them *now*. The key to both industrial and agricultural improvement, they feel, is capital, capital in great volume.”⁸⁵ But Milton supported Eisenhower’s decision not to extend aid to the region. He stressed in the report that the people of Latin America had to learn that the financial resources of the United States were limited.⁸⁶ This factor meant that the bulk of the capital sought by Latin Americans would have to “come from private investment, chiefly from local savings”.⁸⁷ Latin American nations, Milton asserted, would have to provide favourable environments for foreign private capital.⁸⁸ He argued that the IBRD and EXIM Bank could provide loans for projects which could not attract private investment.⁸⁹ Milton urged that the EXIM Bank should act as “a national lending institution to make sound development loans which are in our national interest”, but he was not prepared to recommend that the decision to restrict the bank to short term sound loans be overturned.⁹⁰ He presented Eisenhower’s concern that “the Administration’s efforts to balance the budget would be affected by large loans made by the Export-Import Bank”, and merely recommended that the bank “consider using the means available to it to raise more of its funds from the private capital market”.⁹¹ The United States government should only help to promote development in Latin

⁸⁴Report by Milton S. Eisenhower to Eisenhower, “United States - Latin American Relations”, 18 November 1953, *DSB*, 23 November 1953, XXIX, 752, pp.701-702.

⁸⁵*Ibid.*, p.702. (emphasis in original)

⁸⁶*Ibid.*, p.701.

⁸⁷*Ibid.*, p.711.

⁸⁸*Ibid.*

⁸⁹*Ibid.*, p.716.

⁹⁰*Ibid.*

⁹¹*Ibid.*

America, Milton advised, by increasing the technical assistance programme and implementing “a long-range basic-material policy which will permit it to purchase for an enlarged national stockpile certain imperishable materials when prices of such materials are declining”.⁹²

Cabot had not influenced Eisenhower’s informal review of Latin American policy. Predictably, Eisenhower agreed with the report. As he desired, it supported the basic national security policy of the administration. On 3 November, the President wrote to his brother about the report, stating “its chief value is the persuasiveness of your presentation in favor of cooperation--political, intellectual and economic”.⁹³ Eisenhower recommended to secretary of state Dulles that the report be published. Publishing the report, Eisenhower believed, would educate the American public on relations with Latin America, and further indicate to Latin American nations that the administration cared about its relations with its southern neighbours. Eisenhower advised Dulles that “from the viewpoint of the Department there is not a great deal of new information or conclusion in the report. However, for the general public it could have great educational value. Moreover, it is arranged logically and the case for cooperation is persuasively developed.”⁹⁴ The report was published on 22 November. Eisenhower gained public approval of his policies towards Latin America. On 23 November, the editorial writer for the New York Times praised Milton Eisenhower’s report.⁹⁵

⁹²Ibid., pp.715, 716-717.

⁹³Letter Eisenhower to Milton Eisenhower. 3 November 1953, EISENHOWER, Milton 1952 thru 1953 (3), box 12, Name Series, AWF, EL.

⁹⁴Memorandum Eisenhower to Dulles, 3 November 1953, DDE Diary November 1953 (3), box 3, DDE Diaries Series, AWF, EL.

⁹⁵Editorial Comment “Report on South America”, New York Times, 23 November 1953, p.26.

In early January 1954, Milton Eisenhower submitted a supplementary report to the President. His aim was to highlight specific problems faced by individual countries.⁹⁶ He maintained that the administration should continue to rely on a policy of encouraging private investment in the region, and urging the IBRD to extend development loans.⁹⁷ But Milton's descriptions of the problems in particular Latin American nations incited Eisenhower to act. The President believed that many of the problems could be solved through "a very small loan investment or grant".⁹⁸ Eisenhower wrote to Dulles about the matter. But Eisenhower's interest was momentary, and his response to Milton Eisenhower's report did not signify a new commitment to extend development assistance to the region. Eisenhower remained committed to protecting the economic well-being of the United States, partly by limiting foreign aid to the periphery of the Soviet bloc and relying on the free enterprise system to promote development. Dulles also remained committed to basic national security. Dulles and Eisenhower did not follow the matter through. Eisenhower requested that the matter be studied by the agencies and departments of the administration and that the conclusions be forwarded to him.⁹⁹ His use of these organisations, rather than the inter-American bureau, indicates that Eisenhower wanted the suggestion assessed in the context of United States commitments throughout the world, and the impact on the American economy. There is no evidence that this matter was followed through.

⁹⁶Supplementary report by Milton S. Eisenhower the President, 11 January 1954, 611.20/1-1854, box 2756, RG59, NA.

⁹⁷Ibid.

⁹⁸Memorandum by Eisenhower to Dulles, 12 January 1954, DDE Diary Jan 1954 (2), box 5, DDE Diaries Series, AWF, EL.

⁹⁹Ibid.

Cabot did not achieve his goal of attaining development assistance for the entire region through Milton Eisenhower. But he did manage to use this informal access to the President to gain foreign economic aid for one Latin American nation, Bolivia. In the late 1940s and early 1950s, Bolivia struggled to cope with the economic problems typical of the region. The economy of the nation depended on the sale of a single commodity, tin. After the Second World War, tin prices dropped and the Bolivian economy went into crisis. Bolivians struggled to earn the foreign exchange necessary to buy food and manufactured goods. The situation improved slightly with the Korean war, but not enough to avoid revolution. In 1951, Victor Paz Estenssoro, the candidate for the Movimiento Nacionalista Revolucionario (MNR) or National Revolutionary Movement, was elected the President of Bolivia. But the Bolivian army seized power before Paz Estenssoro could assume the presidency. In April 1952, the MNR took power through a bloody revolution.¹⁰⁰ The MNR was committed to development in Bolivia. Paz and his colleagues wanted to end Bolivia's dependence on the export of tin, and the domination of this industry by foreign companies and local elites. On 31 October 1952, the new government nationalised the tin mines. As a result, Bolivia faced economic crisis. Nationalising the mines decreased dramatically the amount of capital available to import food and manufactured goods.¹⁰¹ The new Bolivian government turned to the United States for assistance. Traditionally, the United States was the main purchaser of Bolivian tin.¹⁰² On 9 December 1952, the

¹⁰⁰Rabe, *Eisenhower and Latin America*, p. 78.

¹⁰¹Letter US ambassador to Bolivia Edward J. Sparks to the deputy assistant secretary of state for inter-American affairs Thomas C. Mann. 8 December 1952, 824.2544/12-852, box 4615, RG 59, NA; Memorandum of conversation, Bolivian ambassador to the US Victor Andrade, T.C. Mann and the desk officer for South American affairs William P. Hudson, 9 December 1952, *FRUS*, 1952-1954, IV, p.511.

¹⁰²Rabe, *Eisenhower and Latin America*, p. 79.

Bolivian ambassador to Washington, Victor Andrade, requested that the US government enter into a long-term tin contract with Bolivia.¹⁰³

The Truman administration agreed to assist the new Bolivian government. The deputy assistant secretary of state for inter-American affairs, Thomas Mann, and his colleagues feared that if the United States did not help, the MNR government would fall, and be replaced by anti-American extremists.¹⁰⁴ From the beginning, Paz's government had been careful to convince the Truman administration of their desire to cooperate with the United States, and their opposition to Communism.¹⁰⁵ Mann obtained permission from the under secretary of state to begin discussions with the Bolivian ambassador about a twelve month tin contract.¹⁰⁶ Before negotiations could be concluded, conditions in Bolivia worsened. On 6 January, the right wing of the MNR attempted a coup. The attempt prompted the desk officer in the office of South American affairs of the State Department, William P. Hudson, to send a warning to the officer in charge of South American affairs, Rollin S. Atwood. Hudson asserted that Communists were exploiting the economic chaos in Bolivia.¹⁰⁷ Mann and Hudson urged that the Reconstruction Finance Corporation (RFC) make a spot purchase of 5,000 tons of tin concentrates to help the MNR government meet the immediate crisis.¹⁰⁸

¹⁰³Memorandum of conversation, Andrade, Mann and Hudson, 9 December 1952, FRUS, 1952-1954, IV, p.511.

¹⁰⁴Memorandum Mann to under secretary of state David K.E. Bruce, 17 December 1952, FRUS, 1952-1954, IV, pp.515.

¹⁰⁵Memorandum of conversation, ambassador of Bolivia to the US Victor Andrade, Mann and Hudson, 9 December 1952, FRUS, 1952-1954, IV, pp.511-512.

¹⁰⁶Letter Mann to the administrator of the Reconstruction Finance Corporation Harry A. McDonald, 30 December 1952, FRUS, 1952-1954, IV, p.519; Memorandum of conversation Andrade, Minister Counselor of Bolivia Alvaro Perez del Castillo, Mann, John W. Evans, Rollin S. Atwood and Hudson, 22 December 1952, 825.2544/12-2252, box 4615, RG 59, NA.

¹⁰⁷Memorandum by William P. Hudson to Atwood, 14 January 1953, 724.00/1-1453, box 3308, RG 59, NA.

¹⁰⁸Letter Mann to Harry A. McDonald, 15 January 1953, FRUS, 1952-1954, IV, pp.521-522.

That same day, the RFC informed the Bolivian ambassador to Washington that they would make a spot purchase of tin.¹⁰⁹

Eisenhower disagreed that the United States should expend resources on Bolivia. He argued that the United States had ample quantities of tin. Eisenhower did not want to use the stockpiling programme to assist single commodity countries. Rather, he argued that the free enterprise system would meet the needs of developing nations. On 12 March, the State Department informed the Bolivian government that the RFC would not sign a twelve month tin contract, and that further spot purchases would be dependent on the tin supply in the United States.¹¹⁰ During the first months of the new administration, State Department officials concerned with Bolivia struggled to change the administration's policy towards Bolivia. Hudson drew up a programme designed to meet the crisis in Bolivia. He recommended to Atwood that the administration sign a three year tin contract, and extend economic assistance. He advised that the amount of aid should be \$15,000,000 a year for three years. In addition, he recommended that the administration increase the amount of technical assistance for the nation, and support applications for EXIM Bank loans.¹¹¹ On 22 April, Mann sent a memorandum, drafted by Hudson, to under secretary of state Bedell Smith. Mann warned that if the economic situation in Bolivia did not improve, an extremist regime could take power in Bolivia. He urged that the administration enter into a long-term tin contract, and employ other methods to avert economic collapse in

¹⁰⁹FRUS, 1952-1954, IV, p.522, fnt 2.

¹¹⁰Telegram 223 secretary of state Dulles to the US embassy in Bolivia, 12 March 1953, FRUS, 1952-1954, IV, pp.522-523.

¹¹¹Memorandum by William P. Hudson to Atwood, 30 April 1953, 824.00/4-3053, box 4606, RG 59, NA.

Bolivia.¹¹² But Mann held no authority within Eisenhower's administration, and Smith remained committed to Eisenhower's basic approach. Smith did not respond to the memorandum.

Mann now enlisted Cabot's support. On 18 May Cabot sent under secretary Smith an outline of a programme to assist Bolivia. The programme involved a three year tin contract, an increase in technical assistance from 1.5 million dollars to 3.5 million dollars, increased EXIM Bank loans and expanded support from the International Monetary Fund.¹¹³ Smith approved the programme because Bolivia had become a public concern. In April, two American labor representatives, Gardner Jackson and Ernesto Galarza visited Bolivia. On returning to Washington, the men advocated the United States assist Bolivia. They approached State Department officials, the US Senate Committee on Foreign Relations and Milton Eisenhower.¹¹⁴ Jackson was an old friend of Milton Eisenhower.¹¹⁵ Even with Smith's support, however, State Department officials could not override basic national security policy. Other departments within the administration hesitated to implement the programme without direction from the

¹¹²Memorandum Mann to Smith, 22 April 1953, 724.00/4-2253, box 3308, RG 59, NA.

¹¹³FRUS, 1952-1954, IV, p.529, fnt 8.

¹¹⁴Memorandum of conversation, Gardner Jackson, Ernesto Galarza, Hudson, and labor adviser of the office of regional American affairs John T. Fishburn, 23 April 1953, 824.00/4-2353, box 4606, RG 59, NA; Memorandum of conversation, Fishburn and Gardner Jackson, 29 April 1953, box 3308, 724.00/4-2953, RG59, NA; Memorandum by Hudson to Cabot, Mann, Atwood, 11 May 1953, 611.24/5-1153, box 2760, RG59, NA; Letter US Senate Committee on Foreign Relations member H. Alexander Smith to Cabot, 4 May 1953, with attached report by Galarza and Jackson, "The Present Situation in Bolivia", 824.00/5-453, box 4606, RG59, NA; Letter US Senate Committee on Foreign Relations member J.W. Fulbright to Cabot, 13 May 1953, 824.00/5-1353, box 4606, RG59, NA.

¹¹⁵Memorandum of conversation, Gardner Jackson, Ernesto Galarza, Fishburn and Hudson, 23 April 1953, 824.00/4-2353, box 4606, RG59, NA.

White House.¹¹⁶ On 8 June, Cabot advised secretary of state Dulles that the “support of the President is required if the program is to be carried out”.¹¹⁷

Dulles did not raise the matter with Eisenhower. But State Department officials found another way to gain access to the President. Milton Eisenhower was concerned about the situation in Bolivia. On 17 June, Milton had breakfast with the Bolivian ambassador to the US, Victor Andrade. Milton wanted to find out more about the situation in Bolivia before he left on his trip to South America. The meeting convinced Milton that the administration needed to assist Bolivia.¹¹⁸ Five days later, State Department officials obtained a meeting with President Eisenhower. Milton Eisenhower, Cabot, Dulles, secretary of the Treasury George Humphrey and Arthur S. Flemming of the Office of Defense Mobilization (ODM) attended. The President decided that the administration should assist Bolivia. He agreed with the State Department’s position because his brother and a congressman from Texas had convinced him of the importance of tin to the security of the United States.¹¹⁹ Eisenhower also feared the conclusions of his brother and the State Department, that an extremist government with Communist influences would come to power if the economic chaos in Bolivia continued.¹²⁰

¹¹⁶Memorandum of conversation, Rollin S. Atwood, H. P. Bramble, Wiley McKinnon from RFC, 29 May 1953, 824.2544/5-2953, box 4615, RG59, NA; Memorandum of conversation Cabot, Bramble, Atwood, Hudson, assistant secretary for economic affairs Samuel C. Waugh, assistant secretary of the Treasury Andrew N. Overby, chief of the Latin American division of the office of international finance Debeers, director of the EXIM Bank Edgerton, representatives from the EXIM Bank Sauer and Stambaugh, representatives from the RFC Cravens and McKinnon, United States representative to the IMF Southard, 3 June 1953, FRUS, 1952-1954, IV, pp.528-532.

¹¹⁷Memorandum Cabot to Dulles, 8 June 1953, 824.2544/6-853, box 4615, RG59, NA.

¹¹⁸Memorandum of conversation, Andrade, Milton Eisenhower and the deputy director of the office of South American affairs Tapley Bennett Jr., 17 June 1953, 611.24/6-1753, box 2760, RG59, NA.

¹¹⁹Memorandum of conversation, Eisenhower, Cabot, Milton Eisenhower, Dulles, Humphrey director of the ODM Arthur S. Flemming, 22 June 1953, FRUS, 1952-1954, IV, p.532.

¹²⁰Rabe, Eisenhower and Latin America, p.82.

Eisenhower ordered that the State Department begin negotiations for a tin contract and that technical assistance be increased.¹²¹ As Milton Eisenhower arrived in Bolivia, Eisenhower announced that the administration would enter into a one year contract to purchase Bolivian tin, increase the technical assistance programme and discuss ways to promote development with Bolivian officials.¹²² By October, Eisenhower had agreed on the amount of assistance Bolivia would receive. The total amount of economic aid for Bolivia was \$31,300,000. \$17,900,000 would be used to buy tin, \$9,000,000 to provide famine relief, \$2,000,000 for technical assistance and \$2,400,000 from the EXIM Bank to accelerate the building of the Cochamba-Santa Cruz highway.¹²³

Eisenhower extended development assistance to Bolivia to prevent a Communist government coming to power.¹²⁴ The President did not want to be faced with another Guatemala. He continued to view Communism as the only external threat to the national security. Communist infiltration could isolate the United States from the markets and raw materials of the free world. Usually, Eisenhower asserted, the free capitalist system could be relied on to promote economic strength and prevent Soviet subversion. Bolivia and Guatemala were exceptions. In these countries, Soviet infiltration had already occurred. From 1953 to 1961, Eisenhower extended \$192,500,000 to Bolivia for economic assistance.¹²⁵ After the CIA assisted overthrow of President Jacobo Arbenz in

¹²¹Memorandum of conversation Eisenhower, Cabot, Milton Eisenhower, Dulles, Humphrey, Flemming, 22 June 1953, FRUS, 1952-1954, IV, p.533; Minutes of cabinet meeting, 3 July 1953, FRUS, 1952-1954, IV, p.534.

¹²²Press release 354, 6 July 1953, DSB, 20 July 1953, XXIX, 734, p.82.

¹²³Memorandum Bennett to Cabot, 3 November 1953, 611.24/11-353, box 2760, RG59, NA.

¹²⁴Rabe, Eisenhower and Latin America, pp.78-79, 82; Kamimura, Bolivian Revolutionaries, pp.27-28.

¹²⁵Ibid., p.77.

Guatemala in June 1954, Eisenhower extended aid to the new government. From 1954 to 1957, Eisenhower granted \$46,000,000 to Guatemala.¹²⁶ As with Bolivia, economic assistance for Guatemala was a tactic to prevent a moderate government being toppled by Soviet Communism. In the rest of Latin America, Eisenhower continued to rely on the tactics of free enterprise, military assistance and small amounts of technical help to prevent Soviet infiltration.

Assistance to Bolivia in 1953 did not represent a change in Eisenhower's approach towards development in the region. In early 1954, Cabot struggled to change the policy of the administration before the next inter-American conference. The conference was scheduled to be held at Caracas in March 1954. Cabot and his close associates argued that development assistance would be the main concern of the Latin American delegations at the conference.¹²⁷ On 13 January, Cabot warned Dulles that the United States would have to respond positively to development demands at Caracas. He urged that the administration allocate an additional \$17,000,000 to the region in fiscal 1955, and give assurance that \$1 billion would be made available through the EXIM Bank and IBRD.¹²⁸ Dulles returned the memorandum to Cabot, stating that he was about to depart for the Four-Power Conference in Berlin and did not have time to address these issues. He advised Cabot to discuss the matter with under secretary of state Smith.¹²⁹ On 20 January, Cabot sent a memorandum to Smith, arguing that trade and private investment could not meet Latin American needs. He advised that public financing by the

¹²⁶*Ibid.*, pp.61-62.

¹²⁷Foreign Service Despatch 40, delegate to the Inter-American Economic and Social Council Merwin L. Bohan, to the State Department, 20 November 1953, 365/11-2053, box 1416. RG59, NA; Memorandum US representative on the Council of the Organisation of American States John C. Dreier, to Cabot, 5 January 1954, *FRUS*, 1952-1954, IV, pp.264-265.

¹²⁸Memorandum Cabot to Dulles, 13 January 1954. *FRUS*, 1952-1954, IV, p.266.

¹²⁹*FRUS*, 1952-1954, IV, p.267, fnt 4.

EXIM Bank would be needed.¹³⁰ Meanwhile, Milton Eisenhower sent a letter to Eisenhower, urging that the administration present “a consistent public loan policy” at Caracas.¹³¹ Milton advised Eisenhower to hold a meeting to discuss the Caracas conference.¹³² Eisenhower held a meeting on 21 January. Cabot attended the meeting, but Dulles did not. Without Dulles’ support, Cabot could not get policy changed. The President was not convinced that Latin America should receive American resources. He wanted the matter to be discussed further by his subordinates, and the impact of liberalising the loan policy of the EXIM Bank on the economy of the United States considered. Eisenhower referred the matter to the NAC and set up a subcommittee, consisting of representatives from the Treasury, Commerce and State Departments.¹³³ At the NAC meeting the following day, the members approved a policy statement which declared that the IBRD should extend development loans and that the EXIM Bank should only give loans for development purposes in exceptional circumstances.¹³⁴ Cabot represented the State Department on the subcommittee established to discuss the loan policy of the EXIM Bank. But he lacked authority and could not obtain agreement that the situation in Latin America required an alteration in basic

¹³⁰Memorandum Cabot to Smith, 20 January 1954, FRUS, 1952-1954, IV, pp.203-205.

¹³¹Letter Milton Eisenhower to Eisenhower, 14 January 1954, EISENHOWER, Milton 1954 (3), box 12, Name Series, AWF, EL.

¹³²Ibid.

¹³³Memorandum of conversation, 21 January 1954, President Eisenhower, Milton Eisenhower, Smith, assistant secretary of state for economic affairs Samuel C. Waugh, Cabot, secretary of the Treasury George Humphrey, assistant secretary of the Treasury Andrew Overby, secretary of the Commerce Department Sinclair Weeks, assistant secretary of commerce Anderson, and director of the EXIM Bank Glen E. Edgerton, FRUS, 1952-1954, IV, pp.206-207; Memorandum Cabot to acting secretary Smith, 15 February 1954, FRUS, 1952-1954, IV, p.294.

¹³⁴Draft statement of principles governing the United States’ position in respect to loans by the Export-Import Bank of Washington and the IBRD, by Edgerton and President of the IBRD Eugene R. Black, 24 September 1953, FRUS, 1952-1954, I, 1, p.356; Minutes of the 206th meeting of the NAC, 22 January 1954, FRUS, 1952-1954, I, 1, pp.358-359.

national security policy.¹³⁵ On 5 February, the cabinet formally approved the new limited lending policy of the EXIM Bank.¹³⁶

Even if Dulles had attended the meeting to discuss the Caracas conference, he would not have supported Cabot's \$17,000,000 package for the region. He continued to agree with Eisenhower that the region could and should develop mainly through free enterprise. However, Dulles had always worried that the levels of foreign private investment in the developing regions would not be adequate, because of the high risks involved.¹³⁷ Dulles feared, in particular, that Communist infiltration in Latin America would increase if the administration did not offer some long-term soft loans.¹³⁸ At the same time, Dulles agreed that the United States could not afford to extend unlimited soft loans to the developing regions. As a result, Dulles supported the secretary of the Treasury's proposal to limit the loan policy of the EXIM Bank to short term sound loans in September 1953, but "with the understanding that the qualifying clauses would be interpreted so as to prevent any rigidity or sharp change of policy".¹³⁹ Dulles did not dwell on this issue. His concerns lay with political diplomacy, not foreign economic policy. But, in January 1954, Dulles became concerned about the loan policy of the EXIM Bank. He wanted to obtain an anti-Communist resolution at the Caracas conference, and believed that concessions by the United States on economic issues would help to

¹³⁵Memorandum Cabot to acting secretary Smith, 15 February 1954, FRUS, 1952-1954, IV, pp.293-294.

¹³⁶Minutes of cabinet meeting, 5 February 1954, Cabinet meeting of February 5 1954, box 3 Cabinet Series, AWF, EL, p.2.

¹³⁷Memorandum of conversation at NAC meeting, including Humphrey, Weeks, Stassen, Martin and Dulles, held on 30 September 1953, 1 October 1953, 1953 (F-H), SCRM, box 70, JFDP, ML.

¹³⁸Ibid.; Minutes of cabinet meeting, 26 February 1954, FRUS, 1952-1954, IV, p.301; Memorandum Dulles to Eisenhower, 3 September 1953, White House Correspondence 1953 (2), box 1, White House Memoranda Series, Papers of John Foster Dulles (hereafter cited as DP), EL.

¹³⁹Memorandum of discussion at NAC meeting, including Humphrey, Weeks, Stassen, and Dulles, held on 30 September 1953, 1 October 1953, 1953 (F-H), SCRM, box 70, JFDP, ML.

obtain the cooperation of the Latin American nations.¹⁴⁰ Dulles corresponded with the secretary of the Treasury about the loan policy of the EXIM Bank during the month of January.¹⁴¹ At a cabinet meeting on 26 February, Eisenhower's key officials discussed the lending policy of the EXIM Bank. Dulles convinced Eisenhower that he should announce some "economic reassurances" to obtain the anti-Communist resolution at Caracas.¹⁴² But the lending policy agreed to on 26 February would not provide Latin American countries with adequate capital for development. Eisenhower and Dulles remained committed to the administration's grand strategy for maintaining national security. The EXIM Bank would not be allowed to draw on the funds of the United States Treasury. At the Caracas conference Dulles announced that the EXIM Bank "will consider on their merits applications for the financing of development projects which are not being made by the International Bank and which are in our common interest, are economically sound, are within the capacity of the prospective borrower to repay and within the prudent loaning capacity of the bank".¹⁴³ The bank would not give soft loans, and most Latin American nations would not be able to meet the strict lending criteria. In August 1954, the deputy director for South American affairs reported that since Dulles' statement at Caracas, loans to Latin America had been limited. Only

¹⁴⁰Rabe, *Eisenhower and Latin America*, p.69; Minutes of cabinet meeting, 26 February 1954, *FRUS*, 1952-1954, IV, p.301.

¹⁴¹Letter Humphrey to Dulles, 7 January 1954, *FRUS*, 1952-1954, I, 1, p.355; Letter Humphrey to Dulles, 14 January 1954, *FRUS*, 1952-1954, I, 1, p.357; Letter Dulles to Humphrey, 15 January 1954, *FRUS*, 1952-1954, I, 1, p.358, ftnt 3.

¹⁴²Minutes of cabinet meeting, 26 February 1954, *FRUS*, 1952-1954, IV, p.301.

¹⁴³Address by Dulles at the Caracas Conference, "The Spirit of Inter-American Unity", 4 March 1954, *DSB*, 15 March 1954, XXX, 768, p.382.

\$25,200,000 had been loaned, and \$15,000,000 of this amount had been extended to Brazil to finance the purchase of U.S. wheat.¹⁴⁴

Dulles continued to agree with Eisenhower that the United States government should not extend economic assistance for development. He stressed to the Latin American delegates at the Caracas conference that the United States would assist the nations of Latin America to develop through private foreign investment and small amounts of technical assistance.¹⁴⁵ Dulles' main aim at Caracas was to obtain an anti-Communist resolution. Only Argentina and Mexico opposed the resolution. Argentina, under the leadership of Juan Perón, adopted a "Third Position" in the Cold War. Perón wanted his country to remain independent of both the Soviet Union and the United States.¹⁴⁶

Dulles did not support Cabot's \$17,000,000 programme for the region. But Cabot did manage to obtain Eisenhower's approval for some increases in funds for Latin America in fiscal 1955. On 28 January, Cabot again tried to gain under secretary of state Smith's support for a Latin American programme.¹⁴⁷ Finally, at the cabinet meeting on 5 March 1954, under secretary Smith and Milton Eisenhower urged that the Cabinet approve a package. Both men believed that the announcement of a programme at the Caracas conference would "prevent Communism from spreading seriously beyond Guatemala". They recommended

¹⁴⁴Memorandum deputy director of the office of South American Affairs Tapley Bennett, to the assistant secretary of state for inter-American affairs Henry F. Holland, 20 August 1954, FRUS, 1952-1954, IV, p.234.

¹⁴⁵Address by Dulles, "The Spirit of Inter-American Unity", 4 March 1954, DSB, 15 March 1954, XXX, 768, pp.381-382.

¹⁴⁶Arthur P. Whitaker, The United States and the Southern Cone: Argentina, Chile, and Uruguay (Cambridge, Massachusetts, and London, 1976), p.393.

¹⁴⁷Memorandum Cabot to under secretary Smith, 28 January 1954, Lot 57D295, box 5, RG 59, NA.

that appropriations for fiscal 1955 be increased by \$8,000,000.¹⁴⁸ \$7,000,000 of this amount would go to the countries near Guatemala, to accelerate the building of the inter-American highway. Of the remaining \$1,975,000 would be for the “Exchange of Persons” programme.¹⁴⁹ Eisenhower agreed to the programme because he saw the extension of economic assistance to Latin America as an exception. The package would help to fight Soviet subversion in Guatemala.

The administration did not implement Cabot’s programme. The assistant secretary’s package was aimed to assist development in Latin America, not to fight Communist infiltration. Throughout 1953, Cabot argued that relations between the United States and Latin America would deteriorate if the administration failed to extend development assistance. But he held no authority within Eisenhower’s administration. As a result, Cabot could not change the opinions of Eisenhower and Dulles. Eisenhower’s formal and informal processes of policy formulation merely supported the administration’s basic national security policy. At the highest levels of the administration, Latin America continued to be viewed only in terms of Eisenhower’s grand strategy for maintaining national security. Cabot never came to share Eisenhower’s and Dulles’ views that commitments in the rest of the world meant that the administration could not afford to extend development assistance to Latin America. As a result, the President and his secretary removed Cabot from the position of assistant secretary in early February. As early as August 1953,

¹⁴⁸Minutes of Cabinet meeting, 5 March 1954, Cabinet meeting of March 5 1954, box 3, Cabinet Series, AWF, EL, p.2.

¹⁴⁹“Suggested Steps for the Implementation of the Report to the President U.S.-Latin American Relations”, Undated, Eisenhower trip to South America, Milton (2), subject series, box 25, Confidential File, Eisenhower, Dwight D., Records as President, White House Central Files, 1953-61 (hereafter cited as WHCF), EL.

Dulles and Eisenhower had begun to search for someone to replace Cabot.¹⁵⁰ By 8 September, Dulles had approached Henry F. Holland, a Houston lawyer, and asked him to become the assistant secretary of state for inter-American affairs.¹⁵¹ Eisenhower's special assistant for national security affairs Robert Cutler knew Holland and recommended him for the position.¹⁵² Like Dulles, Holland had represented U.S. businesses in Latin America. Holland could be trusted to spend his time promoting free enterprise in the region, not advocating grant aid. Cabot officially resigned on 4 February 1954.¹⁵³ Eisenhower and Dulles banished Cabot to Sweden, appointing him to the position of ambassador. In a final speech on Latin American affairs, Cabot stated "Unhappily fine words and good intentions are not enough; as crucial decisions are made in Washington, they must, if they importantly affect Latin America, take into account the great importance of our relations with our sister republics. It will be the task of my able successor to see that they do."¹⁵⁴ But Holland was not appointed to formulate a policy for Latin America. His task in Eisenhower's administration would be to implement tactics designed to maintain national security.

¹⁵⁰Telephone Conversation Dulles with Arthur Dean, 28 August 1953, Telephone Memo (Except...) July-Oct 31, 1953 (3), box 1, Telephone Call Series, DP, EL.

¹⁵¹Telephone Call Dulles to Milton Eisenhower, 8 September 1953, Telephone Memo (Except...) July-Oct 31 1953 (2), box 1, Telephone Call Series, DP, EL.

¹⁵²*Ibid.*

¹⁵³Letter Cabot to Dulles, 4 February 1954, 1954 (Bi-Co), SCRM, box 79, JFDP, ML.

¹⁵⁴Address by Cabot, "Farewell speech as Assistant Secretary of State for Inter-American Affairs", notes for informal speech to The Western Hemisphere Area, World Trade Committee. Washington Board of Trade, Washington DC, 23 February 1954, in John M. Cabot, Toward Our Common American Destiny, (Medford, Mass., 1955), p.207.

III

The State Department and Development in Sub-Saharan Africa, January 1953 - April 1954

Key officials within the State Department concerned with sub-Saharan Africa argued that the administration should extend development assistance to the region. They asserted that future relations between the United States and the southern African nations would depend on how the United States responded to demands for development assistance. They argued that economic and political instability would provide the opportunity for Soviet infiltration and threaten access to strategic raw materials. In 1953 and early 1954, they attempted to change the administration's approach of relying on the free enterprise system. But they could not change Eisenhower's policy towards the region. Africanists in the State Department did not have an assistant secretary of state like John Moors Cabot to advocate their cause. They held an inferior position within the Department. Their subordinate position indicated the lack of involvement the United States had with the region in the past. Specialists of Africa resided within the bureau for Near Eastern, South Asian and African Affairs. As a result, the assistant secretary of state for this bureau was responsible for an enormous area. Africanists had to compete with officials concerned with other geographic areas for the assistant secretary's time and attention. This situation suited Eisenhower. It ensured that the areas closer to the Soviet bloc would dominate the State Department's

attention and Africa, especially the regions south of the Sahara, would remain of little concern. The administration's policy of relying on the metropolises to prepare the African nations for slow independence and prevent Soviet subversion could proceed, and the limited resources of the United States be preserved.

Eisenhower and Dulles wanted an individual to be the assistant secretary for near eastern, south Asian and African affairs who would limit American resources to the periphery of the Soviet bloc, and support the interests of the colonial powers. They agreed that the individual who occupied the position during the last months of the Truman administration, Henry A. Byroade, would suffice. Before being appointed to the position of assistant secretary for near eastern, south Asian and African affairs, Byroade had been the director of the bureau of German affairs. With this background, Eisenhower and Dulles believed that Byroade understood the importance of maintaining western European strength. Byroade agreed with the administration's approach in sub-Saharan Africa. Like Eisenhower and Dulles, he believed that the Soviet Union sought world domination, and that the newly independent nations could be easily subverted.¹⁵⁵ Similarly, Byroade shared the concerns of his secretary and the President that the security of the United States depended on maintaining the strength of western Europe.¹⁵⁶ As a result, he agreed with the administration's policy of "eventual self-determination" and "evolutionary development".¹⁵⁷ He asserted that the colonial powers would prepare the nations of sub-Saharan Africa for eventual independence.¹⁵⁸

¹⁵⁵Address by assistant secretary of state for near eastern, south Asian and African affairs Henry A. Byroade, before the World Affairs Council of Northern California, "The World's Colonies and Ex-Colonies: A Challenge to America", 30 October 1953, *DSB*, 16 November 1953, XXIX, 751, pp.655-656.

¹⁵⁶*Ibid.*, p.657.

¹⁵⁷*Ibid.*, p.656.

¹⁵⁸*Ibid.*, p.658.

In May, the American consul general in Salisbury, John P. Hoover, warned that “Africans have...begun to develop a political awareness”.¹⁵⁹ Hoover asserted that “it would...seem to be in our interest to use our power to influence the course of development here in order that it may be favorable to the United States”.¹⁶⁰ He urged that the United States extend loans, grants and technical assistance to Central Africa.¹⁶¹ In August, the State Department officer in charge of west central and east African affairs, Nicholas Feld, stated in a general memorandum that “Throughout the entire area of Africa south of the Sahara there is a very marked increase in racial and political tensions, reflected in some degree of political and economic instability.”¹⁶² He warned that the growing unrest in the region could deprive the United States and her allies access to “strategic materials, such as uranium, cobalt, industrial diamonds, chrome, asbestos, copper, lead, [and] manganese”.¹⁶³ Feld argued that economic and political unrest made the region vulnerable to Communist subversion.¹⁶⁴ He urged that the number of Africanists within the State Department be increased, to cope with the rapid political evolution of the area.¹⁶⁵ Africanists within the intelligence section of the State Department supported the assessments of Hoover and Feld. They asserted that

African societies are in relatively rapid transition from isolated subsistence economies and tribal institutions to dynamic competitive cash economies and nationalist states. This process is developing

¹⁵⁹Foreign Service Despatch 238. American consul general John P. Hoover in Salisbury to Department of State, Washington, 8 May 1953, 611.70/5-853, box 2844, RG 59, NA, p.3.

¹⁶⁰*Ibid.*, p.7.

¹⁶¹*Ibid.*, p.11.

¹⁶²Memorandum by officer in charge of west, central and east Africa affairs Nicholas Feld, 17 August 1953, *FRUS*, 1952-1954, XI, 1, p.48.

¹⁶³*Ibid.*, p.49.

¹⁶⁴*Ibid.*, p.48.

¹⁶⁵*Ibid.*, pp.49-50; Memorandum director of the office of African affairs John E. Utter to deputy executive director of the bureau of near eastern, south Asian and African affairs Charles R. Moore, 9 September 1954, *FRUS*, 1952-1954, vol XI, 1, pp.52-54.

unevenly, uneasily, and also far more quickly than the corresponding historical evolution in Europe. In addition, rising African expectations are confronted by inadequate financial resource, lack of technical skills and the tendency of the controlling powers to deal with Africa primarily in the light of immediate European needs.¹⁶⁶

The intelligence officers predicted that the European powers would only maintain control for the next ten years.¹⁶⁷ They asserted that the metropolises did not have the capacity to meet the rising expectations in Africa for economic and social change.¹⁶⁸ They warned that the United States and her allies depended on the region for strategic raw materials, and implied that the United States should extend development assistance to ensure a peaceful transition to independence.¹⁶⁹

Officials concerned with sub-Saharan Africa could not gain attention at the highest levels of the State Department, let alone at the higher levels of the administration. Like those concerned with Latin American affairs, they commanded no authority within Eisenhower's administration. They could not initiate policy review. They had to wait for individuals within the administration with greater authority to turn attention to the region. The opportunity did not come often for officials concerned with sub-Saharan Africa. Unlike Latin America, the region did not gain the attention of Eisenhower or his brother Milton. However, in March 1954, vice president Nixon initiated a formal review of the administration's policy on Africa.

¹⁶⁶OIR report 6390, "Conditions and Trends in Tropical Africa", 24 August 1953, RG 59, NA, p.iii.

¹⁶⁷Ibid.

¹⁶⁸Ibid., p.4.

¹⁶⁹Ibid., pp.iii, 4.

Nixon expressed concern to Eisenhower's special assistant for national security affairs, Robert Cutler, about the situation in Africa.¹⁷⁰ As a result, Cutler put the region on the agenda of the meeting of the NSC Planning Board on 3 March.¹⁷¹ This formal review of African policy gave the Africanists within the State Department an opportunity to change the administration's approach. They prepared a policy paper for the NSC on sub-Saharan Africa.¹⁷² The paper asserted that the United States should assist "The social, political and economic advancement of the people of Africa...as an end in itself and also as a means of convincing them that their individual and national aspirations can best be achieved through continued association with the free nations of the world".¹⁷³ It argued that, at the current time, Soviet expansionism did not pose the greatest threat to the region. Rather, the primary threat came from "rising African dissatisfaction with the rate and manner in which their growing aspirations are being realized".¹⁷⁴ The paper recommended that "the United States should make the most practicable use of economic, technical and, where applicable, military assistance so as to influence the process of political change to effect the best compromise of Western interests".¹⁷⁵ Such action, it argued, would help to prevent Soviet subversion and protect the access of the United States and her allies to strategic materials.¹⁷⁶

¹⁷⁰Memorandum by member of the Policy Planning Staff Harry H. Schwartz, to the director of the Policy Planning Staff Robert Bowie, 2 March 1954, FRUS, 1952-1954, XI, 1, p.97.

¹⁷¹Ibid.

¹⁷²Ibid.

¹⁷³Draft policy statement by the bureau for near eastern, south Asian and Africa affairs, "Statement of Policy Proposed by the National Security Council on United States Objectives and Policies with Respect to Tropical Africa", undated, FRUS, 1952-1954, XI, 1, p.98.

¹⁷⁴Ibid., p.99.

¹⁷⁵Ibid., p.100.

¹⁷⁶Ibid., pp.98-99.

However, Africanists within the State Department did not have adequate representation during the formal review of policy. The head of the Policy Planning Staff, Robert Bowie, represented the State Department on the NSC Planning Board. Bowie did not support the concern of State Department officials that the United States should secure their interests in the region by meeting demands for development assistance. At the meeting on the 3 March, the members of the Planning Board merely agreed to “submit check-lists of the more important U.S. security interests in Africa”.¹⁷⁷ Africanists within the State Department prepared a list, emphasising factors such as the “Rate of Advance in the Development of African Territories Towards Democratic Self Government” and economic development.¹⁷⁸ But the State Department was only one of the organisations involved in Eisenhower’s formal process of foreign policy formulation. The Joint Chiefs of Staff (JCS), the Foreign Operations Administration, the Department of Defense and the Central Intelligence Agency (CIA) also submitted lists. The JCS, the CIA and the Defense Department did not stress the importance of meeting demands for economic and social development. They emphasised the need for the United States to maintain access to military bases and strategic raw materials, and to prevent Soviet expansionism into the region.¹⁷⁹ Only the FOA supported the position of the State Department by stating that the United States should act to relieve “discontent” in Africa.¹⁸⁰ On 22 March, the NSC Planning Board discussed

¹⁷⁷Editorial Note, FRUS, 1952-1954, XI, 1, p.101.

¹⁷⁸Memorandum by NSC Planning Board assistant in State Department Harry H. Schwartz, to the executive secretary of the NSC James Lay, 19 March 1954, with attached paper prepared in the Department of State “List of African Problems”, FRUS, 1952-1954, XI, 1, p.102.

¹⁷⁹Paper prepared in the office of the special assistant to the JCS for NSC affairs, 19 March 1954, FRUS, 1952-1954, XI, 1, pp.103-104; Paper prepared in the Department of Defense, 22 March 1954, FRUS, 1952-1954, XI, 1, pp.105-106; Paper prepared in the CIA, 22 March 1954, FRUS, 1952-1954, XI, 1, p.107.

¹⁸⁰Paper prepared by FOA, 22 March 1954, FRUS, 1952-1954, XI, 1, p.105.

the papers on Africa, and decided that the NSC Staff should “prepare a consolidated statement of major U.S. security interests in Africa”.¹⁸¹ The final paper contained only a short list of United States interests in Africa. It emphasised the importance of maintaining access to U.S. military bases and strategic raw materials. It asserted that the United States should promote “political stability” in the area, but merely stated that the administration should support the “policies and actions by the responsible European governments designed to promote acceptable solutions of the problems of colonialism, nationalism and racial relationships”.¹⁸² The Planning Board did not discuss this paper until four months later. On 2 September 1954, the board decided that Africa was not important enough to warrant a policy paper.¹⁸³

Africanists within the State Department could not change the administration’s approach towards development in the region through Eisenhower’s formal procedure. The multi-departmental representation on the NSC Planning Board ensured that the concerns of the State Department about development were diluted. Bowie did not support his department’s position. The short paper resulting from the review supported Eisenhower’s approach towards the region. Sub-Saharan Africa would not receive resources from the United States for development. The metropolises would prepare the dependent territories for gradual independence, and prevent Soviet infiltration.

Eisenhower and his key advisers argued that the metropolises should ready their colonial possessions in Africa for independence, but American officials paid

¹⁸¹ Editorial note, FRUS, 1952-1954, XI, 1, p.107.

¹⁸² Paper prepared by NSC staff, 27 April 1954, FRUS, 1952-1954, XI, 1, p.118.

¹⁸³ FRUS, 1952-1954, XI, 1, p.118, fnnt 1.

little attention to whether or not the metropolises were taking this action. During the late 1940s and early 1950s, the French resisted African demands for independence, and attempted to strengthen the ties between France and their colonies. In this period, French officials did extend small amounts of capital to the colonies to promote development. They hoped that the extension of aid would placate anticolonial sentiments, as well as increasing colonial profits for France.¹⁸⁴ 1945 to 1956 saw similar policies being carried out by Great Britain. Britain reformed local government and increased production in her African colonies to strengthen colonial rule.¹⁸⁵ Before 1959, Belgian officials believed decolonisation to be many years away, and they did not prepare the Congo for independence.¹⁸⁶ Portugal clung to Guinea-Bissau, Mozambique and Angola, unwilling to suffer the severe economic strains that would result if she gave up her African colonies. The Portuguese did not prepare the colonies for independence.¹⁸⁷

IV

In the period from January 1953 to April 1954, officials within the Department of State disagreed with Eisenhower's reliance on the free enterprise system to promote development in Latin America and Sub-Saharan Africa. John Moors Cabot argued that the free enterprise system would not meet Latin

¹⁸⁴ Yves Person, "French West Africa and Decolonization" in Prosser Gifford and Wm. Roger Louis, eds, The Transfer of Power in Africa: Decolonization 1940-1960 (New Haven and London, 1982), p.144.

¹⁸⁵ Dennis Austin, "The British Point of No Return" in Gifford and Louis, eds, Transfer of Power, p.231.

¹⁸⁶ Jean Stengers, "Precipitous Decolonization: The Case of the Belgian Congo" in Gifford and Louis, eds, Transfer of Power, pp.306-307.

¹⁸⁷ Kenneth Maxwell, "Portugal and Africa: The Last Empire" in Gifford and Louis, eds, Transfer of Power, pp.337-339.

American development needs. He asserted that the region would require grant aid to establish the basic infrastructures required for development. He warned that relations between the United States and Latin America would deteriorate if the administration did not do more to promote development. Key officials dealing with Africa within the State Department argued that the African nations were rapidly moving towards independence. They asserted that the administration should extend assistance to meet the rising demands for economic and social development. Such action, they argued, would help to prevent Soviet subversion and ensure the access of the United States and her allies to strategic raw materials. These officials attempted to change the administration's approach. But Eisenhower's informal and formal systems of policy formulation were designed to support the basic national security policy of the administration. Eisenhower chose Dulles to be his secretary of state because he agreed with Eisenhower's assessment of the national security and the tactics required to maintain it. John Moors Cabot was not able to change Dulles' views. Similarly, Eisenhower asked his brother to conduct a review of Latin American policy because Milton agreed with the President's world view. Cabot could not influence Milton Eisenhower's opinions. The formal system of policy formulation also supported Eisenhower's strategy for maintaining national security. The multi-departmental representation on the NSC Planning Board and within the NSC, ensured that basic national security policy determined the administration's policy guidance on development in Latin America and sub-Saharan Africa.

Dulles had questioned whether private foreign investment would be adequate to meet Communist subversion in the less developed regions. But he did

not argue that the administration should extend large amounts of aid. He agreed with Eisenhower that the United States could not afford such a commitment. To prevent Soviet subversion in Latin America, he asserted that the administration should supplement the free enterprise system with sound loans. But Latin American nations could rarely meet the lending criteria of the EXIM Bank. Dulles did not think that the bank should extend soft loans. He opined that the tactics of sound loans, technical aid, military assistance and the United States Information Agency would keep the area free from Soviet subversion. Eisenhower agreed. He extended economic assistance to Latin America only in exceptional circumstances, when Soviet infiltration had already occurred. Both men agreed that the administration should not extend economic assistance for development. The free capitalist system would promote economic and spiritual strength in the less developed regions. During the period March 1954 to December 1956, however, Dulles' concerns about the lack of private foreign investment in the less developed regions led him to advocate the administration begin to extend grant assistance for development.

PART TWO

1954 - DECEMBER 1956

CHAPTER THREE

JOHN FOSTER DULLES AND DEVELOPMENT ASSISTANCE: PREVENTING SOVIET SUBVERSION, JANUARY 1954 - DECEMBER

1956

I

In 1954, John Foster Dulles continued to worry that the amount of foreign private investment in the less developed countries would not be adequate to promote economic strength. He believed that these areas would be vulnerable to Soviet subversion. The advent of the Soviet economic offensive heightened Dulles' concerns. Dulles convinced Eisenhower to use economic assistance for development as a strategy to maintain national security. In response, Eisenhower increased the amount of technical and economic assistance within the fiscal 1956 and 1957 Mutual Security Programmes. But Latin America and sub-Saharan Africa did not benefit from these changes. Eisenhower and Dulles continued to believe that Soviet expansionism posed the only external threat to national security. As a result, they continued to direct economic assistance to nations on the periphery of the Soviet bloc. In addition, Eisenhower and Dulles agreed that economic aid was only one of the tactics needed to prevent Soviet advancement. Expenditures on military assistance remained high. At the same time, both men continued to be committed to protecting the economic strength of the United States. As a result, Dulles did not support the position of his Policy Planning Staff

and C.D. Jackson that economic aid should be extended to all of the less developed regions to prevent Soviet subversion, including Latin America and sub-Saharan Africa. Dulles agreed with Eisenhower that the United States could not afford such high foreign aid expenditures. Rather, the free enterprise system would be adequate in those areas not immediately threatened by Soviet Communism.

During this period, Dulles also had the opportunity to exert the authority of his Department in the area of foreign economic policy. But Dulles did not wish to be burdened with economic issues. Only when his assessment of the Soviet threat altered in late 1956 did Dulles appoint C. Douglas Dillon to take control of the foreign economic policy of the administration.

II

John Foster Dulles, The Policy Planning Staff, C.D.Jackson and Development Assistance, 1954 - April 1955

In early 1954, John Foster Dulles' concerns that foreign private investment in the less developed countries would not be adequate to prevent Soviet subversion increased. During this time, Dulles requested a study on the problem from his Policy Planning Staff. In response, the director of the staff, Robert Bowie, obtained a copy of a study being undertaken within the economic affairs bureau of the State Department.¹ The paper, by Isaiah Frank, confirmed Dulles' fears. Frank asserted that recent Soviet trading actions made apparent "Soviet intentions to use

¹FRUS, 1952-1954, I, I, p.65, fnt 1.

economics to divide the free world and to conquer it by peaceful means”.² He stressed that the Soviets directed their subversive tactics at the less developed regions and declared that “a continuous frustration of the desire for growth” made these areas particularly susceptible.³ The United States, he asserted, had to help to promote development. Frank stated that the current aid programmes of the United States provided “only a small portion of the resources that underdeveloped countries need for economic growth”.⁴ He questioned the reliance of the administration on foreign private investment to meet development requirements, when the prevailing political climate of the world was not conducive to such ventures.⁵ Frank did not argue, however, that the administration should change its approach. He recommended ways in which the United States could increase the level of trade and private investment, both foreign and domestic, in the free world.⁶

Frank asserted that the escalating Soviet threat to the less developed regions could be met without altering the administration’s basic tactics. Increased trade and private investment, not aid, would suffice. By this time, however, Dulles and his Policy Planning Staff asserted that the situation required policy changes. From late March to August 1954, the secretary and his staff used a review of national security programmes to present their concerns in the NSC forum. On 22 March 1954, Eisenhower instructed government departments and agencies to establish guidelines for the implementation of the recently approved basic national security policy statement, NSC 162/2. These guidelines would dictate national

²Isaiah Frank, “Foreign Economic Relations of the United States”, 17 May 1954, FRUS, 1952-1954, I, 1, p.77.

³Ibid., p.68.

⁴Ibid., p.69.

⁵Ibid., p.69.

⁶Ibid., pp.77-82.

security expenditures within the fiscal 1956 budget.⁷ From March to June, the Planning Board of the NSC co-ordinated the drafting of reports by various government organisations, and held inter-departmental discussions on specific aspects of national security policy. In such discussions and reports, members of the Policy Planning Staff emphasised the need for the United States to assist economic growth in the less developed regions. They believed that these regions would be lost to Communism if the administration continued to rely on the free enterprise system. The staff recommended that grants or flexible loans be extended where United States foreign private investment, technical aid and public lending operations failed to increase “rates of growth consistent with the attainment of U.S. political objectives in key under-developed countries”. Other suggestions by the staff included the study of how western Europe and Japan could contribute to long term development projects in the less developed regions, the establishment of programmes designed to stabilise the prices of less developed countries’ major exports, and the encouragement of closer economic co-operation and assistance among Asian nations.⁸

The Treasury Department disagreed. Treasury representatives fulfilled their role within Eisenhower’s system of policy formulation by stressing the need to protect the economic strength of the United States. They argued that the policy

⁷FRUS, 1952-1954, II, 1, pp.647-648, fnt 2.

⁸State Department Study, “Free World Political Outlook and Problems Through FY 1956-59”, undated, FRUS, II, pt. 1, pp.670-671. This study was circulated as Annex 1 of the first paper prepared by the NSC planning board in response to Eisenhower’s March 22 request, NSC 5422, “Tentative Guidelines Under NSC 162/2 for FY 1956”. The State Department study incorporated studies prepared in both the Policy Planning Staff and the Office of Intelligence Research from March to June 1954. FRUS, 1952-1954, II, 1, p.648, fnt 2. The policy recommendations for the less developed regions are clearly from the Policy Planning Staff as they are similar to suggestions made by Policy Planning Staff member, John C. Campbell to Bowie on 17 May 1954. Memorandum John C. Campbell to Bowie, 17 May 1954, box 82, Lot 65D101, RG59, NA, p.5.

towards the less developed regions should be to achieve worldwide currency convertibility. Such action, Treasury representatives declared, would “release [the] strong and beneficial forces of private enterprise and sound economic expansion ... without overburdening the U.S. taxpayers”.⁹ The NSC Planning Board failed to reconcile the two points of view in the paper summarising the review of national security programmes. The paper stated that

The underdeveloped areas of the free world will be especially vulnerable to Soviet penetration and subversion by reason of nationalism and anti-colonialism, deep-seated distrust of the West, retarded economic growth, military weakness, political ferment. This danger will be most acute in Asia, in dependent areas such as French North Africa which are still under European rule, and in parts of Latin America.¹⁰

It recommended that the United States “help accelerate present rates of economic growth in the underdeveloped areas, particularly in South and Southeast Asia and parts of Latin America”.¹¹ But the differing opinions on whether to use public aid, the U.S. stockpiling programme, or regional arrangements to assist economic development remained unreconciled.¹²

The final verdict awaited discussion within the NSC forum. Eisenhower expected the various departments to defend their particular point of view, after which he would make the final decision. To have their views prevail, the Policy Planning Staff needed Dulles’ support within the NSC. On 24 June 1954, members of the NSC discussed the Planning Board summary paper. Dulles supported his

⁹Memorandum by member of the Policy Planning Staff John C. Campbell to the director of the Policy Planning Staff Bowie, 17 May 1954, box 82, Lot65D101, RG59, NA, pp.2-3.

¹⁰Paper by NSC Planning Board, “Tentative Guidelines Under NSC 162/2 For FY 1956”, NSC 5422, 14 June 1954, FRUS, 1952-1954, II, 1, pp.654-655.

¹¹Ibid., p.661.

¹²Ibid., pp. 661-662.

Department's view that Soviet tactics had changed. He warned that "the United States does not have an adequate defense against Communist expansion by means other than war", and that other free world nations did not fully support the reliance of the United States on nuclear weapons to deter the Soviet Union.¹³ Dulles did not, however, gain presidential support during the meeting for the new economic tactics suggested by his staff. To change policy, Dulles had to persuade Eisenhower to revise his idea of the national security. He had to explain his Department's position that continued reliance on the capitalist system would not produce the acceleration of development required to meet the new Soviet threat, and that government expenditures on aid should increase. Dulles did not facilitate discussion on his staff's proposed changes to economic tactics, at this stage, for two reasons. First, he had not come to a final decision, declaring that he intended to spend a week during the summer thinking about the matters raised in the paper.¹⁴ Second, Dulles' concerns lay in the realm of Soviet intentions and tactics, not economic technicalities.

The final policy statement on national security programmes, NSC 5422/2, did not provide the presidential mandate necessary to modify tactics towards the less developed regions. The opening paragraph of the paper addressed Dulles' abstract concerns, stating "that the Communist powers are likely to devote greater attention to expanding their control by penetration and subversion, particularly in the underdeveloped areas of the free world".¹⁵ To meet this threat, the paper stated that "The U.S. should, as a major objective of its policy, help accelerate

¹³Memorandum of discussion, 204th NSC meeting, 24 June 1954, FRUS, 1952-1954, II, 1, pp.694-695.

¹⁴Ibid., p.694.

¹⁵Statement of policy by the NSC, NSC 5422/2, "Guidelines Under NSC 162/2 For FY 1956", FRUS, 1952-1954, II, 1, p.716.

present rates of economic growth in the under-developed areas, particularly in South and Southeast Asia and parts of Latin America.”¹⁶ However, the question of whether public funds should be used to achieve this goal remained unanswered. The paper offered the State Department’s view that levels of public aid should be increased where current programmes failed to meet foreign policy objectives. But the Treasury position that “the total level of U.S. economic assistance worldwide should be progressively reduced so far as is consistent with U.S. security objectives” immediately followed.¹⁷ The budgets provided in the policy statement by the Treasury Department and the Bureau of the Budget for fiscal 1956 and 1957 did not allow for an increase in foreign aid expenditures.¹⁸ The paper firmly stated that the stockpiling programme “should not normally be used to help stabilize international markets for the exports of under-developed countries in order to enhance their foreign exchange position and assist in their internal development”.¹⁹ Regional solutions to development problems would only be sought in Asia, where the communist threat was greatest.²⁰ Increasing free world trade and promoting currency convertibility remained the primary economic tactics.²¹

Dulles also did not support the wide variety of economic tactics suggested by his staff during the review of national security programmes, because he was unwilling to commit the time and effort necessary to establish new foreign economic programmes. At the end of March 1954, Eisenhower’s special assistant, C.D. Jackson, retired. Immediately before his departure, Dulles asked him to

¹⁶*Ibid.*, p. 721.

¹⁷*Ibid.*

¹⁸*Ibid.*, pp. 729-731.

¹⁹*Ibid.*, p. 722.

²⁰*Ibid.*, pp. 720-722.

²¹*Ibid.*, p. 722.

suggest ways the United States could fight Soviet infiltration and encroachment. Jackson suggested a programme to facilitate world economic growth.²² Dulles did not act on Jackson's proposal. Jackson, however, persevered. On 3 August he sent a proposal for his "World Economic Policy" to various members of the administration, including Dulles.²³ In the proposal, Jackson warned that the United States faced losing the free world to Soviet subversion. He argued that the focus of the United States on military means to meet the threat had psychologically isolated the rest of the free world. In addition, the Soviets were using the "revolution of expectations" in the less developed regions to win their support. Jackson urged that the administration meet the threat by establishing a long-term capital fund of ten and a half billion dollars to provide loans and grants over a five year period.²⁴ Dulles still did not raise the issue with Eisenhower. Within days, however, Jackson had an opportunity to present his proposal to the President. Eisenhower had invited Jackson back to Washington to provide advice on the administration's record. On 11 August, Jackson met with Eisenhower and key officials, and presented his economic proposal.²⁵ Eisenhower, however, was not ready to commit limited United States funds to foreign economic assistance. And he believed that Congress was not ready to do so either.²⁶

²²Memorandum by C.D. Jackson to Dulles, 9 April 1954, Economic Policy (1), box 2, Subject Subseries, Dodge Series, U.S. Council on Foreign Economic Policy, Office of the Chairman Records, 1954-61 (hereafter cited as CFEPPOC), EL; Letter C.D. Jackson to Dulles, 27 December 1956, Time Inc File- World Eco Pol From 12/27/56 (2), box 91, C.D. Jackson Papers, EL.

²³Letter C.D. Jackson to Dulles, 3 August 1954, Time Inc. File- Beaver (Foreign Econ. Policy) (1), box 26, C.D. Jackson Papers, EL.

²⁴C.D. Jackson "Proposal For a New United States Foreign Economic Policy", Time Inc File- Beaver (Foreign Econ Pol) (1), box 26, C.D. Jackson Papers, EL.

²⁵Ambrose, Eisenhower the President, p.204.

²⁶Letter Eisenhower to C.D. Jackson, 16 August 1954, Time Inc File- Eisenhower, Dwight D Corres thru 1956 (1), box 41, C.D. Jackson Papers, EL.

Dulles agreed with Jackson that rising expectations of development assistance made the less developed regions susceptible to Communist subversion, and that the United States should respond with long-term development loans and grants. On 24 August he wrote to Jackson, "I have become personally convinced that it is going to be very difficult to stop Communism in much of the world if we cannot in some way duplicate the intensive Communist effort to raise productive standards."²⁷ But Dulles was not prepared to sacrifice the time and effort required to establish a new foreign economic programme.

As far as I personally am concerned, it is just not practical for me to be a crusader for some particular program, however good it may be. I can plan, and I can support, and I am 100% behind your type of investment program....However, the task of fighting these things out with Treasury, Budget, World Bank, Ex-Im Bank, not to speak of Congress, is itself a full-time job, and not only a full time job for somebody but a full-time job for someone who can speak on a basis of equality with Cabinet Ministers, Senators and the like.²⁸

Within Eisenhower's formal foreign policy formulating system, the Treasury Department and the Bureau of the Budget each had status equal to that of the State Department. Dulles recognised that he would have to debate the issue of increasing aid to the less developed regions with these organisations in the process of convincing Eisenhower of the necessity to change tactics. In August 1954, however, Dulles was not prepared to enter the fight. In this instance, Eisenhower's formal foreign policy system inhibited policy change. Dulles' only action was to initiate further studies on Jackson's proposal by his Policy Planning Staff.²⁹

²⁷Letter Dulles to C.D. Jackson, 24 August 1954, Time Inc File- Dulles, John Foster, box 40, C.D. Jackson Papers, EL.

²⁸Ibid. (emphasis in original)

²⁹Ibid.

Dulles' staff immediately began to study Jackson's plan. On 24 August, Bowie organised a meeting with the assistant secretaries of state for most bureaux. Representatives from the bureaux dealing with Latin America and Africa were present. Discussion, however, focused on South and Southeast Asia. The concern of Dulles and his Policy Planning Staff continued to be Soviet infiltration of the less developed regions, not the issue of aspirations for development in its own right. As a result, their concerns were primarily with the less developed regions closest to the Soviet Union and China. Dulles had agreed with Jackson's plan because he thought that development assistance needed to be extended to the less developed regions closest to the Soviet bloc. He continued to believe that the administration's reliance on the free enterprise system would suffice in the areas far removed from the Soviet threat. The US could not afford to extend economic aid to all the less developed regions. At the meeting, officials decided that economic assistance to increase living standards in South and Southeast Asia "should rank with expenditures to support and maintain the military forces of friendly nations".³⁰ The assistance would mainly be in the form of soft loans, with some grant aid extended.³¹

The focus of the Policy Planning Staff on Asia was consistent with the guidelines set in NSC 5422/2. In early October, the director of the Foreign Operations Administration, Harold Stassen, used the NSC policy statement to direct the formulation of the Mutual Security Program for FY 1956. He advised that "The most fundamental consideration to be kept in mind by all those who

³⁰Memorandum of conversation director of the Policy Planning Staff Bowie with State Department representatives from each bureau and section, 24 August 1954, FRUS, 1952-1954, I, 1, p.86.

³¹Ibid., Memorandum Bowie to Dulles, 24 August 1954, box 86, Lot 65D101, RG 59, NA.

participate in the development of the FY 1956 program is the objective of preparing a program which makes the maximum contribution to U.S. foreign policy with the minimum possible use of U.S. resources.”³² Consistent with basic national security policy, development assistance would be extended only to those regions or nations deemed essential to the security of the United States, and only when private means and existing loan organisations had been exhausted.³³ Stassen advised that the majority of economic assistance to the less developed regions would be extended to “the most likely area for further Communist efforts at expansion, the Far East”.³⁴ Non-military aid for the region in fiscal 1956 was set at \$375,000,000.³⁵ In contrast, non-military aid for Latin America over the same period amounted to \$50,000,000. As always, Latin America would only receive grant aid in exceptional circumstances, involving Communist subversion. Assistance, in the form of loans, would be granted to Latin American nations for sound development projects only where private means, the EXIM Bank and the IBRD had been exhausted.³⁶ For Africa, the paper advised that the Dependent Overseas Territories would only receive economic aid through the P.L. 480 programme.³⁷ This programme involved lending less developed nations the money to buy surpluses of U.S. food, and allowing them to repay the amount with soft currency. Its initial aim was not to promote development but to help the domestic

³²Memorandum Stassen to the special assistant for mutual security affairs, Frederick E. Nolting Jr, 1 October 1954, FRUS, 1952-1954, I, 1, p.756.

³³Ibid., pp.765-766.

³⁴Ibid., p.776.

³⁵Ibid., p.775.

³⁶Ibid., p.778.

³⁷Ibid., p.775.

economy of the United States and to meet famine situations in less developed nations.³⁸

Stassen asked the geographic sections of the State Department to comment on the proposed programme. The overall purpose of foreign aid and the emphasis on particular regions, however, were not open to debate. Such issues had been decided when reviewing the basic national security programme for fiscal 1956. On 30 November, the special assistant to the secretary of state for Mutual Security Affairs, Frederick E. Nolting Jr, advised Dulles that the geographic bureaux had reviewed the programme for fiscal 1956. He explained that the increases in the economic side of the programme involved a \$150,000,000 contingency fund for emergencies and a \$250,000,000 contribution to a regional economic organisation in the Far East. All other economic programmes remained the same as for the current fiscal year.³⁹ On 1 December, Nolting sent Dulles a second memorandum. He advised that the Mutual Security Program for fiscal 1956 would be discussed at the NSC meeting on 3 December, and urged Dulles to question “whether the present distribution of resources between military and non-military aid reflects the proper balance”.⁴⁰ Nolting stated that this balance may be incorrect after the current review of basic national security policy.⁴¹

On 22 September 1954, the executive secretary of the NSC, James Lay, had set in motion a review of basic national security policy. The NSC Planning Board revised a summary statement of existing national security policy statements. On 21 October, Cutler requested departments and agencies to submit their desired

³⁸OH #353, Thomas Mann, EL, p.45; Edgerton, *Sub-Cabinet Politics*, p.27.

³⁹Memorandum Nolting to Dulles, 30 November 1954, *FRUS*, 1952-1954, I, 1, pp.794-795.

⁴⁰Memorandum Nolting to Dulles, 1 December 1954, *FRUS*, 1952-1954, VI, 1, pp.623, 625.

⁴¹*Ibid.*, p.625.

changes to the summary statement at the 18 November Council meeting.⁴² Dulles used the opportunity to express concern about the change in Soviet tactics. By this time, Dulles' views had become more focused than when the NSC began discussions on foreign aid in June 1954. In a paper suggesting changes to basic national security policy, Dulles warned:

The Soviet shift to a "soft" line since the death of Stalin is a major new factor. It tends to allay the fears of free-world countries, to relax their efforts to build effective defenses, to foster neutralism, and to divide the free peoples.⁴³

He declared that the Soviet Union and China did not currently seek war, and that all sides feared the consequences of unlimited nuclear war.⁴⁴ Given these factors, Dulles advised that the administration employ tactics designed "to strengthen the political and economic fabric of the free world".⁴⁵ Dulles then outlined the equation he believed necessary to maintain the national security. Of the less developed regions, he advised that economic and technical assistance be provided to South and Southeast Asia. In Latin America, he feared that Communist movements fed off the prevailing social and economic discontent. But he remained reluctant to resort to grant aid, stating "grants tend to perpetuate or encourage unsound fiscal policies". However, he concluded that "The present close political affiliation of the American States...must be preserved even at the price of slowing down somewhat our proper desire to put the financial affairs and policies of these

⁴²FRUS, 1952-1954, II, 1, p.736, fnt 1.

⁴³Suggestions on basic national security policy by Dulles, 15 November 1954, FRUS, 1952-1954, II, 1, p.772.

⁴⁴Ibid., pp.772-773.

⁴⁵Ibid., p.774.

countries on a sounder basis".⁴⁶ On the military side of the equation, Dulles advised that the United States and her allies deter Communist aggression, which could escalate into nuclear war, by maintaining "flexible military capabilities".⁴⁷

Dulles therefore agreed with the amounts allocated within the proposed Mutual Security Program for fiscal 1956. Despite his views on the changing nature of Soviet tactics, he thought that the situation still necessitated the strengthening of military capabilities throughout the free world. Therefore, at the NSC meeting on 3 December, he did not question the balance between military and non-military aid.⁴⁸ Dulles agreed also with the geographic distribution of economic assistance. He, and his Policy Planning Staff, had concluded that Asia, being closest to the Communist powers, required the greatest amount of economic assistance. The Mutual Security Program for fiscal 1956 met this need. The programme also fulfilled Dulles' desire that small amounts of economic and technical assistance continue to be extended to combat the Soviet threat in Latin America. \$23,000,000 had been allocated to Bolivia and Guatemala for development assistance and \$31,500,000 to the whole region for technical assistance.⁴⁹ But the region would not receive economic assistance for development. Being far removed from the Soviet bloc, Latin America did not meet Dulles' and Eisenhower's criteria.

Throughout November and early December, the review of basic national security policy by the NSC continued. By 13 December, the NSC Planning Board

⁴⁶Ibid.

⁴⁷Ibid., pp.774-775.

⁴⁸Memorandum of discussion, 227th NSC meeting, held on 3 December 1954, 4 December 1954, FRUS, 1952-1954, VI, 1, pp.631-635.

⁴⁹Figures from tab B of memorandum Nolting to Dulles, 1 December 1954, FRUS, 1952-1954, VI, 1, p.629.

had completed a draft policy statement, NSC 5440. The paper included Dulles' concerns that the Soviets, since the death of Stalin, had adopted a "soft line" to subvert the free world, and that the main threat lay in Asia.⁵⁰ To meet the threat in the less developed regions, the paper repeated the recommendations contained in NSC 5422/2. It stated that the United States should provide economic and technical assistance where current programmes failed to attain foreign policy objectives.⁵¹ Such a situation, the paper advised, existed in South and Southeast Asia, where the United States should support a regional development initiative. In contrast to the previous statement on basic national security programmes, the proposal by the Treasury Department and the Bureau of the Budget, that "The total level of U.S. economic assistance world-wide...be progressively reduced", was bracketed.⁵² During the review procedure, Policy Planning Staff member John C. Campbell complained to Bowie that NSC 5422/2 called for an overall decrease in the amount of US foreign aid, while the basic national security statement, NSC 162/2, stated that economic assistance "should be based on the best interests of the U.S."⁵³ The existence of the bracketed sentence in the draft paper indicates that the Policy Planning Staff managed to highlight the inconsistency at the Planning Board level. But the issue needed to be raised by Dulles in the NSC forum, and Eisenhower's support for increased expenditures on foreign aid acquired.

Dulles did not initiate a debate on foreign economic aid and support his staff at this time because he agreed with the existing balance in the national security

⁵⁰Draft statement by the NSC Planning Board, "Basic National Security Policy", NSC 5440, 14 December 1954, FRUS, 1952-1954, II, 1, pp.810-812.

⁵¹Ibid., p.817.

⁵²Ibid., p.817.

⁵³Memorandum John C. Campbell of the Policy Planning Staff to Bowie, 6 October 1954, FRUS, 1952-1954, II, 1, pp.737-738.

equation. Earlier in the month, Dulles had supported the fiscal 1956 Mutual Security Program because it provided economic assistance to Asia, continued aid and technical assistance to Latin America, and still maintained high levels of military assistance. At the NSC meeting on 21 December, Dulles reaffirmed his concurrence with this balance, stating that “the value of our programs of economic assistance ought not to be exaggerated. The maintenance of adequate security forces in these vulnerable countries was equally important.”⁵⁴ At an NSC meeting a few days later, Dulles stated that economic aid alone did not counter Communist subversion. Ideological and cultural tactics also should be employed.⁵⁵ In addition, Dulles remained committed to Eisenhower’s key concern to protect the economic strength of the United States. He believed that economic assistance should be limited. He suggested that the disputed sentence on aid read “that the total level of U.S. economic assistance ‘should be reduced as rapidly as is consistent with U.S. security interests’”.⁵⁶ The new basic national security policy statement included Dulles’ concerns and recommendations.⁵⁷

By early 1955, economic aid for the purpose of promoting development in the less developed regions threatened by Soviet communism had been entered into the security equation. Eisenhower agreed with Dulles that the US should extend development assistance to Asia. In May 1954, the French had been defeated at Dien Bien Phu in Vietnam. Eisenhower agreed that the region would need military and economic assistance to fight Communist subversion. He supported Dulles’

⁵⁴Memorandum of discussion, 229th NSC meeting, held on 21 December 1954, 22 December 1954, FRUS, 1952-1954, II, 1, p.842.

⁵⁵Memorandum of discussion, 230th NSC meeting, held on 5 January 1955, 6 January 1955, FRUS, 1955-1957, XIX, pp.18-19.

⁵⁶Ibid., p.17.

⁵⁷“Basic National Security Policy”, NSC 5501, 7 January 1955, FRUS, 1955-1957, XIX, pp.33-35.

views during the review of policy. Members of the Policy Planning Staff, particularly John C. Campbell, would have preferred a greater commitment by the administration to assist all the less developed regions, and to employ a greater variety of economic tactics. Dulles, however, did not support his Staff's position. He believed that economic assistance should be limited. Only economic aid combined with other programmes, he opined, would adequately protect the free world from Soviet subversion. On 20 April 1955, Eisenhower presented the Mutual Security Programme for fiscal 1956 to Congress. The emphasis remained on military programmes. Of the \$3,530,000,000 requested, \$1,000,300,000 was allocated to countries supporting defence establishments, particularly in Asia, and \$1,717,200,000 for military assistance and direct forces support. Only \$712,500,000 was allocated to economic programmes. Of this amount, Eisenhower requested that \$200,000,000 be reserved to establish a President's Fund for Asian Economic Development.⁵⁸ He requested that economic assistance to Guatemala and Bolivia be continued to meet the perceived Communist threat in these two nations. For Latin America as a whole, Eisenhower suggested only a slight increase in the amount of technical assistance.⁵⁹ Only countries north of the Sahara would receive development assistance in Africa.⁶⁰

Eisenhower knew that he would have to justify every cent spent on the MSP in fiscal 1956 to Congress. In late 1954, the republicans lost their small majority in Congress. The democrats gained control of the house and the senate.

⁵⁸Message Eisenhower to Congress, 20 April 1955, Public Papers, 1955, pp.407, 409-410.

⁵⁹Ibid., pp.408-409.

⁶⁰Message Eisenhower to Congress, budget for fiscal 1956, 17 January 1955, Public Papers, 1955, p.130.

Eisenhower knew that the democrat controlled committees would only approve funds which were obviously being used to defend America's allies.

Members of Congress continued to agree with Eisenhower's approach towards development in Latin America and sub-Saharan Africa. The House Foreign Affairs Committee and the Senate Foreign Relations Committee supported Eisenhower's request of \$38,000,000 to prevent further Communist infiltration in Bolivia and Guatemala.⁶¹ Members of Congress involved with the Mutual Security Program, agreed with the administration that the appropriations for Latin America were to fight Soviet subversion. In the previous fiscal year, Senator George A. Smathers introduced an amendment to increase the amount of technical assistance to Latin America by \$10,000,000. He argued that "now that the threatened yoke of communism has been thrown off in Guatemala, it is vitally necessary that we assist the anti-Communist forces in Latin America to eliminate the conditions of poverty and illiteracy in which the seeds of communism blossom and flourish".⁶² Congress did not want vast amounts American resources to be used to promote development in Latin America or sub-Saharan Africa. Small amounts of technical assistance would suffice to help the free enterprise system to operate and thereby prevent Soviet subversion. The committees in the House and Senate approved Eisenhower's request for \$73,000,000 for development assistance for the Near East and Africa and did not argue that the US should extend some of this amount

⁶¹Congressional Record - Senate, 28 July 1955, 84th Congress, First Session, Volume 101, Part 9, July 20 1955 - July 29 1955, p.11786.

⁶²Congressional Record - Senate, 6 July 1954, 83rd Congress, Second Session, Volume 100, Part 7, June 22 1954 - July 7 1954, p.9708.

to sub-Saharan Africa.⁶³ Until mid 1956, economic assistance for development would be directed to those nations closest to the Communist bloc.

III

John Foster Dulles and Organising for the Formulation of Foreign Economic Policy, July 1954 - May 1955

During late 1954 and early 1955, Dulles did not take advantage of two opportunities to assert his Department's authority in the formulation of foreign economic policy. His aversion to being responsible for foreign economic issues, and his continued commitment to Eisenhower's desire that all policy decisions be guided by basic national security policy, meant that he did not use these opportunities. By mid 1954, Eisenhower had become aware that the foreign economic questions facing the administration often impacted on domestic economic concerns. He worried that no organisational structure existed to arrive at foreign economic policies consistent with the "best overall national interest".⁶⁴ Eisenhower requested that his Advisory Committee on Government Organization and the Director of the Bureau of the Budget, Rowland R. Hughes, study the existing process of foreign economic policy organisation and make recommendations for improved co-ordination.⁶⁵

⁶³Congressional Record - Senate, 28 July 1955, 84th Congress. First Session, Volume 101, Part 9, July 20 1955 - July 29 1955, p.11786.

⁶⁴Letter Eisenhower to the director of the Bureau of the Budget, Rowland R. Hughes, and the chairman of the President's Advisory Committee on Government Organization, Nelson Rockefeller, 12 July 1954, FRUS, 1952-1954, I, 1, p.82.

⁶⁵Ibid., p.83.

Eisenhower admitted that his desire for all foreign economic issues to be considered within the broad context of the national interest had resulted in delay and indecisiveness. But his observations did not lead him to grant greater authority on foreign economic questions to the State Department. Such action, he thought, would lead to decisions being made without considering the implications for the economic strength of the United States. Rather, Eisenhower professed that the answer lay in organising for greater inter-departmental co-ordination.⁶⁶ He requested that Hughes and the Chairman of the President's Advisory Committee on Government Organization, Nelson Rockefeller, appoint someone to direct the study who recognised the need to achieve foreign economic policies consistent with broad national security concerns, and who understood relationships between departments at the highest levels of government.⁶⁷ Eisenhower's former director of the Bureau of the Budget, Joseph M. Dodge, was selected for the task. Dodge fitted Eisenhower's criteria superbly. In his former position, he had been instrumental in ensuring that government organisations and agencies submitted budget proposals consistent with basic national security priorities.

On 22 November 1954, Dodge submitted his report to Eisenhower. He concluded that existing government organisations could not adequately deal with foreign economic matters, and advised that a new organisation be created.⁶⁸ Such an organisation, Dodge recommended, should be made up of high level representatives from each of the departments concerned with foreign economic issues and headed by someone independent of other government duties. This

⁶⁶Ibid.

⁶⁷Ibid.

⁶⁸Report by Dodge to Eisenhower, "The Development and Coordination of Foreign Economic Policy", 22 November 1954, Council on Foreign Economic Policy (2), box 18, Subject Series, Confidential File, WHCF, EL, Section iv, pp.1-3, Section v, p.1.

person, Dodge asserted, should hold parallel views to the President on national and international affairs.⁶⁹ The organisation's role would be to co-ordinate the various departments concerned with foreign economic policy.⁷⁰ Dodge concluded that the new organisation would work like the NSC.⁷¹

Within Dodge's proposed organisation, therefore, the State Department would have no authority on foreign economic matters. Decisions would be directed by basic national security guidelines, not foreign relations concerns. Dulles did not fight Dodge's recommendations. On 16 November, Dodge had submitted a draft of his proposal to the President, stating that the matter had been discussed with high level government officials and none had opposed the plan.⁷² Dulles agreed with Dodge's proposal for the traditional reasons. He did not wish to be burdened with foreign economic policy and he agreed that any consideration of such issues should take into account the broader interests of the United States. At a meeting on 27 October, Dulles and the secretary of the Treasury, George Humphrey, assured Eisenhower that the views of State, Defense, Treasury and Commerce on foreign economic policy could be reconciled.⁷³ They were critical of the Director of the Foreign Operations Administration, Harold Stassen, who had, in a recent public address, exaggerated the level of economic assistance to be extended to Asia and had not highlighted the parallel need to protect the economic strength of the United States.⁷⁴

⁶⁹*Ibid.*, Section v, pp.1-2.

⁷⁰*Ibid.*, Section v, p.3.

⁷¹*Ibid.*, Section vii, p.3.

⁷²Letter Dodge to Eisenhower, 16 November 1954, Dodge, Joseph M. 1954-56 (3), box 12, Administration Series, AWF, EL.

⁷³Memorandum of conversation, Eisenhower, Dulles, secretary of the Treasury George Humphrey, under secretary Herbert Hoover, 27 October 1954, Meetings with the President 1954 (1), box 1, White House Memoranda Series, DP, EL.

⁷⁴*Ibid.*; Kaufman, *Trade and Aid*, pp.52-53.

On 1 December, Eisenhower acted on Dodge's recommendations. He made Dodge his special assistant in the realm of foreign economic affairs, and instructed him to establish a Council on Foreign Economic Policy (CFEP). As part of his duties, Dodge would chair this organisation. Standard members of the Council would include the secretaries of the State, Treasury, Commerce, and Agriculture Departments and the director of the Foreign Operations Administration, "or their principal deputies". *Ex officio* members would include Eisenhower's administrative assistant for economic affairs, his special assistant for national security affairs and a representative from his Council of Economic Advisers.⁷⁵ Eisenhower advised Dodge to form immediate ties with the NSC, given the close relationship between foreign economic issues and basic national security policy.⁷⁶ Through the appointment of Dodge as chairman, the multi-departmental membership and the presence of his special assistant for national security affairs, Eisenhower ensured that basic national security policy would direct the future formulation of foreign economic policy.

As part of the study on foreign economic policy in 1954, Eisenhower asked Dodge also to make recommendations on the future of the overseas aid organisation, the Foreign Operations Administration. On 12 July, Senator Mansfield introduced a proposal to Congress, designed to give the secretaries of the State and Defense Departments greater oversight of the military and economic aid programmes. He advocated the Foreign Operations Administration be abolished by 1 January 1955, and its functions split between the State and Defense

⁷⁵Letter Eisenhower to Dodge, 1 December 1954, Public Papers, 1954. pp.1097-1098.

⁷⁶Ibid., p.1098.

Departments.⁷⁷ Congress passed the proposal, setting 30 June 1955, as the date for abolishing the aid organisation. In October, Dulles and the director of the Foreign Operations Administration, Harold Stassen, discussed the plan. Dulles did not wish to be burdened with economic aid issues and opposed the movement of such matters into the State Department.⁷⁸ On 21 October 1954, Stassen suggested possible courses of action to Dulles. He recommended that the aid programme could be administered by either the State, or Defense or Treasury Departments.⁷⁹ In November, Dulles expressed his opinion to Stassen. He believed that the Foreign Operations Administration should remain in existence but deal only with the military aspects of the aid programme. To co-ordinate economic aid, he suggested the formation of an “investment corporation”. This new institution would be able to provide soft loans “for political reasons”, as well as development loans to South America, the Far East and the Middle East.⁸⁰ Dulles, however, was not willing to take on the responsibility of a new foreign aid organisation. He recommended that the institution be under the guidance of the Treasury Department, with representation from other government agencies. He declared that the Treasury Department could only direct the aid corporation if it “recognize[d] it as an instrument of national policy”.⁸¹

Dulles wished economic aid to be extended for development purposes on a more flexible loan basis. But he was not willing to commit his time and efforts to the cause. He continued to believe that the various departments concerned would

⁷⁷Memorandum special assistant for mutual security affairs Frederick Nolting, to the secretary of state, 12 July 1954, FRUS, 1952-1954, I, 1, p.739.

⁷⁸FRUS, 1952-1954, I, 1, pp.788-789, fnnt 1.

⁷⁹Memorandum Stassen to Dulles, 21 October 1954, FRUS, 1952-1954, I, 1, pp.790-792.

⁸⁰Memorandum of conversation, Dulles and Stassen, 19 November 1954, FRUS, 1952-1954, I, 1, p.793.

⁸¹Ibid.

extend assistance to gain overseas political objectives. He agreed that the overall national interest had to be considered in each case, but trusted his colleagues to understand and consider the importance of maintaining good relations with the free world and the role foreign assistance could play. Dulles did not see that his Department would require greater authority in the realm of foreign economic policy to override those organisations ordered by Eisenhower to protect the economic strength of the United States. Without such authority, Dulles' assistance would be required in each instance to gain Presidential support for the State Department's position.

The special assistant for mutual security affairs, Frederick Nolting, urged Dulles to recommend that funds for a soft loan lending institution be included in the Mutual Security Program for fiscal 1956. Nolting asserted that such an organisation should not be chaired by the Treasury, but a five member board selected by the secretary of state.⁸² Dulles did not raise the issue of a soft loan lending institution at the NSC meeting held to discuss the fiscal 1956 Mutual Security Program on 3 December.⁸³ Three days later, Nolting again urged that a lending institution be established, capable of making soft loans and possibly grants. He stated "It seems to me essential, if such an institution is to serve foreign policy objectives, that its board of directors should be responsive to the recommendations of the Secretary of State."⁸⁴ In a meeting held on the same day as Nolting's memorandum, 6 December, Dulles and Humphrey agreed that economic assistance

⁸²Memorandum special assistant for mutual security affairs Nolting, to Dulles, 30 November 1954, FRUS, 1952-1954, I, 1, pp.795-796; Memorandum Nolting to Dulles, 1 December 1954, FRUS, 1952-1954, VI, 1, p.625.

⁸³Memorandum of discussion, 227th NSC meeting, held on 3 December 1954, 4 December 1954, FRUS, 1952-1954, VI, 1, pp.631-635.

⁸⁴Memorandum Nolting to Dulles, 6 December 1954, FRUS, 1952-1954, I, 1, p.797.

should be in the form of soft loans and co-ordinated by the Treasury Department, “under the direction of the Department of State”.⁸⁵ Dulles and Humphrey agreed that loans should be made in the overall national interest. They both objected to Stassen’s tendency to think only in terms of limited foreign policy objectives, and believed that the proposed organisational changes would ensure that future loans were made only in the national interest.⁸⁶ Dulles had faith that the plan would mean that foreign policy objectives were taken into account, and he would not be burdened with operating technicalities.

On 26 January 1955, Dodge presented a memorandum on the subject to Eisenhower. He recommended that the functions of the Foreign Operations Administration be split between the State and Defense Departments. Eisenhower agreed.⁸⁷ Almost three weeks later, Dulles met with the director of the Bureau of the Budget, Hughes, and the Chairman of the President’s Advisory Committee on Government Organisation, Rockefeller, to discuss Dodge’s recommendation. Dulles expressed his desire that the aid organisation remain independent of the State Department. However, by this time Dulles had become resigned to the wishes of Congress, Dodge and Eisenhower. He stated that if Congress would not allow the organisation to remain independent, it could be set up as an “autonomous agency” within the State Department. He insisted that a director, independent of the Department, be appointed to handle operations.⁸⁸ Eisenhower and Dodge

⁸⁵Memorandum of conversation, Dulles, Humphrey and Hoover, 6 December 1954, cited in *FRUS*, 1952-1954, I, 1, p.798, fnnt 2.

⁸⁶Memorandum by Eisenhower to Dodge, 26 January 1955, DDE Diary Jan 1955 (1), box 9, DDE Diaries Series, AWF, EL; OH #140, John B. Hollister, EL, p.25; Kaufman, *Trade and Aid*, p.52.

⁸⁷Memorandum by Eisenhower to Dodge, 26 January 1955, DDE Diary Jan 1955 (1), box 9, DDE Diaries Series, AWF, EL.

⁸⁸Memorandum of conversation, Dulles, Hughes and Rockefeller, 14 February 1955, Foreign Operations Administration (5), box 28, Subject Series, Confidential File, WHCF, EL.

agreed that the restructuring should “not add to the personal burdens of the Secretary of State”.⁸⁹ But Eisenhower wanted to extend the control of the secretary of state over the organisation. In 1953, he had directed the secretary to give general policy direction. In 1955, Eisenhower extended the authority of the Secretary to include supervising operations. But, to lessen the burden on the secretary, he ordered that an official from within the Department of State be appointed to take most of the operating responsibility. This official would be the director of the new organisation. Eisenhower called the semiautonomous organisation within the State Department the International Cooperation Administration (ICA).⁹⁰ It would be concerned with the economic aspects of the Mutual Security Program. Eisenhower instructed all military aspects to be transferred to the Department of Defense.⁹¹ On 9 May 1955, Eisenhower issued an executive order, putting his plan into effect on 30 June.⁹²

To head the new aid organisation, Eisenhower and Dulles chose John B. Hollister. Both men knew him well. He had assisted Eisenhower in 1952 to secure the Republican nomination.⁹³ Like Dulles, he was trained as a lawyer. Dulles and Hollister were members of the Alibi Club and often socialised together.⁹⁴ In 1953, Hollister became executive director of the Hoover Commission. From 1954 to 1955 he was consultant to the secretary of state.⁹⁵ Most importantly, Hollister held a conservative view towards foreign aid. He could be trusted to follow Dulles’

⁸⁹Memorandum by Eisenhower to Dodge, 6 April 1955, DDE Diary April 1955 (2), box 10, DDE Diaries Series, AWF, EL.

⁹⁰Letter Eisenhower to Dulles, 15 April 1955, Public Papers, 1955, p.401.

⁹¹Ibid., p.399.

⁹²Text of Executive Order 10610, DSB, 30 May 1955, XXXII, 831, pp.889-891.

⁹³OH #140, John B. Hollister, EL, p.5.

⁹⁴OH, John B. Hollister, JFDOHC, ML, p.63.

⁹⁵Who’s Who, 30, p.1313.

policy advice and act in the national interest.⁹⁶ Dulles instructed Hollister to “run the shop and bother him as little as possible”.⁹⁷

In late 1954 and early 1955, Dulles did not use two opportunities to exert his Department’s authority in the realm of foreign economic policy. He remained committed to Eisenhower’s basic desire that all foreign policy decisions be made within the context of the broad strategy for maintaining national security. And he did not wish to be burdened with foreign economic issues. As a result, the State Department lacked the authority necessary to override basic national security policy within the new Council on Foreign Economic Policy. To gain increases in foreign aid expenditures, to change regional priorities or to implement various economic tactics to assist the less developed regions, State Department members would have to gain the support of Dulles. In turn, Dulles would have to gain presidential support, either in the NSC forum or informally. Dulles was unlikely to play this role. He would not be prepared to spend the time and effort on such undertakings, and he believed that economic assistance expenditures needed to be limited to areas where the threat of Soviet subversion was greatest. The organisation responsible for administering foreign aid remained largely independent of the State Department. The geographic bureaux of the Department of State could not influence its operations. Hollister would extend foreign aid within the Mutual Security Program in accordance with basic national security policy. Only Dulles, with Eisenhower’s consent, had the authority to initiate a change in policy within the aid organisation.

⁹⁶OH, John B. Hollister, JFDOHC, ML, pp.9, 58-59; OH #140. John B. Hollister, EL, p.25.

⁹⁷OH #140, John B. Hollister, EL, p.18.

IV

John Foster Dulles, Eisenhower and Assistance for Development, November 1955 - December 1956

In 1955, Dulles focused on political issues. He believed that the basic national security policy statement of 7 January adequately emphasised the changing nature of Soviet tactics. The Mutual Security Program for fiscal 1956 contained, according to Dulles, the correct balance between economic assistance and other tactics to meet the Soviet threat in the less developed regions. He happily devoted his attention to major foreign policy events, including the second Quemoy-Matsu crisis and the two meetings with Soviet officials held in Geneva.

Others within the administration, however, continued to worry about Soviet involvement in the less developed regions. C.D. Jackson expressed disappointment that Eisenhower's Mutual Security Program for fiscal 1957 included only a small amount of economic aid to Asia, and he continued to urge administration officials to support a world economic program.⁹⁸ In June, Stassen submitted his final report as director of the Foreign Operations Administration to Eisenhower. He stressed the need to provide the less developed regions with

⁹⁸Letter C.D. Jackson to Nelson Rockefeller, 29 July 1955, Time Inc. File- Log 1955, box 56. C.D. Jackson Papers, EL, pp.1-2. Letter C.D. Jackson to secretary of the Treasury Humphrey, 6 December 1955, Time Inc File- Humphrey, George M., box 49, C.D. Jackson Papers, EL, pp.1-2.

technical assistance and public capital.⁹⁹ In July Stassen sent a report to Congress and to Eisenhower, describing Soviet economic activities.¹⁰⁰ Dulles' own Policy Planning Staff added to the warnings. In August the NSC Planning Board began a reexamination of basic national security policy. In a paper dated 3 October, the Policy Planning Staff presented general comments on the current policy statement, NSC 5501. The staff stated that in the less developed regions "the Soviet-Communist challenge seems likely to intensify and to expand to areas it has hitherto neglected, i.e., the Middle East and the other American Republics".¹⁰¹ A month later, the intelligence organisations highlighted the susceptibility of the Middle East, Asia and Africa to Soviet subversion. They advised that the west use economic and technical aid to gain the support of these regions and counter the Soviet attempts to do the same.¹⁰² At the NSC meeting on 15 November, the director of the CIA, Allen Dulles, described Soviet economic involvement in the Near East and Southeast Asia. Dulles' report disturbed vice president Nixon. Nixon urged that the administration, particularly the NSC Planning Board, begin to investigate how the United States could counter Soviet economic tactics and advised that the report be sent to the President.¹⁰³ Rarely absent from NSC meetings, Eisenhower was recovering from a heart attack. On November 21, the NSC met at Camp David, Maryland, so that Eisenhower could be present. During

⁹⁹Report by Harold E Stassen, "Report to the President on the Foreign Operations Administration, January 1953 to June 1955", 30 June 1955, excerpts in DSB, 15 August 1955, XXXIII, 842, p.272.

¹⁰⁰Letter Eisenhower to Stassen, 5 July 1955, DDE Diary July 1955 (2), box 11, DDE Diaries Series, AWF, EL.

¹⁰¹Paper prepared by Robert Bowie and William Leonhart in the Policy Planning Staff, "Department of State General Comments on NSC 5501", 3 October 1955, FRUS, 1955-1957, XIX, p.125.

¹⁰²NIE 100-7-55, "World Situation and Trends", 1 November 1955, FRUS, 1955-1957, XIX, pp.143-144.

¹⁰³Memorandum of discussion, 266th NSC meeting, held on 15 November 1955, 16 November 1955, FRUS, 1955-1957, X, pp.28-31.

his briefing on “Significant World Developments Affecting U.S. Security”, Allen Dulles spoke again of the Soviet economic offensive.¹⁰⁴

By December, Eisenhower’s views on the changed nature of the Soviet threat matched those of his secretary of state. The two men had often discussed the issue over an evening cocktail.¹⁰⁵ As shown, Dulles had worried about the change in Soviet tactics since late 1953. Under Dulles’ influence, Eisenhower had agreed to use economic assistance in Asia to meet development needs during fiscal 1956. The warnings about the Soviet economic threat received by the President during 1955 convinced him that additional economic tactics needed to be employed. On 5 December, Eisenhower wrote a long letter on the subject to his secretary of state. He began by stating “I know that you have thought over these things as long and earnestly as I have”. Eisenhower continued, asserting that “During the Stalin regime, the Soviets seemed to prefer the use of force...to gain their ends”. But, “More recently, they have seemed to have determined to challenge with economic weapons.” The United States had an important advantage in economic warfare because “the productivity of free men in a free society would overwhelmingly excel the productivity of regimented labor”. However, Eisenhower declared that the Soviets held the natural advantages of the offender, “selectivity and flexibility”. In contrast, the defender needed to “try to secure an entire area”, without incurring “indebtedness”. He asserted that providing nations with the opportunity to enter into long-term planning for

¹⁰⁴Memorandum of discussion, 267th NSC meeting, held on 21 November 1955, 22 November 1955, FRUS, 1955-1957, X, pp.32-33.

¹⁰⁵Ambrose, Eisenhower the President, p.110.

development with the United States was a possible solution. He asked that a small informal meeting be held soon to discuss the matter.¹⁰⁶

On 8 December, Eisenhower met with key officials, including Dulles, secretary of the Treasury, George Humphrey, and secretary of Defense, Charles Wilson. Confident of presidential support, Dulles now presented the solution he had had in mind since late 1954. He urged that a lending institution be established, capable of making soft loans. During the discussion which followed, the idea arose that Congress be asked to authorise 100 million dollars a year for ten years to make soft loans. Appropriations would be made on an annual basis. Eisenhower asked that the "idea...be explored".¹⁰⁷ Dulles immediately asked his Policy Planning Staff to study the proposal. On 12 December, Bowie presented a preliminary report to Dulles. The staff agreed that the United States had to be able to guarantee funds for long-term development projects, and that these funds should be in the form of soft loans. But they believed that the process of annual appropriations would hinder the administration's ability to make long term commitments.¹⁰⁸

Eisenhower did not have time to debate the finer details. He wanted to include the scheme in the Mutual Security Program for fiscal 1957, and he thought that Congress would only approve the plan if they maintained some control through annual appropriations. In his State of the Union address, Eisenhower declared that "Because the conditions of poverty and unrest in the less developed areas make their people a special target of international communism, there is a

¹⁰⁶Letter Eisenhower to Dulles, 5 December 1955, WH Correspondence- General 1955 (1), box 3, White House Memoranda Series, DP, EL.

¹⁰⁷Memorandum of conversation, Eisenhower, Humphrey, Dulles, Wilson and Dr Snyder, held on 8 December 1955, 9 December 1955, Meetings with the President 1955 (1), box 3, White House Memoranda Series, DP, EL.

¹⁰⁸Memorandum by the Policy Planning Staff, "Economic Development Policy", 12 December 1955, box 94, Lot 66D70, box 94, RG 59, NA.

need to help them achieve the economic growth and stability necessary to preserve their independence against communist threats and enticements.”¹⁰⁹ He asserted that the United States should provide “continuity in economic assistance for development projects” and asked Congress “to grant limited authority to make longer-term commitments for assistance to such projects, to be fulfilled from appropriations to be made in future fiscal years”.¹¹⁰ As part of the Mutual Security Program for fiscal 1957, Eisenhower asked that Congress grant authority for the administration “to make commitments up to ten years in length to assist less developed countries in long term projects important to their development”. He requested \$100,000,000 for this purpose.¹¹¹

Members of Congress were not receptive to Eisenhower’s MSP for fiscal 1957. Congressional members wanted to maintain control over the funds through annual review. In addition, they continued to believe that foreign aid should be restricted to enhancing the military strength of US allies.¹¹² Congress cut Eisenhower’s request for funds for the MSP by \$953,600,000.¹¹³

Fear of Soviet expansion through economic means, not rising expectations of development assistance, prompted Eisenhower to increase the amount allocated to meet development needs in the national security equation. The new development fund would be spent on the Soviet periphery. Concern about Soviet infiltration into the Middle East and northern Africa led Eisenhower to ask for an additional \$100,000,000 for economic development projects in these two

¹⁰⁹Message Eisenhower to Congress on the State of the Union, 5 January 1956, Public Papers 1956, p.8.

¹¹⁰Ibid.

¹¹¹Message Eisenhower to Congress, 19 March 1956, Public Papers, 1956, p.319.

¹¹²Zoumaras, Path to PanAmericanism, p.213.

¹¹³Congressional Record - Senate, 27 July 1956, 84th Congress, Second Session, Volume 102, Part 11, July 17 1956 - July 27 1956, p.15105.

regions.¹¹⁴ The programmes for Latin America and sub-Saharan Africa in fiscal 1957 remained unchanged. Both regions would receive minor amounts of technical assistance. Only Bolivia and Guatemala would receive development assistance.¹¹⁵ Eisenhower thought that the military strength of the free world had to be maintained because the Soviets continued to build up their military strength.¹¹⁶ As always, the majority of funds requested for fiscal 1957 were for military assistance programmes.¹¹⁷

In early 1956, Eisenhower and Dulles agreed that more needed to be done to meet the Soviet threat in the less developed regions. Both men had witnessed the Bandung conference in April 1955. At the conference, delegates from eighteen Asian and six African states met to denounce colonialism and declare their neutrality in the Cold War.¹¹⁸ Eisenhower and Dulles, however, did not view the rising force of Third World nationalism as a barrier to Soviet subversion. When they looked to the less developed regions, both men saw only politically and economically immature countries. According to their basic philosophies, democracy and spiritual strength grew from economic well being. Usually, the free capitalist system could be relied on to promote development and prosperity. But this took time and required a conducive environment. The immediacy and nature of the Soviet threat led Eisenhower and Dulles to believe that the United States needed to accelerate the development process through economic assistance. Fear

¹¹⁴*Ibid.*, pp.319-320.

¹¹⁵*Ibid.*, p.322.

¹¹⁶*Ibid.*, pp.317-318.

¹¹⁷*Ibid.*, pp.320-323.

¹¹⁸John D. Hargreaves, *Decolonization in Africa* (London and New York, 1988), p.149; Alexander, *Holding the Line*, p.90.

of Soviet subversion through economic means led them to extend economic assistance for development to the nations closest to the Soviet bloc.

On 20 January 1956, Eisenhower expressed his feelings on the Soviet economic offensive in a private letter:

Another factor that causes a great deal of trouble now is the economic challenge posed by Russia's new policy....It is idle to suppose that Russia has any friendly interest in the countries that she proposes to help; her purpose is, of course, to damage our relationships with those countries and use her own economic penetration to accomplish political domination.¹¹⁹

Two days earlier, in an NSC meeting, Dulles described how the Asian nations admired the rapid industrialisation of the Soviet Union. He warned that if the United States failed to do more to assist development in the region, Asia would be lost to Soviet communism.¹²⁰ The next day, Eisenhower held a meeting with Dulles, undersecretary of state Hoover, director of the International Cooperation Administration Hollister, secretary of the Treasury Humphrey, chairman of the Council on Foreign Economic Policy Dodge, assistant to the President Sherman Adams, and special assistant for economic affairs Gabriel Hauge, to discuss the Soviet economic offensive.¹²¹ Eisenhower asked Dodge to study the issue.¹²²

The study by Dodge was one of many being undertaken on the Soviet economic offensive, and the related issue of the future of United States economic assistance programmes, in 1956. The increases in Eisenhower's military and

¹¹⁹Letter Eisenhower to Lewis M. Douglas of the Southern Arizona Bank and Trust Company, 20 January 1956, Robert Lester, ed., The Diaries of Dwight Eisenhower, 1953-1969 (Frederick, Md, 1987), Reel 7 (hereafter cited as Eisenhower Diaries).

¹²⁰Memorandum of discussion, 273d NSC meeting, held on 18 January 1956, 19 January 1956, FRUS, 1955-1957, X, pp.64-65.

¹²¹Eisenhower diary entry, 19 January 1956, Lester, Eisenhower Diaries, Reel 7.

¹²²Robert J. Donovan, Eisenhower The Inside Story (London, 1956), p.389.

economic assistance requests within the fiscal 1957 Mutual Security Program, and the change to long term, flexible economic aid, prompted Congress to establish investigative committees in both the Senate and the House.¹²³ In response, Eisenhower set up a committee of private citizens to make an independent study of the assistance programmes.¹²⁴ In addition, two other studies were already in progress. These studies had developed from a review of military assistance programmes conducted by the NSC Planning Board in late 1955. At the conclusion of the review procedure, the Planning Board advised that a study be made of the military assistance programmes in the six countries receiving the majority of Mutual Security Program funds, and that the International Development Advisory Board review economic aid programmes “in the context of current Soviet moves in the economic field in the underdeveloped areas”.¹²⁵ Members of the NSC appointed an inter-departmental committee, chaired by deputy under secretary of state for economic affairs, Herbert V. Prochnow, to review the programmes in the six countries.¹²⁶

Dulles was ambivalent about the studies being undertaken outside the administration. He had become increasingly worried about the Soviet economic threat. He did not believe that individuals outside the administration, who had no access to classified information, could advise on such an important foreign policy issue. In addition, he did not trust them to consider that a balance between military

¹²³Kaufman, Trade and Aid, pp.68-70, 95.

¹²⁴Ibid., pp.72-73.

¹²⁵Enclosure to memorandum from the executive secretary of the NSC James Lay to members of the NSC, “Review of Military Assistance and Supporting Programs”, 29 November 1955, FRUS, 1955-1957, X, pp.41-43.

¹²⁶“Terms of Reference for the Interdepartmental Committee on Certain U.S. Aid Programs”, 2 December 1955, FRUS, 1955-1957, X, p.43.

and economic strength in the less developed regions should be maintained.¹²⁷ Such policy decisions, Dulles thought, should be made in the forums of his Policy Planning Staff and the National Security Council. In February 1956, Dulles and his Policy Planning Staff participated in the annual review of basic national security policy. At the NSC meeting on 27 February 1956, the traditional debate on the level of foreign economic assistance occurred. Representatives from the Treasury Department and Bureau of the Budget on the Planning Board wished to include the statement that the total level of U.S. aid “be reduced as rapidly as is consistent with U.S. security interests”. Dulles and Eisenhower disagreed, arguing that the alteration in Soviet tactics did not allow for a reduction in foreign aid.¹²⁸ The sentence in the final policy statement read that “U.S. economic assistance world-wide should be at but not exceed a total level consistent with U.S. security interests.”¹²⁹ At the meeting, Dulles also argued that the Soviet threat necessitated greater flexibility in the administration of economic aid programmes. In particular, he wanted greater freedom from Congress.¹³⁰ The new policy statement included Dulles’ concerns:

In order to make the most effective use of economic aid resources and to facilitate planning of longer-term projects and programs necessary for economic development, the Executive Branch should have authority:

- (1) To make commitments extending over a period of years for assistance to such projects and programs.
- (2) To modify existing requirements as to administration and

¹²⁷Memorandum of discussion, 269th NSC meeting, held on 8 December 1955, 9 December 1955, FRUS, 1955-1957, X, pp.53-54, 60-62; Memorandum of discussion, 301st NSC meeting, held on 26 October 1956, 26 October 1956, FRUS, 1955-1957, X, pp.128-129.

¹²⁸Memorandum of discussion, 277th NSC meeting, held on 27 February 1956, 28 February 1956, FRUS, 1955-1957, XIX, p.215.

¹²⁹NSC 5602/1, “Basic National Security Policy”, 15 March 1956, FRUS, 1955-1957, XIX, p.250.

¹³⁰Memorandum of discussion, 277th NSC meeting, held on 27 February 1956, 28 February 1956, FRUS, 1955-1957, XIX, p.217.

supervision of aid programs and the conditions on which aid may be granted.

(3) To exercise greater flexibility in planning and administration of economic aid programs.¹³¹

Dulles had already initiated studies within his Policy Planning Staff, to determine how the administration could achieve continuity and flexibility in its economic assistance programmes. Throughout 1956, his staff repeated their warnings that the procedure of annual appropriations by the Congress made flexibility and long term planning impossible. They suggested that a new organisation be established for the specific purpose of promoting development in the less developed regions.¹³² Two academics at the Center for International Studies at the Massachusetts Institute of Technology, Max F. Millikan and Walt W. Rostow, also suggested, in a widely distributed report, that a long term capital fund be established. This fund would provide loans and grants to promote development in the less developed regions.¹³³ The International Development Advisory Board also concluded that a special fund for development was the answer. The board recommended that the fund be established within the International Cooperation Administration.¹³⁴ Eisenhower's ambassador to the

¹³¹NSC 5602/1, "Basic National Security Policy", 15 March 1956, *FRUS*, 1955-1957, XIX, p.251.

¹³²Report by Henry Owen and Philip H. Trezise, "Instruments for Economic Development Aid", 14 February 1956, box 112, Lot 66D487, RG59, NA, pp.2-3, 5-10; Report by Policy Planning Staff member P.H. Trezise, "Soviet Economic Penetration", 20 April 1956, box 113, Lot 66D487, RG59, NA, pp.33-34; Paper by Policy Planning Staff, "Foreign Aid Instruments", undated, box 112, Lot 66D487, RG59, NA, pp.1-11; Edgerton states that Policy Planning members Henry Owen and P.H. Trezise completed this report in May 1956. Edgerton, *Sub-Cabinet Politics*, p.63; Paper prepared in the Policy Planning Staff, "US Foreign Economic Assistance", 20 December 1956, box 112, Lot 66D487, RG 59, NA, pp.15-23.

¹³³Draft Report by Max F. Millikan and W. W. Rostow, "An American Policy For The Next Decade", April 1956, Time Inc File- World Economic Policy (WEP) to December 1956 (Forward), box 91, C.D. Jackson Papers, EL, p.74.

¹³⁴Report to the President by the International Development Advisory Board, "A New Emphasis on Economic Development Abroad", March 1957, Mutual Security Program (2) March 1957, box 6, Special Assistant Series, Subject Subseries, WHOSANSA, EL, p.18.

United Nations, Henry Cabot Lodge Jr, agreed that the administration needed to send assistance to the less developed regions to meet the Soviet threat. Throughout 1956, he advocated the participation of the administration in a multilateral UN development fund, requested by the developing nations since February 1952.¹³⁵ The Prochnow Committee recommended that military assistance be decreased and the saved funds be used for economic development.¹³⁶ Only the Fairless Committee urged that the administration rely on the traditional tactics of trade and private investment. They recommended that soft loans not be used and grant aid extended only in exceptional circumstances.¹³⁷

As the administration entered its second term, Dulles and Eisenhower thought that the United States should employ additional economic tactics to meet the Soviet threat in the less developed regions. The Suez crisis, beginning in July 1956, had highlighted the intense nationalism felt by the developing nations. It had confirmed Dulles' and Eisenhower's fears that nationalism created instability.¹³⁸ Both men believed that the Soviets would use the instability to subvert the less developed regions. Eisenhower feared that the United States would be isolated from vital sources of raw materials if they failed to assist the less developed nations.¹³⁹ In his second Inaugural Address, he described the force of nationalism sweeping through the emerging Third World, and warned that Soviet

¹³⁵Memorandum by Lodge to Eisenhower, 5 March 1956, FRUS, 1955-1957, X, p.70;

Memorandum by Lodge to Eisenhower, 15 March 1956, FRUS, 1955-1957, X, p.73.

¹³⁶Memorandum deputy under secretary of state for economic affairs Prochnow to Dulles, 27 July 1956, FRUS, 1955-1957, X, p.87.

¹³⁷Report by the President's Citizen Advisers on the Mutual Security Program to Eisenhower, 1 March 1957, Mutual Aid- 1957 (1), box 26, Administration Series, AWF, EL, pp.8-10, 17.

¹³⁸McMahon, "Eisenhower and Third World Nationalism", pp.464-465; Richard J. Barnet, Intervention and Revolution: The United States in the Third World (New York, 1968), p.138; Wm. Roger Louis, "Dulles, Suez, and the British in Immerman, ed., Dulles and Diplomacy, pp.143-144.

¹³⁹Letter Eisenhower to Swede Hazlett, 3 August 1956, Aug '56 Miscellaneous (4), box 17. DDE Diaries Series, AWF, EL, p.4.

Communism “strives to capture - to exploit for its own greater power - all forces of change in the world, especially the needs of the hungry”.¹⁴⁰ Dulles agreed. He wanted the administration to place more emphasis on the economic aspects of its foreign policy. He resented the fact that committees outside the administration had become involved. In addition, he argued that the State Department should have more authority in foreign economic affairs. He continued to believe that policy needed to be formulated within the context of the broad national interest, but he complained of the constant need to co-ordinate with other departments and agencies in Eisenhower’s process of policy formulation.¹⁴¹ He wanted the State Department to be able to react quickly and decisively to Soviet economic challenges. His Department needed to have authority in foreign economic policy, but he did not personally want to take on the responsibility. His interests remained in the political arena.¹⁴² In addition, on 3 November, Dulles had been operated on for cancer. He did not have the strength to tackle foreign economic, as well as political, issues. He decided to appoint an individual to the position of deputy under secretary for economic affairs who could command authority, and who shared Dulles’ and Eisenhower’s concern to meet the Soviet economic threat, while maintaining adequate military strength in the free world, and without sacrificing the economic strength of the United States.

Dulles chose C. Douglas Dillon. He had known Dillon for many years. As a lawyer, Dulles had worked for Dillon’s father’s business, Dillon Reed and

¹⁴⁰Eisenhower Second Inaugural Address, *Public Papers*, 1957, pp.61-62.

¹⁴¹Memorandum of conversation, Dulles with William H. Jackson, 8 April 1956. Memos of Conversation-General- J Through K (1), box 1, General correspondence and memoranda series, DP, EL; Letter C D Jackson to Henry R. Luce, 16 April 1956, Time Inc. File- Log 1956, box 56, C.D. Jackson Papers, EL, pp.6-7.

¹⁴²OH, C. Douglas Dillon, JFDOHC, ML, p.35.

Company. Dillon joined the company on leaving college and met Dulles. They became close friends, sharing an interest in foreign affairs and Republican politics. They participated in the Council on Foreign Relations and worked together during the 1940 Republican convention, and the presidential campaign of 1948.¹⁴³ Dulles showed his faith in Dillon's abilities by recommending that he be appointed ambassador to France in 1953.¹⁴⁴ Eisenhower approved. He also trusted Dillon. Eisenhower knew Dillon's father, Clarence, well. Clarence Dillon and Eisenhower shared ideas on international and domestic affairs.¹⁴⁵ C. Douglas Dillon met Eisenhower when the latter was President of Columbia University. Dillon had been one of the many urging Eisenhower to run for the Presidency in the early 1950s.¹⁴⁶ During his four years as ambassador to France, Dillon and Dulles became closer. Dulles stayed in Dillon's house during his many trips to France.¹⁴⁷ The secretary applauded the way Dillon had assisted the administration with vital issues, including Indochina and the European Defense Community.¹⁴⁸ In early December, Dulles offered Dillon the position. He explained to Dillon "that he thought the State Department should have an important voice in all foreign economic policy matters and a predominate [*sic*] voice in the great majority of them." He told Dillon that "it was [his] job to bring this to pass, with his full backing".¹⁴⁹ In

¹⁴³OH, C. Douglas Dillon, JFDOHC, ML, pp.1-2; OH #211, #1, C. Douglas Dillon, EL, p.7.

¹⁴⁴*Ibid.*, p.5.

¹⁴⁵See for example: Letter Eisenhower to Clarence Dillon, 29 November 1950, *DDEP*, p.1447; Letter Eisenhower to Clarence Dillon, 5 January 1953, *DDEP*, p.1479.

¹⁴⁶OH #211, #1, C. Douglas Dillon, EL, pp.1-3.

¹⁴⁷*Ibid.*, p.7.

¹⁴⁸Letter Dulles to C. Douglas Dillon, 8 September 1953, 1953 (D-E), box 69, SCRM, JFDP, ML; Letter Dulles to Dillon, 15 April 1955, 1955 (D-E), SCRM, box 91, JFDP, ML.

¹⁴⁹Letter Dillon to the author, 30 June 1995, pp.1-2.

particular, Dulles wanted Dillon to direct the operations of the International Cooperation Administration.¹⁵⁰

Dulles advocated economic assistance be used to promote development in the less developed regions because he feared Soviet subversion. His concerns resulted in economic assistance for development becoming part of the administration's basic national security strategy. The outer regions of Latin America and sub-Saharan Africa did not benefit from this policy change. Those at the highest levels of the administration only considered demands for development assistance within the context of the Soviet threat. They argued that the Soviets would use the economic needs of the less developed countries to subvert them. As a result, economic assistance to promote development was directed to Asia and the Middle East. In addition, economic assistance remained limited. Both Eisenhower and Dulles asserted, in 1956, that aid for development needed to be combined with military, psychological and covert programmes, if the Soviet threat to the less developed regions was to be met successfully. Dulles also thought that economic aid should be limited in the national security equation because he remained committed to Eisenhower's key concern that the economic strength of the United States be protected. Only with the Suez crisis and a perceived acceleration in the Soviet economic offensive, did Dulles decide to assert his Department's authority in the field of foreign economic policy. Dulles wanted Dillon to use economic tactics to meet the Soviet threat. But Dillon had a much broader view. He feared that aspirations for development could threaten the nation's security independently of Soviet subversion. He opined that the people of the less developed regions

¹⁵⁰Ibid., p. 1; Letter Dillon to the author, 1 June 1995, p. 1.

would resort to totalitarian forms of government if their economic and social needs were not met. As a result, Dillon argued that economic assistance for development should be extended throughout the Third World, including Latin America and sub-Saharan Africa.

CHAPTER FOUR

THE STATE DEPARTMENT, THE FOREIGN OPERATIONS ADMINISTRATION AND DEVELOPMENT IN LATIN AMERICA AND SUB-SAHARAN AFRICA: FACING DEMANDS FOR INCREASED ASSISTANCE, MARCH 1954 - MARCH 1957

I

Individuals within Eisenhower's administration dealing specifically with the two regions were faced with rising demands for development assistance. Latin Americans had been angered by the administration's refusal at the economic conference in Caracas to support their demands for regional markets, grant aid, an inter-American development bank and commodity agreements. The United States had postponed such issues until the next inter-American conference. As a result, anti-Americanism and nationalism increased after the conference at Caracas.¹ The new assistant secretary of state for inter-American affairs, Henry F. Holland, agreed with Eisenhower's approach towards the region. He believed that Latin America should develop through the free enterprise system, and that the United States should not send grant aid. But Holland asserted that it was in the interests of the administration to make minor concessions to placate the Latin Americans.

¹Foreign Service Despatch 928, first secretary of the American embassy in Buenos Aires Ernest V. Siracusa to the Department of State, 31 March 1954, 362/3-3154, box 1402, RG59, NA; Foreign Service Despatch 380, counselor of the American embassy in San Salvador Andrew E Donovan II to the Department of State, 2 April 1954, 362/4-254, box 1402, RG59, NA; Foreign Service Despatch 566, charge d' affaires at American embassy in La Paz Edward J. Rowell to the Department of State, 20 April 1954, 362/4-2054, box 1402, RG59, NA; Foreign Service Despatch 940, counselor of American embassy in Santiago William Sanders to the Department of State, 1 June 1954, 362/6-154, box 1402, RG59, NA.

He argued that the American public and members of Congress feared another Guatemala. The administration, Holland asserted, should announce a liberalised loan policy at the next inter-American economic conference, scheduled for late 1954. This action, he claimed, would appease the Latin Americans and calm fears within the United States, without draining the US economy. The director of the Foreign Operations Administration, Harold Stassen, and his colleagues agreed that the administration should do more to meet development demands in Latin America. They advocated the administration extend grant aid, support the establishment of common markets and help to create a development bank for the region. Stassen attempted to change the administration's approach through Eisenhower's formal and informal systems of policy formulation. But both systems ensured that basic national security policy prevailed. Latin America, being distant from the Soviet bloc, would not receive Treasury funds for development.

Key officials dealing with sub-Saharan Africa from 1954 to the beginning of 1957 sought to change the administration's reliance on the free enterprise system and the metropolises to meet development demands in the region. The assistant secretary of state for near eastern, south Asian and African affairs, George V. Allen, and the deputy director of the office of African affairs, Fred L. Hadsel, advocated the administration extend grant economic aid. They argued that the region was rapidly moving towards independence. Political and economic instability, they argued, could deprive the United States of vital raw materials and provide opportunities for Communist infiltration. But they could not change the administration's approach. Their views did not survive Eisenhower's formal policy formulating system. These officials turned to private philanthropic organisations.

They hoped that programmes by the Ford and Rockefeller Foundations would placate demands for development assistance in sub-Saharan Africa. Officials were able to influence the operations of these two organisations because fear of Soviet subversion did not dictate their operations. As a result, the foundations did not want to restrict their aid programmes to the periphery of the Soviet bloc. Humanitarian concerns drove their desire to promote development in sub-Saharan Africa.

II

Henry F. Holland, The State Department, The Foreign Operations Administration and Latin American Demands For Development, March 1954 - March 1957

At the Caracas Conference in March 1954, the Eisenhower administration had attempted to appease the Latin American delegates by promising to hold an economic conference at Rio de Janeiro in the fall. Latin Americans eagerly awaited this opportunity to present their concerns and gain compassionate assistance. Eisenhower and Dulles expected the new assistant secretary of state for inter-American Affairs to prepare a position for Rio based on the broad national security concerns of the United States. The President and his secretary chose Henry F. Holland to replace John Moors Cabot because Holland shared Eisenhower's view of the national security and how to maintain it. In a public address on 29 April, Holland declared that the administration would assist with the economic

development of Latin America. But he warned that the United States would “undertake nothing which would have the effect of weakening our own domestic economy”.² He advised that the United States would mainly contribute by reducing barriers to free trade and providing technical assistance. Washington would only extend public capital on a sound loan basis through the IBRD and EXIM Bank when avenues of private investment had been exhausted. The responsibility rested on Latin American governments, Holland declared, to promote conditions attractive to foreign investors and to finance development projects through domestic private investment.³ Holland, therefore, agreed with the approach adopted by the administration in 1953 and early 1954.

Before the economic conference, three opportunities arose to gain attention to Latin America at the highest levels of the administration. On each occasion the inter-American bureau of the Department of State, under Holland’s leadership, supported the administration’s economic policies towards the region. From May to June 1954, the OCB co-ordinated a progress report on the implementation of the national security policy statement on Latin America. During the drafting process, the inter-American bureau summarised the actions taken towards implementation and advised that no policy changes were necessary.⁴ In June the NSC Planning Board began a review of the national security policy statement on Latin America, NSC 144/1. By August the Board had prepared a new draft policy

²Address by Holland, before the Mississippi Valley World Trade Conference. “U.S. Economic Relations with Latin America”, 29 April 1954, DSB, 17 May 1954, XXX, 777, p.765.

³Ibid., p.770.

⁴“Third Progress Report on NSC 144/1, United States Objectives and Courses of Action with Respect to Latin America”, 25 May 1954, FRUS, 1952-1954, IV, pp.46, 52-58; Memorandum deputy assistant secretary of state for inter-American affairs Robert F. Woodward, to Charles R. Norberg, OCB, 29 June 1954, OCB 091.4 Lat Am File #1 (8) March-June 1954, box 72. OCB Central File Series, WHONSCS, EL.

statement for consideration by the NSC. The State Department did not argue that economic policy towards the region needed to change in the draft paper.⁵ Holland created the third opportunity to gain high level attention to the economic problems in Latin America before the conference. In early April, he asked Dulles that a sub-cabinet committee be established to prepare policies for Rio. His aim was to ensure that all the agencies and organisations used the broad policy guidelines established by the Randall Commission and Milton Eisenhower to prepare for the conference.⁶ Holland chaired the sub-cabinet committee and supported the administration's economic policies toward Latin America in the discussions held and position papers prepared.⁷ Eisenhower had achieved his aim. Under Holland, the inter-American bureau of the Department of State concentrated on implementing an economic policy towards Latin America based on broad national security concerns.

Another agency of Eisenhower's administration, however, used the three opportunities to gain high level attention to Latin America to advocate a change in policy. Members of the Foreign Operations Administration (FOA) dealing with the region argued that the current economic policy would not appease Latin American

⁵Draft statement of policy, NSC 5432, "U.S. Policy Toward Latin America", 18 August 1954, NSC 5432/1 Policy Toward Latin America, box 13, NSC Series, Policy Papers Subseries, WHOSANSA, EL, pp.1-2, 5, 8-9.

⁶Memorandum assistant secretary of state for economic affairs Samuel C. Waugh and Holland to secretary of state Dulles, 2 April 1954, 365/4-254, box 1416, RG59, NA.

⁷Paper by sub-cabinet committee on the Rio Economic Conference. approved 27 July 1954, "United States Public Lending for Economic Development", Latin America (8). box 5. Special Staff File Series, WHONSCS, EL, pp.1-2; Letter Henry Holland to assistant secretary of the Treasury, Andrew Overby, 2 September 1954, 365/8-2754, box 1416, RG 59, NA; Letter Holland to William Y. Elliot of the Office of Defense Mobilization, 4 September 1954. 365/9-454, box 1416, RG59, NA; Memorandum acting regional director of the office of Latin American operations in FOA, Hardesty, to the director of the FOA Harold Stassen, 8 November 1954. FRUS. 1952-1954, IV, pp.339-342.

demands at Rio.⁸ Harold Stassen, the director of the FOA, supported his subordinates' position.⁹ In the OCB progress report, the revised national security policy statement on Latin America and meetings of the sub-Cabinet committee, the FOA advocated the administration use public capital to accelerate economic development. Specifically, the aid organisation wanted to expand the lending operations of the IBRD and the EXIM Bank, provide grant aid through the FOA, support regional economic groupings, and establish a regional development bank.¹⁰

The Office of Defense Mobilization (ODM) supported the revisions proposed by the FOA. Representatives from this agency asserted that the future decline in the procurement of strategic materials by the United States would have a serious impact on the economies of Latin American nations. Officials from the ODM advocated the administration expand its stockpiling programme, in addition to adopting the proposals by the FOA.¹¹ Predictably, the Treasury and Commerce Departments, and the Bureau of the Budget, opposed the revisions desired by the

⁸Memorandum of conversation Holland, Hardesty and others, 9 April 1954, FRUS, 1952-1954, IV, pp.223-224.

⁹Minutes of meeting, Stassen with FOA personnel, 21 June 1954, FRUS, 1952-1954, IV, pp.321-323.

¹⁰Report by the OCB Working Group on Latin America, "Emerging Problems in the Implementation of NSC 144/1, Together with Suggestions for Their Solution by Revision of Current Policy and Adoption of Additional Courses of Action", 7 July 1954, OCB 091.4 Latin America File #2 (2) July-Dec 1954, box 72, OCB Central File Series, WHONSCS, EL, pp.1, 4-5; Draft statement of policy, NSC 5432, "U.S. Policy Toward Latin America", NSC 5432/1 Policy Toward Latin America, box 13, NSC Series, Policy Papers Subseries, WHOSANSA, EL, pp.1-2, 4-5, 8-9; Memorandum by acting regional director of the office of Latin American operations Hardesty to Stassen, 19 July 1954, FRUS, 1952-1954, IV, p.326; Letter deputy secretary of the Treasury W. Randolph Burgess, to Stassen, 29 July 1954, Individual Regions and Countries--Latin America [5 of 6], box 116, Foreign Aid File Subject File 1950-68, John H. Ohly Papers, TL; Memorandum by John C. Cady of the office of Latin American operations FOA to Stassen, 27 August 1954, FRUS, 1952-1954, IV, p.328.

¹¹Letter William Y. Elliot of the Office of Defense Mobilization, to Holland, 20 September 1954, 365/9-2054, box 1416, RG59, NA; Draft statement of policy, NSC 5432, "U.S. Policy Toward Latin America", 18 August 1954, NSC 5432/1 Policy Toward Latin America, box 13, NSC Series, Policy Papers Subseries, WHOSANSA, EL, pp.1-2, 5, 8.

FOA and the ODM. Representatives from these budget conscious agencies stressed that the changes would contravene basic national security policy.¹²

Alterations to foreign economic policy could not be made at the lower levels of Eisenhower's administration. The involvement of many organisations in foreign policy formulation ensured that changes in policy requiring increased expenditures would be blocked and Eisenhower's opinion on the matter sought. The director of the FOA, Harold Stassen, and his colleagues, realised that the final decision would be made by Eisenhower when the NSC discussed the new draft policy statement on Latin America. In the weeks before the meeting Stassen attempted to gain the support of the main foreign policy voice on the NSC, John Foster Dulles. On 9 August Stassen met with Dulles to discuss various issues concerning the FOA. Stassen took the opportunity to advocate a Latin American development bank be established. Dulles did not wish to become involved. The secretary continued to agree with Eisenhower that foreign economic aid should be restricted to the Soviet periphery. He merely requested that Stassen "study the matter".¹³ Dulles did not attend the NSC meeting held on 2 September to discuss the new policy statement on Latin America.

Under secretary of state, Walter Bedell Smith, represented the State Department at the meeting on 2 September. In the days immediately before the meeting Holland briefed Smith on the State Department's position. He advised the

¹²Letter assistant secretary of the Treasury, Andrew N. Overby, to Holland, 27 August 1954, 365/8-2754 box 1416, RG59, NA; Letter acting assistant secretary of commerce for international affairs, Marshall M. Smith, to Holland, 31 August 1954, 365/8-2754, box 1416, RG59, NA; Letter Holland to William Y. Elliot Office of Defense Mobilization, 4 September 1954, 365/9-454, box 1416, RG59, NA; Draft policy statement, NSC 5432, "U.S. Policy Toward Latin America", 18 August 1954, NSC 5432/1 Policy Toward Latin America, box 13, NSC Series, Policy Papers Subseries, WHOSANSA, EL, pp. 1, 8.

¹³Memorandum of conversation Dulles and Stassen, 9 August 1954. Memos of Conversation - General - 5 (3), box 1, General Correspondence and Memoranda Series, DP, EL.

undersecretary to oppose increases to the stockpiling programme.¹⁴ But Holland had become increasingly nervous about the intensity of Latin American demands at Rio. He warned Smith that “The people of Latin America are obsessed with a determination to strengthen their economies and improve living standards.”¹⁵ Holland did not believe that the administration should succumb to such foreign pressure for development assistance. But he feared that the crisis in Guatemala had focused the interest of Congress and the American public on Latin America.¹⁶ Congressional pressure had already moved Eisenhower, in June, to increase the lending authority of the EXIM Bank to \$500,000,000.¹⁷ Senator Homer E. Capehart submitted a report to Congress which argued that the US should help to promote the free enterprise system in the less developed regions, particularly in Latin America, by extending more sound loans. These loans would help to create conditions which were favourable to foreign investors. Capehart wanted the US to decrease the amount of grant aid and rely more on sound loans.¹⁸ The administration, Holland believed, needed to appease public and Congressional concern by presenting a positive proposal at Rio. He urged Smith to support the suggestion by the FOA that the EXIM Bank undertake all development projects meeting the standard criteria. Holland advised that such a move would not require a great departure from basic national security policy, since the amount needed would not exceed \$200,000,000 per year. Similarly, the announcement of a more

¹⁴Memorandum Holland to Smith, 31 August 1954, FRUS, 1952-1954, IV, p.66.

¹⁵Memorandum by Holland to Smith, 1 September 1954, FRUS, 1952-1954, IV, p.330.

¹⁶Ibid.

¹⁷White House press release, 10 June 1954. “Proposed Changes in Organization of Export-Import Bank”, DSB, 28 June 1954, XXX, 783, p.991.

¹⁸Zoumaras, Path to Pan Americanism, p.149.

liberal EXIM bank policy would avoid having to make greater departures from current policy into grant aid or soft loans.¹⁹

Smith agreed with Holland's position. At the NSC meeting, he opposed the recommendations which drew on the economic resources of the United States.²⁰ He supported Holland's position that loans to Latin America should be economically sound. He recommended that the administration meet Latin American demands for development assistance by adopting "a liberalized policy of Export-Import Bank loans".²¹ Smith also supported the proposal by the FOA and the ODM, that development assistance loans be extended when private capital, the EXIM bank and the IBRD did not initiate or maintain development projects, which were in the foreign policy interests of the United States. Smith approved the proposal for two reasons. First, he did not believe that the recommendation involved draining the economic resources of the United States. Only economically sound loans would be extended under the proposal. Second, Smith saw it as healthy competition to the EXIM bank. The existence of a competitor, Smith believed, would force the EXIM bank to think twice before turning down loan requests.²² Eisenhower did not attend the meeting. But on the night of 2 September, he reviewed the policy statement and the suggestions arising from the NSC meeting. Eisenhower approved the approach advocated by Smith.²³

¹⁹Memorandum by Holland to Smith, 1 September 1954, FRUS, 1952-1954, IV, p.331; Memorandum Holland to Smith, 31 August 1954, FRUS, 1952-1954, IV, p.66.

²⁰Memorandum of discussion, 212th NSC meeting, held on 2 September 1954, 3 September 1954, FRUS, 1952-1954, IV, pp.70-71, 74.

²¹Ibid., p.74.

²²Ibid., pp.74-75.

²³Letter Eisenhower to Smith, 3 September 1954, DDE Diary Sept 1954 (2), box 8, DDE Diaries Series, AWF, EL, p.2.

The resulting NSC policy statement on Latin America, therefore, did not provide the necessary changes to promote development in Latin America. The region would not receive grant aid. The paper stated that the EXIM Bank should finance “all sound economic development projects, for which private capital or IBRD financing is not available”.²⁴ But the barriers to Latin Americans using the EXIM bank as a source of capital remained. Latin American leaders lacked the expertise to draw up “sound economic development projects”, and their nations did not have the “capacity to repay” the loans.²⁵ In addition, the extension of loans continued to depend on the economic well being of the United States. The paper stated that “the Bank’s lending capacity” would be considered in each instance.²⁶ The paper included only two of the recommendations made by the FOA and the ODM. It stated that the United States would “Consider sympathetically” regional economic groupings. And it recommended that the government would consider extending development assistance loans when Latin Americans had exhausted all other avenues of obtaining capital, and when the loan helped to achieve the foreign policy objectives of the United States.²⁷ But Eisenhower’s system of foreign policy formulation ensured that resources would never be extended to meet foreign policy needs, without first considering the impact on the American economy. Individuals within the organisations involved with Latin America lacked the authority to convince other government agencies of the need to extend development assistance to Latin America. To use the proposal in the new NSC policy statement, officials dealing with Latin America would require the support of John Foster Dulles.

²⁴NSC 5432/1, “United States Objectives and Courses of Action with Respect to Latin America”, 3 September 1954, *FRUS*, 1952-1954, IV, p.84.

²⁵*Ibid.*

²⁶*Ibid.*

²⁷*Ibid.*

Individuals from various organisations and agencies of the administration attempted to use the new proposal in the NSC policy statement to obtain positive positions for the Rio conference. In particular, these officials voiced their opinions within the OCB working group on Latin America. This group consisted of representatives from the departments of State and Defense, the FOA, the United States Information Agency and the Central Intelligence Agency. All of the members agreed that the position papers prepared by Holland's sub-cabinet committee were not consistent with the new NSC policy statement. Officials within the working group argued that the policies advocated by Holland and his committee would not meet Latin American aspirations at Rio.²⁸ Representatives from the Treasury Department, who joined the working group later than the other organisations, did not agree. Treasury officials argued that the position papers for Rio were consistent with basic national security policy, and adequate for the Rio conference.²⁹

The departments and agencies wanting the administration to make a greater commitment to development assistance loans at the Rio conference, needed the support of John Foster Dulles. Dulles, however, remained uninterested. On 15 November the NSC met to discuss the Rio conference. Dulles did not attend. The new under secretary of state, Herbert Hoover Jr, represented the State

²⁸Memorandum for the record by OCB staff representative Byron K. Enyart, 28 September 1954, with attachments, OCB 091.4 Lat Am File #2 (6) July-Dec 1954, box 72, OCB Central File Series, WHONSCS, EL; Memorandum Frederic O. Bundy of the United States Information Agency to Elmer Staats and OCB assistants, 30 September 1954, OCB 091.4 Lat Am File #2 (6) July-Dec 1954, box 72, OCB Central File Series, WHONSCS, EL, p.1; OCB working group on NSC 5432/1, "Special Report On Proposed U.S. Positions For The Rio Conference", 5 October 1954, OCB 091.4 Lat Am File # 2 (6) July-Dec 1954, box 72. OCB Central File Series, WHONSCS, EL, pp.2-5

²⁹Memorandum OCB staff representative Byron K. Enyart to the OCB executive officer, 5 October 1954, OCB 091.4 Lat Am File #2 (6) July-Dec 1954, box 72, OCB Central File Series, WHONSCS, EL.

Department. During the meeting, Stassen argued that the proposed position of the United States at Rio “did not meet the obvious needs of Latin America”.³⁰ He urged that Eisenhower support proposals for regional economic groupings, study groups to examine ways to stabilise the prices of raw materials and the creation of an Inter-American Bank.³¹ Hoover did not support Stassen’s position.³² Eisenhower expected Hoover, like Smith, to enforce the fundamental national security concerns of the United States. Only Dulles could convince Eisenhower that foreign policy objectives necessitated a change in the national security equation. Without Dulles’ input, the position advocated by the Treasury Department and Holland’s sub-cabinet committee prevailed. The administration would oppose schemes to stabilise commodity prices, regional economic arrangements and the establishment of an Inter-American Bank.³³ During the meeting, Eisenhower agreed with the secretary of the Treasury that the policy paper on Latin America needed to be revised to prevent organisations acting independently of basic national security considerations. The President suggested that the statement about the United States extending development assistance loans when Latin Americans had exhausted all other avenues, be altered to ensure that Presidential approval was sought in each instance.³⁴ Similarly, the Council agreed to alter the statement on regional economic groupings to read that the United States would only support such actions if it “would not involve discrimination against U.S. trade and that no additional U.S. financial commitments would be involved hereunder without further consideration by the National Security

³⁰Memorandum of discussion, 224th NSC meeting, held on 15 November 1954. 16 November 1954, *FRUS*, 1952-1954, IV, p.349.

³¹*Ibid.*, pp.349-350.

³²*Ibid.*, pp.348, 350.

³³*Ibid.*, pp.346, 349, 351.

Council".³⁵ Thereby, Eisenhower further ensured that basic national security considerations would prevail in all foreign economic policy considerations concerning Latin America.

Eisenhower's position on the Rio economic conference indicates that he continued to see Latin America only in terms of his strategy for maintaining national security. He had little idea of the economic realities of the region, and was unaware of the rising antagonism towards the United States. Eisenhower's foreign policy formulating system reinforced his misconceptions. The process ensured that all issues were evaluated within the context of basic national security concerns. Individuals, like Stassen, who argued from a position of foreign policy needs alone, were soon removed from Latin American affairs. Only Dulles had the respect from Eisenhower in the field of foreign relations necessary to convince the President to alter the direction of resources within the basic strategy for maintaining national security. As shown, Dulles convinced Eisenhower to extend economic assistance for development to Asia. Dulles' actions, however, stemmed from his growing fear of Soviet economic tactics. Latin America, being far removed from the Soviet periphery, did not gain similar attention from the Secretary. Dulles continued to assert that private investment and EXIM loans would suffice in Latin America.³⁶ Eisenhower agreed with Dulles' priorities. On 1 December the President stated in a letter to his brother, Milton "We should not forget...that countries like Burma, Thailand, and the remaining parts of Indo-China are directly open to assault. This does not apply in South America." Eisenhower continued:

³⁴*Ibid.*, p.348.

³⁵*Ibid.*, p.352.

³⁶Summary of news conference with Dulles, 7 December 1954, *DSB*, 20 December 1954, XXXI, 808, p.968.

In the case of the Americas, I do believe that loans are more appropriate than grants. Gifts do not encourage a partnership effort. Loans, I think, are calculated to do so. The difference between South America and Asia, in my own mind, is this. In the case of South America we want to establish a healthy relationship that will be characterized by mutual cooperation and which will permanently endure. This will apply whether or not the Communist menace seems to increase or decrease in intensity./In Asia we are primarily concerned with meeting a crisis, establishing firm and friendly governments, and making certain that the critical area of Indo-China and the surrounding islands and adjacent portions of the mainland do not fall into Communist hands.³⁷

Eisenhower continued to assess Latin America in terms of his broad national security strategy. The region, being far removed from the Soviet threat, did not require economic assistance. The relatively minor threat of Soviet subversion in Latin America meant that the region had time to develop spiritual and economic strength through the free enterprise system.

Latin Americans responded negatively to the position taken by the United States at Rio. The announcement that the EXIM Bank would liberalise its loan policy failed to convince Latin American delegates that any policy changes had been made.³⁸ Their hopes for grant aid had been shattered. From experience Latin Americans knew that they could not meet the strict lending criteria of the IBRD or the EXIM Bank. Their concerns were well justified. In the six month period from

³⁷Letter Eisenhower to Milton Eisenhower, 1 December 1954, Lester, Eisenhower Diaries, Reel 5.

³⁸Telegram 4 secretary Dulles to US delegation at Rio, 22 November 1954, 365/11-2254, box 1417, RG59, NA; Telegram 2 under secretary Hoover at the Rio Conference to secretary Dulles, 23 November 1954, 365/11-2354, box 1417, RG59, NA; Telegram 202 American embassy in Panama City to secretary of state, 26 November 1954, 365/11-2654, box 1417, RG59, NA; Foreign Service Despatch 394 American embassy in Bogota to State Department, 7 December 1954, 365/12-754, box 1418, RG59, NA.

July to December 1955, EXIM loans to Latin America totalled \$49,600,000, compared with a total of \$168,000,000 in the previous six month period.³⁹

In February 1955, vice president Nixon made a goodwill trip to Mexico, Central America and the Caribbean. On returning to Washington, Nixon reported to Eisenhower, and other members of the NSC, that “the policies enunciated by the representatives of the United States at the Rio Conference were the correct policies”.⁴⁰ The vice president stated that he agreed with the sentiments that “grants and gifts simply made beggars and loafers”.⁴¹ He recommended that the administration continue its current policy of increasing trade, and encouraging domestic and foreign private investment in the region.⁴² But Nixon argued that the administration had to make some concessions to meet Latin American demands for development assistance. He warned that the number of EXIM loans to the region had not increased since the Rio conference. Only through an intensified programme of lending by the EXIM Bank, Nixon declared, could the administration avoid having to resort to grant aid and soft loans.⁴³ Henry Holland agreed with Nixon’s analysis. Holland asserted that Latin Americans would demand grant aid, soft loans and a development bank at the next inter-American economic conference, scheduled for February 1957 in Buenos Aires. Only an

³⁹Draft state submission for 3rd progress report on NSC 5432/1 for 6 month period from July 14 1955 - January 12 1956, OCB 091.4 Latin Am File #5 (6) Dec 1955-Feb 1956, box 74, OCB Central File Series, WHONSCS, EL, p.24.

⁴⁰Memorandum of discussion, 240th NSC meeting, held on 10 March 1955, 11 March 1955, box 6, 240th meeting of NSC March 10 1955, box 6, NSC Series, AWF, EL, p.15.

⁴¹Ibid.

⁴²Ibid., pp.14-15.

⁴³Ibid.

increased loan programme in Latin America by the EXIM Bank, Holland argued, would defeat such uneconomical demands.⁴⁴

Nixon and Holland wanted the EXIM Bank to act as an instrument of foreign policy in Latin America. But, at the same time, both men believed that the strict lending criteria of the Bank should not be compromised. They remained faithful to basic national security policy. They agreed with Eisenhower that Latin America, being far removed from the Soviet periphery, should not drain the economic resources of the United States. Nixon and Holland, like Eisenhower and Dulles, were not aware that Latin American nations could not meet the strict lending criteria set by the Bank. Latin American countries could not achieve economic development through sound loans. In 1956, the level of EXIM loans to Latin America remained low. Loans to Latin America in the period January to August 1956 came to \$107,900,000. From September 1956 to March 1957, this amount decreased by \$14,000,000.⁴⁵

On the issue of commodity agreements, basic national security policy also dictated the outcome. From April to November 1954, the price of coffee dropped by thirty cents.⁴⁶ At the Rio conference, the coffee producing nations of Latin American called for an international agreement to stabilise the price of coffee. In response, the Inter-American Economic and Social Council agreed to study "the world coffee situation". As a major consumer of coffee from Latin America, the

⁴⁴Memorandum by Holland to Dulles, 18 March 1955, FRUS, 1955-1957, IV, pp.309-310; Memorandum by Holland to Dulles, 13 December 1955, FRUS, 1955-1957, VI, p.356.

⁴⁵Report by special assistant office of assistant secretary of state for inter-American affairs Spencer M. King to R. P. Crenshaw Jr of OCB, 21 May 1957, OCB 091.4 Lat Am File #1 (3) April-May 1957, box 76. OCB Central File Series, WHONSCS, EL, p.4.

⁴⁶Address by director of the office of regional American affairs, Edward G. Cale before the Pacific Coast Coffee Association, 17 May 1955, DSB, 6 June 1955, XXXII, 832, p.942.

United States agreed to participate in the study.⁴⁷ In early January 1956, the Inter-American Economic and Social Council completed its report. The report stated that future coffee supplies would exceed demand, while the price of coffee would continue to decline. The decline in coffee prices, the report warned, would seriously affect the economies of the coffee producing nations. In the report's conclusion, the Inter-American Economic and Social Council called for international action to stabilise coffee prices.⁴⁸

The basic national security policy on Latin America, as amended immediately prior to the Rio conference, stated that the United States would not enter into international agreements which discriminated against United States trade, or required finances from the United States, until the issue had been discussed within the National Security Council. In October 1955, the new Council on Foreign Economic Policy (CFEP) issued a policy statement to reinforce the administration's position on commodity agreements. As desired by Eisenhower, the CFEP acted to ensure that basic national security concerns, not foreign policy needs, dictated any decision. The CFEP announced that the United States would only enter into a commodity agreement when it was "clearly in the national interest". It advised that

Representatives of the United States will not participate in any discussion or meeting with respect to an international commodity agreement and will make no commitment as to U.S. participation in such an agreement until approved at the inter-agency policy level within the Executive Branch.⁴⁹

⁴⁷*Ibid.*, pp.942-943.

⁴⁸Memorandum by under secretary Hoover to chairman CFEP Joseph Dodge, 1 February 1956, CFEP 537 US position with respect to an international coffee agreement (2), box 7, Policy Papers Series, CFEP, EL, pp.1-2.

⁴⁹Minutes of the 29th meeting of the CFEP, 25 October 1955, *FRUS*, 1955-1957. X, p.545.

The CFEP provided the inter-agency forum. In April the State Department sent a copy of the report on coffee by the Inter-American Economic and Social Council to the CFEP. As a result of Dulles' lack of interest when the CFEP was set up, the State Department held no authority within this organisation. In this instance the State Department did not provide a dissenting voice. Holland ensured that basic national security policy prevailed, advising that the United States should not enter an international agreement on coffee.⁵⁰ On 25 April the CFEP agreed.⁵¹

Through his careful selection of key subordinates, and the involvement of many organisations and agencies in the formulation of foreign economic policy, Eisenhower ensured that basic national security concerns dictated the administration's policy towards Latin America. Free trade and private investment remained the main tactics. The region, being far removed from the Soviet Union, would not receive grant aid or soft loans, and the United States would not support regional economic arrangements. While Eisenhower's foreign policy formulating process ensured the implementation of basic national security policy, it did not change the perceptions of those at the top of the administration. The focus of those at the highest levels remained on the Soviet threat. They remained unaware of the rising anti-Americanism within Latin America.

In 1956, John Foster Dulles began a review of the national security policy statement on Latin America. He initiated the review because he feared that the Soviet economic offensive had turned to the region. On 17 January the American

⁵⁰Department of State staff paper on International Coffee Agreement, 9 April 1956, CFEP (6), box 18, Subject Series, Confidential File, WHCF, EL, pp.3-4.

⁵¹Memorandum secretary, Paul H. Cullen to CFEP, 4 May 1956, CFEP 537 U.S. Position with respect to an International Coffee Agreement (1), box 7, Policy Papers Series, CFEP, EL.

Ambassador to Moscow, Charles Bohlen, reported to Washington that recent statements made by the Soviet official, Nikolai Aleksandrovich Bulganin, indicated that the Soviets were about to “UNDERTAKE [a] SUBSTANTIAL DIPLOMATIC OFFENSIVE IN LATIN AMERICA”.⁵² Bohlen’s warning alarmed John Foster Dulles.⁵³ The Secretary asked Holland if the administration’s current policies were adequate to meet the “Russian campaign”.⁵⁴ In response, on 28 March 1956, Holland reported to the OCB that the recent Soviet initiatives in Latin America necessitated a review of policy.⁵⁵ The OCB working group on Latin America had already concluded that Soviet activities in Latin America made the current NSC policy statement on the region obsolete. In a progress report dated 28 March, the working group recommended to the NSC Planning Board that the policy statement on Latin America be revised.⁵⁶ Members of the NSC Planning Board agreed, and requested permission from the NSC to undertake a policy review. On 3 May, the NSC directed the Planning Board to revise the policy statement on Latin America.⁵⁷

The high level review of policy toward Latin America gave officers within the inter-American bureau of the State Department the opportunity to highlight the economic problems faced by the region. The NSC Planning Board specifically

⁵²Telegram 1561 American ambassador Charles Bohlen to Dulles, 17 January 1956, 620.61/1-1756, box 2595, RG59, NA. (Capitalisation and underlining in the original.)

⁵³Telegram 476 Dulles to all diplomatic and consular posts in Latin America, 18 January 1956, 620.61/1-1856, box 2595, RG59, NA; Telegram 811 Dulles to American embassy in Moscow, 18 January 1956, 620.61/1-1856, box 2595, RG 59, NA.

⁵⁴Memorandum of conversation Dulles, Samuel C. Waugh and Henry F. Holland, 18 January 1956, FRUS, 1955-1957, VI, p.371.

⁵⁵Minutes of OCB meeting, held on 28 March 1956, 30 March 1956, OCB Minutes of Meetings 1956 (2), box 3, OCB Series, Administrative Subseries, WHOSANSA, EL, p.3.

⁵⁶Progress report on NSC 5432/1, “United States Objectives and Courses of Action with Respect to Latin America”, 28 March 1956, FRUS, 1955-1957, VI, pp.46-48.

⁵⁷Editorial Note, FRUS, 1955-1957, VI, p.60.

requested that the State Department submit their desired changes to the Board.⁵⁸ The new draft statement of policy highlighted the rising “anti-Americanism” in Latin America, and stated that it was caused by the fact that the United States had not provided greater assistance with economic development.⁵⁹ The inter-agency make-up of the Planning Board, however, ensured that basic national security concerns, not foreign relations needs, dictated the suggested economic policies towards the region. The draft policy statement specified that trade and private investment would continue to be the main approach to the region. The role of the EXIM Bank remained unchanged. The bank would finance “all sound economic development projects”, provided the borrowing nation fulfilled the strict lending criteria of the bank. Soft dollar loans or grant aid would only be extended in emergency situations and “with the approval of the President”.⁶⁰ The policy of the United States towards development in Latin America remained unchanged.

On 6 September 1956, the NSC met to discuss the draft policy statement. Rather than challenge the world views of Eisenhower’s key advisers, the paper supported their views. The members of the Council were dedicated to Eisenhower’s fundamental approach. No one suggested that the rising anti-Americanism in the region necessitated a change in economic policy. Eisenhower and under secretary Hoover suggested that the language referring to the EXIM Bank be changed so that it was not expected to act as an instrument of foreign policy in Latin America. Dulles objected. This was not because he wanted to meet rising demands for development assistance in the region, but because he believed

⁵⁸*Ibid.*

⁵⁹NSC 5613, “Draft Statement of Policy on U.S. Policy toward Latin America”. 20 August 1956. *FRUS*, 1955-1957, VI, p.92.

⁶⁰*Ibid.*, p.97.

that the bank could combat Soviet economic initiatives in the region. Eisenhower and Dulles reached a compromise. The President changed the language in the paper to read that the administration would not “assure”, but merely “encourage” the EXIM Bank to liberate its lending policy in Latin America.⁶¹

Eisenhower remained ignorant of the prevailing conditions in Latin America. He continued to assert that the region, being far removed from the Soviet Union, did not require economic assistance. Eisenhower’s system of policy formulation reinforced his preconceptions. In July Eisenhower attended the meeting of the Presidents of the Americas in Panama City. Eisenhower viewed the trip merely as a venture in “public relations”.⁶² Holland, however, feared that anti-American sentiments would intensify in Latin America, unless Eisenhower presented some positive proposal. Not wanting to contravene the administration’s basic approach, Holland advised the President to announce the establishment of a Presidential committee. The committee would examine the economic activities of the Organization of American States (OAS).⁶³ At the meeting in Panama, Eisenhower invited all the American republics to elect a representative to join a committee to review the role of the OAS. The President announced that his brother, Milton, would be the United States’ representative.⁶⁴

Holland did not intend the committee to be a vehicle through which Latin American governments could demand economic assistance. He initiated the committee to placate Latin American demands for development assistance, and

⁶¹Memorandum of discussion, 296th NSC meeting, held on 6 September 1956, 7 September 1956, FRUS, 1955-1957, VI, p.105.

⁶²Eisenhower Diary entry, 25 July 1956, FRUS, 1955-1957, VI, p.452.

⁶³Editorial Note, FRUS, 1955-57, VI, p.444.

⁶⁴Address by Eisenhower at meeting of the Presidents in Panama City, 22 July 1956. Public Papers, 1956, p.611.

thus maintain cordial relations with the United States in the short term. The appointment of Milton Eisenhower as the representative on the committee from the United States ensured that basic national security policy would be upheld. During the committee meetings, the Latin American delegates requested that the United States consider grant aid, commodity agreements, and an inter-American bank for development. Milton Eisenhower faithfully opposed all of the initiatives involving increased expenditures from the United States government.⁶⁵ By the time Latin Americans realised that the committee did not represent a commitment by the United States to assist with development, Holland had left the administration. Eisenhower and Dulles praised him for his work. He had been a good soldier in Eisenhower's administration.

As Eisenhower entered his second term, his ideas on development in Latin America remained unchanged. He continued to argue that the reliance on free trade and private investment would meet the economic needs of the region. Only regions on the Soviet periphery, Eisenhower preached, required development assistance. Through the appointment of individuals, such as Henry Holland, and the process of foreign policy formulation, Eisenhower ensured that basic national security concerns dictated the foreign economic policy towards Latin America. But Eisenhower's actions also meant that the prevailing realities in the region remained unknown to those at the highest levels of the administration. The policy papers which emerged from the foreign policy formulating process merely reinforced the preconceptions of Eisenhower and his key officials. In the beginning of 1957 this was especially the case. All voices of dissent had been silenced. With

⁶⁵Milton S. Eisenhower, *The Wine is Bitter: The United States and Latin America* (Garden City, N.Y., 1963) pp.10-11.

the removal of John Moors Cabot in 1954 and Harold Stassen in 1955 from Latin American affairs, Eisenhower had effectively deafened the administration to the cries for economic assistance from Latin America.

III

The State Department, Private Philanthropic Organisations and Economic Development in Sub-Saharan Africa, March 1954 - March 1957

From March 1954 to March 1957, two key officials within the African section of the State Department argued that the administration should change its policy towards development in sub-Saharan Africa. Fred L. Hadsel became the deputy director of the office of African affairs in 1955. George V. Allen was appointed the assistant secretary of state for near eastern, south Asian and African affairs in January 1955. Both men argued that sub-Saharan Africa was rapidly moving towards independence. They warned that aspirations for social and economic development in Africa were intensifying. Hadsel and Allen argued that the administration should send economic assistance, to ensure the positive nature of future relations with the rapidly changing region. Orderly development, they asserted, would help to prevent Soviet infiltration and maintain western access to strategic raw materials. Both men attempted to change the administration's policy of relying on the free enterprise system. But they did not have authority within Eisenhower's policy formulating systems. When Allen could not change the

government's response to development aspirations in the region, he approached private philanthropic organisations.

Fred L. Hadsel became the deputy director of the office of African affairs in 1955. He had been the acting special assistant in the bureau of near eastern, South Asian and African affairs since February 1954. In July 1955, he attempted to change the administration's approach towards development in sub-Saharan Africa. He submitted a paper on the region to the Policy Planning Staff. A member of the staff, Elbert G. Mathews, advised Hadsel to prepare a condensed version of the paper to submit to secretary of state, Dulles, "at some period when relative calm in other parts of the world would enable him to give attention to it".⁶⁶ Hadsel took Mathews' advice. On 12 August, the assistant secretary of state for near eastern, south Asian and African affairs, George V. Allen, sent a condensed version of Hadsel's paper to Dulles. Allen also wanted to change the administration's approach. Hadsel asserted in the report that the administration should adopt "a more independent policy in Africa".⁶⁷ He warned that "we cannot afford to ignore the aspirations of the Africans, since our silence would be construed as opposition".⁶⁸ He asserted that the Africans would soon "increase their demands for political and economic power".⁶⁹ In particular, Hadsel argued that the "economic revolution" in sub-Saharan Africa would be the most "significant" development in the immediate future.⁷⁰ He urged that the United States act to

⁶⁶Memorandum Elbert G. Mathews to Fred L. Hadsel, 20 July 1955, 611.70/7-2055, box 2543, RG59, NA.

⁶⁷Memorandum assistant secretary of state for near eastern, south Asian and African affairs George V. Allen to secretary of state Dulles, 12 August 1955, Tab B report by Hadsel, "The United States in Africa South of the Sahara", 4 August 1955, FRUS, 1955-1957. XVIII, pp. 13-14.

⁶⁸Ibid., p.14.

⁶⁹Ibid., p13.

⁷⁰Ibid., p.19.

ensure “That the political, economic and social evolution of this Continent be in a manner friendly to the United States”.⁷¹ Hadsel defined American interests in the region to be securing future access to raw materials and ensuring its “Western orientation”.⁷² He acknowledged that the region would continue to be a low priority for the United States, compared with other regions of the world.⁷³ But he urged that the administration “support economic development loans wherever possible”, increase the amount of technical assistance to the region and consider how much economic assistance would be required to attain American interests in the region.⁷⁴

Hadsel required the support of John Foster Dulles to gain the increase in economic assistance for sub-Saharan Africa. The budget for fiscal 1956 did not allow for such an increase to the region. Only Eisenhower could order a change in the foreign aid allocations. The secretary of state, however, did not agree that the administration should expend more resources to promote development in the region. He thought that the administration’s current tactics of supporting the colonial powers in sub-Saharan Africa and extending small amounts of technical assistance would suffice to prevent Soviet subversion. Economic aid for development, Dulles asserted, should be restricted to the periphery of the Soviet bloc. The United States could not afford to extend resources to promote development in sub-Saharan Africa as well. In addition, Dulles continued to agree with Eisenhower that development through the free capitalist system resulted in greater individual spiritual and economic strength in the long term. Meanwhile,

⁷¹ *Ibid.*, p.19.

⁷² *Ibid.*, p.15.

⁷³ *Ibid.*, p.17.

⁷⁴ *Ibid.*, p.20, 22.

Dulles thought that other tactics could be used which would orient the region towards the United States, without draining the US economy. At the Geneva conference in November 1955, Dulles proposed to the British foreign minister, Harold Macmillan, that the colonial powers hold a conference, to show concern for the future of the dependent areas and, thus, “take the initiative away from the Soviet Communists”.⁷⁵ Macmillan and Dulles agreed to set up study groups in their respective countries to study the proposal.⁷⁶ Dulles did not approve Hadsel’s paper. He merely gave permission for additional studies to be undertaken.⁷⁷

The assistant secretary of state George V. Allen agreed with Hadsel’s assessment. When John B. Hollister became the director of the of the International Cooperation Administration (ICA) in July 1955, he decreased the amount of technical assistance being extended to the dependent territories of Africa and the Caribbean in fiscal years 1955 and 1956, and intended to stop the programmes completely in fiscal year 1957.⁷⁸ Hollister had been chosen by Eisenhower and Dulles because he agreed with the administration’s basic approach of protecting the economic strength of the United States by limiting foreign aid to the Soviet periphery. The new director believed that the resources of the metropolitan powers, not the United States, should be expended in the dependent territories.⁷⁹ Allen disagreed with Hollister’s decision. He argued that technical assistance to

⁷⁵Memorandum of conversation, Dulles and Harold Macmillan, 10 November 1955. Policy of Independence for Colonial People, box 6, Subject Series, DP, EL.

⁷⁶Ibid.

⁷⁷Memorandum Roderic L. O’Connor to the assistant secretary of state for near eastern, south Asian and African affairs George V. Allen 30 August 1955, 611.70/7-2055, box 2543. RG59, NA.

⁷⁸Memorandum director of ICA John B. Hollister to Dulles, 5 January 1956, Lot 58D627, box 10. RG59, NA, p.1.

⁷⁹Ibid., pp.1-2.

the dependent territories in Africa should be increased.⁸⁰ Dulles did not wish to become involved in what he perceived as minor foreign economic policy. He left the issue in under secretary of state Herbert Hoover's hands. Hoover made a decision based on the most recent basic national security policy statement. He advised Hollister on January 7 that "a modest program for the DOTs in Africa and the Caribbean should be undertaken in FY 1956 and 1957".⁸¹ But Hoover would not move outside basic national security policy. Even if the under secretary had wanted to increase the technical assistance programmes in the dependent overseas territories, he had no authority over Hollister. Only Dulles, with Eisenhower's approval, could order the director of the ICA to change the geographic direction of foreign aid.

Allen turned to private philanthropic organisations. He wanted the Ford and Rockefeller Foundations to begin operations in sub-Saharan Africa. Allen hoped that the involvement of private American aid organisations in the region would meet African expectations of development assistance, and help to protect the long-term interests of the United States in the region. In particular, Allen concentrated his efforts on the Ford Foundation. On 27 September 1955, he wrote to the vice president of the Ford Foundation, Don K. Price. In the letter, Allen inquired if representatives from the Ford Foundation would be interested in attending an informal conference on sub-Saharan Africa. The assistant secretary stated that officials from the State Department, the ICA and the United States Information Agency (USIA) would participate. Allen explained that the

⁸⁰Telephone conversation George Allen to Dennis A. Fitzgerald, 27 December 1955, Telephone Conversations Nov-Dec 1955 (1), box 23. Fitzgerald, Dennis A. Papers, EL; Memorandum by Allen. to Dulles, 28 December 1955, FRUS, 1955-1957, XVIII, pp.22-23.

⁸¹Memorandum Robert C. Hill to Dulles, 16 January 1956, Lot 59D293, box 24, RG59, NA, p.1.

conference would focus on the “problems of policy and operations which the United States Government faces in this area”.⁸²

In the past, the Ford Foundation had been reluctant to work with the government. In June 1953, John Scott Everton, a Ford Foundation field officer stationed in Burma, wrote to the director of the division of overseas activities that

I share with you the opinion...that we should not develop [sic] relationships which would tend to identify the Foundation too closely with the United States Government activities. Certainly we will welcome the judgements and opinions of Mission personnel on specific projects and will want to keep them fully informed as to our program, but the relationship ought to be unofficial and informal in character in order to properly maintain the private character of the Foundation.⁸³

In 1972, the president of the Ford Foundation from 1956 to 1965, Henry Heald, explained that one of the main reasons why the Foundation wished to maintain its independence, was because it did not want to be perceived as an organisation established and funded by the Central Intelligence Agency.⁸⁴ During Heald’s presidency, the Foundation guarded its independence from the government.⁸⁵ The Foundation did, however, agree to attend the conference at the State Department to discuss the future involvement of the United States in sub-Saharan Africa.⁸⁶

⁸²Letter Allen to vice president of the Ford Foundation Don K. Price, 27 September 1955, 770.00/9-2755, box 3645, RG59, NA.

⁸³Letter John Scott Everton to director division of overseas activities the Ford Foundation Carl B. Spaeth, 4 June 1953, General Correspondence Files - State Department, Reel 1166, Year 1953, Ford Foundation Archives (hereafter cited as FFA).

⁸⁴OH, Henry Heald, Ford Foundation Oral History Project (hereafter cited as FFOHP), FFA.

⁸⁵OH, Melvin J. Fox, FFOHP, FFA.

⁸⁶Letter assistant director international programs, John B. Howard, to director of the office of African affairs, department of State, Leo G. Cyr, 12 October 1955, General Correspondence Files - State Department, Reel 1183, Year 1955, FFA; Letter executive associate international programs Melvin J. Fox to director of the office of African affairs department of state Leo G. Cyr, 24 October 1955, General Correspondence Files - state department, Reel 1183, year 1955. FFA.

Before the late 1950s, the only involvement of the foundation with Africa had been in the education field. Since April 1951 the foundation had offered a small number of scholarships for Africans to study in the United States. In late 1952 the foundation began a fellowship programme to assist American graduate students involved with African studies. In addition, select universities in the United States received grants from the foundation, in the early 1950s, to expand their African studies programmes.⁸⁷ During this period, the foundation focused its development assistance work in the Middle East and south and south east Asia. In late 1955, however, the organisation had ample funds, and was ready to extend into other regions.⁸⁸ Therefore, representatives from the foundation attended the conference on sub-Saharan Africa to gain preliminary information. The foundation agreed to have contact with the government only because it met the organisation's immediate needs. The assistant director of international programs, John B. Howard, and the executive associate of international programs, Melvin J. Fox, represented the foundation at the conference. One year later, both men visited sub-Saharan Africa to explore the possibility of beginning development projects in the region. They recommended that the foundation assist a small number of African territories to make the transition from colonial rule to independence.⁸⁹ Melvin J. Fox participated in a second trip to sub-Saharan Africa, one year later, to gain the information required to make specific project recommendations to the

⁸⁷ Attachment to letter executive associate international programs of the Ford Foundation Melvin J. Fox to Leo G. Cyr, 24 October 1955, General Correspondence Files - State Department, Reel 1183, year 1955, FFA.

⁸⁸ OH, F.F. Hill, FFOHP. FFA.

⁸⁹ Report by William O. Brown, Melvin J. Fox, John B. Howard "Report of Ford Foundation Mission to Africa", 16 January 1957, (000579) FFA, p.1; Report "The Ford Foundation and Sub-Saharan Africa", Information Paper Ford Foundation, December 1970 (002774), FFA, p.7.

foundation.⁹⁰ In 1958 the foundation began operations in west Africa. In 1963 operations were extended to east and southern Africa.⁹¹

The Rockefeller Foundation also wished to maintain its independence from the government. As with the Ford Foundation, members of this philanthropic organisation were only prepared to make contact with government officials to gain information. In mid-1955, representatives from the Rockefeller Foundation met with the director of the office for African affairs, Fred Hadsel, in the State Department to discuss the possibility of the foundation beginning projects in Africa. As a result of the meeting, Hadsel prepared information on the region for the Rockefeller Foundation.⁹² In January 1957, representatives from the Rockefeller Foundation again approached the State Department. Charles Noyes and John Camp, both from the Rockefeller Brothers Fund, met with Hadsel at the State Department. Hadsel “emphasized the strong urge for independence in all African countries and the desire in most cases to have U.S. assistance”.⁹³ Hadsel later recorded that “At their request, I discussed at some length the economic and political developments of Africa South of the Sahara and we explored various areas of activity which might interest the Fund”.⁹⁴ Noyes and Camp also met with Stuart Van Dyke and William Moran from the International Cooperation Administration. Camp explained that he intended to visit West Africa within the next few months,

⁹⁰Report “The Ford Foundation and sub-Sahara Africa”, Information Paper Ford Foundation, December 1970 (002774). FFA, p.7.

⁹¹Ibid.

⁹²Diary entry, 1 July 1955, re information from J. M. Weir Rockefeller Collection, folder 217, box 34, Series 200, Record Group 2 General Correspondence 1955 (hereafter cited as RG2GC with date), Rockefeller Foundation Archives (hereafter cited as RFA).

⁹³Memorandum of conversation Charles Noyes and John Camp with the State Department, 17 January 1957, folder 269, box 35, Series 200, RG2GC, RFA, p.2.

⁹⁴Memorandum of conversation Fred L. Hadsel with Charles Noyes and John Camp, 17 January 1957, Lots 58D627 and 60D37, box 10, RG59, NA.

to explore the possibility of the Rockefeller Foundation beginning development projects in the region. The officials from ICA enthusiastically endorsed the Foundation's intention to begin programmes in Liberia, the Gold Coast and Nigeria.⁹⁵ In 1959, the Rockefeller Brothers Fund allocated \$225,000 to begin a programme in West Africa. In 1960, the amount increased to \$275,000.⁹⁶

Officials from the State Department respected the desire of the Ford Foundation and the Rockefeller Foundation to maintain their independence. Government officials were aware that they could not force the private philanthropic organisations to embark on development projects to fulfil foreign policy needs. But officials from the State Department were prepared to encourage and influence the actions of the private aid organisations. Government officials did not force the two aid organisations to embark on programmes in sub-Saharan Africa. But members of the State Department did help to facilitate the eventual involvement of both organisations in the region. State Department officials had more success influencing the direction of development assistance within the Ford and Rockefeller Foundations than they did within their own government organisations. This success was because the private organisations had as their goal improving living standards throughout the world, not containing the Soviet threat. As a result, the foundations did not confine their activities to the Soviet periphery. In 1949 a committee established to examine the policies and programmes of the Ford Foundation concluded:

⁹⁵Memorandum of conversation John Camp and Charles P. Noyes with chief of the African and European affairs division ICA Stuart Van Dyke and chief assistant on west African Affairs ICA William Moran, held on 16 January 1957, 18 January 1957, folder 7, box 1, Series 5 West Africa Program Records, Rockefeller Brothers Fund Archives (hereafter cited as RBFA), RFA, pp.1-3.

⁹⁶Letter Stacy May at Rockefeller Brothers Fund to regional director for Africa and Europe at ICA Marcus J. Gordon, 6 May 1960, folder 50, box 6, Series 5 West Africa Program Records, RBFA, RF.

National conduct based solely upon fear of communism, upon reaction to totalitarian tactics, or upon the immediate exigencies of avoiding war, is defensive and negative. If such a defensive attitude is allowed to control our planning and thinking, our national effort will be diverted unduly to expedient and temporary measures from the more important tasks ahead, and we may grow like the thing we fight.⁹⁷

IV

As the Eisenhower administration entered its second term, fear of the Soviet threat and the desire to restrict expenditures continued to dictate the policies of Eisenhower and Dulles towards development in the emerging Third World. On the periphery of the Soviet bloc, the administration would assist the nations to develop through grant aid. But Eisenhower and Dulles agreed that the United States could not afford to extend development assistance throughout the less developed regions. High government expenditures could threaten the American way of life. In Latin America sound loans, technical assistance and free enterprise would promote economic strength at little cost. In addition, Eisenhower and Dulles thought that such tactics would promote greater spiritual and economic strength than grant aid. In sub-Saharan Africa the metropolises and small amounts of technical assistance would lead to development and help to prevent Soviet subversion. But in 1958 the administration's approach began to change. Eisenhower and Dulles abandoned their reliance on the free enterprise system and began to extend economic assistance to promote development. The final section of

⁹⁷“Report of the Study for the Ford Foundation on Policy and Program” by study committee chaired by H. Rowan Gaither Jr, November 1949, published by the Ford Foundation, FFA. pp.21-22.

this thesis examines how and why C. Douglas Dillon brought about this change in policy.

PART THREE

1957 - DECEMBER 1960

CHAPTER FIVE

C. DOUGLAS DILLON AND DEVELOPMENT ASSISTANCE FOR LATIN AMERICA AND SUB-SAHARAN AFRICA: PREVENTING TOTALITARIANISM, JANUARY 1957 - DECEMBER 1960

I

In late 1956, the Eisenhower administration used the most recent basic national security policy statement, NSC 5602/1, to establish foreign aid expenditures within the fiscal 1958 budget. NSC 5602/1 included Dulles' and Eisenhower's shared concerns about the economic offensive of the Soviet Union. In particular, the paper expressed Dulles' desire that economic aid be more readily available to the administration to meet the new Soviet tactics. In May 1957 Eisenhower presented the details of the Mutual Security Program for fiscal 1958 to the Congress. He asked that \$500,000,000 be appropriated to establish a Development Loan Fund.¹ The Fund would provide soft loans for long-term development projects.² Latin America and sub-Saharan Africa, being far removed from the Soviet Union, initially would not benefit. From the time of the establishment of the fund to June 1958, most of the loans went to Ceylon, Greece, India, Pakistan, Taiwan, Thailand and Turkey.³

In the first year of Eisenhower's second term, the basic elements of the President's strategy to maintain national security remained unchanged. Eisenhower

¹Message Eisenhower to Congress, MSP fiscal 1958, 21 May 1957, Public Papers, 1957, p.381.

²Ibid., pp.379-380.

³Report to Congress on the MSP, 133-L 1959 (1), box 667, Official File. WHCF. EL, P.13.

continued to opine that security could only be achieved by protecting the economic strength of the United States and containing the Soviet Union.⁴ According to Eisenhower, international Communism remained the only external threat to the nation. Eisenhower argued that rising nationalism in the Third World was a threat to the national interest only because it could be exploited by Soviet Communism.⁵ As a result, he agreed to use economic aid to meet rising aspirations for development, but only in the areas closest to the Soviet bloc. Eisenhower believed that foreign aid expenditures should be restricted. The economic strength of the United States would be weakened if the administration began to extend economic aid to all regions of the world. The President continued to assert that the regions not immediately threatened by Soviet Communism had the time to develop through private investment and trade. In addition, Eisenhower argued that the Soviet Union had not abandoned military tactics to defeat the free world. Defence assistance for foreign nations continued to be the greatest expenditure within the Mutual Security Program for fiscal 1958.⁶

Congressional opposition to foreign aid also continued to restrict Eisenhower. He could not understand why members of Congress constantly found it so difficult to connect foreign aid with national security. The President's move from aid to support countries establishing defences to aid for development

⁴Message Eisenhower to Congress on the State of the Union, 10 January 1957, Public Papers, 1957, pp.19-20, 25; Message Eisenhower to Congress, budget fiscal 1958, 16 January 1957, Public Papers, 1957, pp.38-39; Address by Eisenhower, Second Inaugural Address, 21 January 1957, Public Papers, 1957, pp.61-62.

⁵Letter Eisenhower to George Humphrey, 27 March 1957, Mar '57 Miscellaneous (1), box 22, DDE Diaries Series, AWF, EL, pp.2-3.

⁶Message Eisenhower to Congress, MSP fiscal 1958, 21 May 1957, Public Papers, 1957, pp.373-375.

increased congressional confusion over the value of the MSP. Congress cut Eisenhower's request for fiscal 1958 by nearly one third, or by \$2.7 billion.⁷

Eisenhower's key officials remained committed to the President's strategy for maintaining national security. As shown previously, Dulles had been instrumental in convincing Eisenhower of the need to enter development assistance into the national security equation. Like the President, Dulles believed that economic assistance should be limited to the areas under immediate threat from Soviet Communism. Dulles agreed that the economic strength of the United States should be protected, and that defence support had to remain a priority within the Mutual Security Program. In late February 1957, the Planning Board of the National Security Council began a review of basic national security policy.⁸ The Council completed its deliberations by late May and, on 3 June, Eisenhower approved the new policy statement, NSC 5707/8.⁹ The paper echoed the views of Eisenhower and his secretary of state. It stated that

*The basic threat to U.S. security is presented by the continuing hostility of the USSR and Communist China and their growing military and economic power; in combination with the unrestricted development of nuclear weapons, the weakness or instability in critical areas where there is strong pressure for economic or political change, and the menace of the intercontinental Communist apparatus.*¹⁰

The paper stated that "*The basic purpose of U.S. national strategy is to cope with these interrelated factors, without seriously weakening the U.S. economy.*"¹¹

⁷ Ambrose, *Eisenhower the President*, pp.380-381.

⁸Memorandum of discussion, 314th NSC meeting, held on 28 February 1957, 1 March 1957, *FRUS*, 1955-1957, XIX, p.425.

⁹Note by the executive secretary for the NSC James Lay to the NSC, 3 June 1957. *FRUS*, 1955-1957, XIX, pp.507-508.

¹⁰NSC 5707/8, "Statement of Basic National Security Policy", 3 June 1957, *FRUS*, 1955-1957, XIX, p.509. (italics in original).

Development assistance would be provided only when “The political and economic situation is important to the security of the United States”, meaning when Soviet involvement would be likely.¹² The policy statement directed that “Increases in economic development assistance should...be offset by decreases in other economic or in military assistance programs”.¹³ Eisenhower’s lieutenants did not question the policy guidance on development assistance during the review procedure.¹⁴ As long as this policy remained unchallenged, the outer regions had little chance of receiving development assistance.

Within fiscal 1958, however, the Eisenhower administration began to extend development assistance to Latin America. By the end of 1960, the administration had supported the establishment of an inter-American development bank, helped to create a common market in Central America, extended economic assistance for development to Latin America, and reorganised the Organization for European Economic Cooperation (OEEC) to provide development assistance to sub-Saharan Africa. This change came as a result of the work of C. Douglas Dillon. As shown, Dulles had appointed Dillon to the position of deputy under secretary of state for economic affairs in March 1957 because he wanted to assert the authority of the State Department in foreign economic affairs. Specifically, Dulles wanted Dillon to employ tactics to counter the Soviet economic offensive. Dillon, however, did not agree that direct Soviet subversion posed the only threat to the national security of the United States. As deputy under secretary for

¹¹*Ibid.* (italics in original)

¹²*Ibid.*, p.515.

¹³*Ibid.*, p.516.

¹⁴Memorandum of discussion, 314th NSC meeting, held on 28 February 1957, 1 March 1957, FRUS, 1955-1957, XIX, pp.425-441; Memorandum of discussion, 317th NSC meeting, held on 28 March 1957, 29 March 1957, FRUS, XIX, pp.446-454.

economic affairs, under secretary for economic affairs and, finally, under secretary of state, Dillon set out to promote democracy in the less developed regions and prevent totalitarianism. A number of factors enabled Dillon to change the administration's approach. He shared Eisenhower's and Dulles' views on American foreign interests and the President and his secretary trusted his judgement. From mid-1958, he held authority within the administration and could override the opinions of representatives from other agencies and departments. The changing political situations in the two regions helped to reinforce Dillon's conclusions. Finally, individuals from the public sphere supported his theories about the future of democracy in the less developed regions.

II

C. Douglas Dillon and the Threats to National Security

On 15 March 1957 Dillon assumed the position of deputy under secretary of state for economic affairs. At this time, Dillon held a broader view of the external threats to national security than either Eisenhower or Dulles. The President and his secretary of state believed that the Soviet Union was using development assistance as a means to subvert the less developed regions. As a result, the two men advocated the United States extend economic aid to those nations closest to the Soviet bloc. Dillon did not believe that the main threat lay in Soviet subversion. The deputy under secretary feared that the people in the emerging third world would abandon democracy and resort to totalitarian forms of

government if their aspirations for better living standards were not met. Dillon thought that the Soviet Union posed a threat because it offered an alternative to the American democratic and free capitalist way.¹⁵ Dillon did not underestimate the force of nationalism in these regions. He saw nationalism in the emerging Third World as a strong force, which the United States needed to support to ensure that the developing nations progressed along democratic lines. The United States, Dillon professed, could not survive in a world dominated by totalitarian regimes.¹⁶ Dillon argued that the United States should meet development demands in all the less developed regions, not just on the Soviet periphery. He urged that the United States continue to provide capital to establish basic infrastructures, and technical assistance to create a pool of skilled workers in these nations.¹⁷

Dillon shared many ideas on the national security with Eisenhower and Dulles. He agreed that American security depended on maintaining access to the raw materials and markets of the free world. Without such access, the free capitalist system would be stifled, and the general well-being of American people affected.¹⁸ Dillon also shared the view that the democratic principles and institutions of America could only survive if democracies existed in the majority of

¹⁵Address by Dillon before the American Assembly, "A New Approach to Mutual Security", 2 May 1957, DSB, 20 May 1957, XXXVI, 934, p.802; Address by Dillon before the Advertising Club of New Jersey, "Encouraging Economic Growth in the Less Developed Countries of the Free World", 4 June 1957, DSB, 1 July 1957, XXXVII, 940, pp.31-32; Address by Dillon before the New Orleans Foreign Policy Association, "Our Mutual Security Programs", 26 June 1957, DSB, 15 July 1957, XXXVII, 942, p.116.

¹⁶Address by Dillon, "A New Approach to Mutual Security", 2 May 1957, DSB, 20 May 1957, XXXVI, 934, p.802; Address by Dillon, "Our Mutual Security Programs", 26 June 1957, DSB, 15 July 1957, XXXVII, 942, p.116.

¹⁷Address by Dillon, "A New Approach to Mutual Security", 2 May 1957, DSB, 20 May 1957, XXXVI, 934, p.802; Address by Dillon "Encouraging Economic Growth in Less Developed Countries of the Free World", 4 June 1957, DSB, 1 July 1957, XXXVII, 940, p.32; Address by Dillon, "Our Mutual Security Programs", 26 July 1957, DSB, 15 July 1957, XXXVII, 942, pp.116-118.

¹⁸Address by Dillon, "A new Approach to Mutual Security", 2 May 1957, DSB, 20 May 1957, XXXVI, 934, p.802.

the world. Democracy in the United States could not survive in a world dominated by totalitarian regimes, which had abandoned the free enterprise system.¹⁹ The fact that Dillon shared a world view with Eisenhower and Dulles helped him to change the opinions of his two superiors.

Another factor also made it easier for Dillon to gain acceptance of his ideas about the nature of the threats to national security. In 1956, two academics at the Center for International Studies at the Massachusetts Institute of Technology, Max F. Millikan and Walt W. Rostow, prepared a report entitled “An American Policy for the Next Decade”. The paper argued that the US should assist development in the emerging Third World, not just to prevent Soviet subversion, but to decrease anti-Americanism, promote democracy and prevent the possibility of totalitarianism.²⁰ In 1956, Rostow and Millikan prepared an influential report entitled “A Proposal; Key to an Effective Foreign Policy”.²¹ The paper was published in 1957. It argued that the United States should make economic assistance for development the most important element of American foreign policy.²² Development assistance, the report stated, would have two purposes. First, to deter Communist aggression in the less developed regions. Second, to “promote the evolution of a world in which threats to our security and, more broadly, to our way of life are less likely to arise”.²³ The report continued to describe one of the immediate threats to the American way. It argued that the

¹⁹Ibid.

²⁰Draft paper by Max F. Millikan and W.W. Rostow, “An American Policy for the Next Decade”, April 1956, Time Inc File World Economic Policy WEP to Dec 1956 (Forward), box 91, C.D. Jackson Papers, EL, pp.1-3, 5-8.

²¹Kaufman, “Soviet Economic Offensive”, p.154.

²²Report by Max F. Millikan and W.W. Rostow, “A Proposal; Key to an Effective Foreign Policy”, Time Inc File Beaver (Foreign Econ Pol) (1), box 26, C.D. Jackson Papers, EL. p.1.

²³Ibid., p.2.

people of the less developed regions would abandon democracy if their aspirations for rapid development were not immediately met.²⁴ The views of these two academics matched Dillon's. Eisenhower and Dulles would have been exposed to the work of Millikan and Rostow. Eisenhower's former assistant C.D. Jackson knew Millikan and Rostow well. His world economic programme in 1954 had been partly based on their work.²⁵

III

Dillon and Development Assistance for Latin America, March 1957 - December 1960

Initially, Dillon accepted the administration's view that Latin America could develop through private domestic investment, and sound loans from the EXIM Bank and the IBRD. Dillon asserted that the nations of Latin America had reached a level of production which generated enough domestic capital for development. He agreed that the region did not require soft loans from the new Development Loan Fund.²⁶

The new assistant secretary of state for inter-American affairs, Roy Richard Rubottom Jr, also did not question the administration's traditional approach toward Latin America. Rubottom became the acting secretary of state for inter-American affairs in September 1956. In June 1957, Eisenhower formally made

²⁴ *Ibid.*, p.5.

²⁵ Zoumaras, *Path to Pan Americanism*, p.197.

²⁶ Address by Dillon before the New Orleans Foreign Policy Association, "Our Mutual Security Programs", 26 June 1957, *DSB*, 15 July 1957, XXXVII, 942, p.118.

Rubottom the assistant secretary of state for inter-American affairs. Rubottom's previous experience under the Eisenhower administration had not been in Latin America. From 1953 to 1956, he served in the United States embassy in Madrid.²⁷ Eisenhower and Dulles hoped that Rubottom's experience in Europe had instilled in him the need to direct resources to those areas closest to the Soviet bloc. Rubottom did not disappoint his superiors.

The assistant secretary's first main task was to chair the subcommittee responsible for formulating a position for the United States delegation to take to the economic conference in Buenos Aires. At the conference in Rio in December 1954, the delegates from the United States promised to hold an economic conference within the next two years to review the economic situation in Latin America. In November 1955, the CFEP established a subcommittee for the purpose of preparing for the conference.²⁸ The conference was scheduled to convene in late 1956, but was postponed until 15 August 1957.²⁹ In late April 1957, the chairman of the Council on Foreign Economic Policy, Clarence B. Randall, requested that the subcommittee reconvene, with Rubottom as chairman.³⁰ The subcommittee consisted of representatives from the International Cooperation Administration, the EXIM bank, the Office of Defense Mobilization and the departments of Agriculture, Commerce, Treasury, Defense and Interior.³¹ The involvement of many organisations ensured that basic national security policy would prevail. Any attempt by representatives of the State Department to gain

²⁷Who's Who, 32, p.2689; OH, Ambassador Roy R. Rubottom, Jr, LLGU, pp.29, 36.

²⁸CFEP minutes of meeting, 22 November 1955, CFEP 535 Buenos Aires Eco Conf (1), box 7, Policy Papers Series, CFEP, EL, p.3.

²⁹Editorial comment, FRUS, 1955-57, VI, p.497.

³⁰Memorandum by Randall to the CFEP, 26 April 1957, CFEP 535 Buenos Aires Eco Conf (1), box 7, Policy Papers Series, CFEP, EL.

³¹Ibid.

funds to fulfil foreign policy needs in Latin America would be blocked, particularly by the Treasury Department. In this instance, Eisenhower did not require his policy formulating system to ensure that basic national security policy prevailed. Rubottom did not attempt to change the administration's approach to development in Latin America. The assistant secretary asserted that sound loans from the EXIM Bank and the IBRD would suffice.³² Under Rubottom's chairmanship, the subcommittee reinforced the recommendations contained in the current NSC policy statement on Latin America. It recommended that the United States oppose demands for an inter-American development bank and international commodity agreements. Regional markets would be opposed if they required capital from the United States, or if they disrupted free trade.³³ Private investment, free trade and sound loans remained the administration's response to aspirations for development in Latin America.

On 19 August 1957, the secretary of the Treasury, Robert B. Anderson, presented the position of the United States at the Buenos Aires conference. He told the delegates that the government of the United States would continue "to encourage" the EXIM Bank to finance "all sound economic development projects...for which private capital was not available".³⁴ The speech indicated to

³²Memorandum by Rubottom to Dillon, 29 May 1957, FRUS, 1955-1957, VI, p.509; Memorandum by executive secretary Terry B. Sanders Jr, to the CFEP subcommittee on the Buenos Aires Economic Conference, 10 June 1957, with attachment by State Department, "Proposed U.S. Position on Subjects that might come up at the Buenos Aires Conference", CFEP 535 Buenos Aires Eco Conf (2), box 7, Policy Papers Series, CFEPR, EL, p.1.

³³Letter Rubottom to Randall, 24 July 1957, with attachment, "Selected Topics and US Positions, Economic Conference of the Organization of American States", FRUS, 1955-1957, VI, pp.515-516; Memorandum by Paul H. Cullen to Randall, 31 July 1957, CFEP 535 Buenos Aires Eco Conf (2), box 7, Policy Papers Series, CFEPR, EL.

³⁴Address by Robert B. Anderson, at the first plenary session of the Economic Conference of the Organization of American States at Buenos Aires, "Increasing the Effectiveness of Inter-American Economic Cooperation", 19 August 1957, DSB, 16 September 1957, XXXVII, 951, p.468.

the Latin American delegates that the economic policy of the United States had not changed. Anderson led the United States delegation to the conference, but returned to Washington after presenting his opening speech on 19 August. Dulles had appointed Dillon as the alternate leader to the conference. For three weeks, Dillon directed the United States delegates through the conference proceedings.³⁵ The deputy under secretary faithfully upheld the policy of his government at the conference. The United States opposed Latin American demands for commodity agreements, an inter-American development bank and plans for regional markets which threatened free competition.³⁶ But, during the conference, Dillon's views on economic development in Latin America changed. The deputy under secretary listened to the grievances of the Latin Americans. Dillon heard that the free capitalist system did not enable the nations of Latin America to acquire the levels of private capital needed to begin development projects. He listened to complaints that Latin American nations could not earn the foreign exchange required to be eligible for sound loans from institutions such as the EXIM bank. In addition, Dillon observed the anti-Americanism which resulted from the failure of the United States to meet development needs in Latin America. He feared that these people would abandon democracy and the free enterprise system if their immediate needs were not met. He decided that the United States needed to do more to help Latin American nations develop their economies.³⁷

On returning to Washington, Dillon began to advocate policy change towards Latin America. As previously described, Dulles personally appointed

³⁵OH, C. Douglas Dillon, JFDOHC, ML, p.36.

³⁶State Department publication, "Current Economic Developments", 528. 17 September 1957, FRUS, 1955-1957, VI, pp.567-570.

³⁷OH, C. Douglas Dillon, JFDOHC, ML, p.37; OH, John M. Leddy senior assistant to Dillon, LLGU, p.3; OH #211, #1, C. Douglas Dillon, EL, p.27-29.

Dillon to assert the authority of the State Department in matters of foreign economic policy. Dillon therefore reported directly to Dulles, without going through the under secretary of state.³⁸ There is no record of a conversation between Dillon and Dulles about Latin American affairs in the period immediately following the economic conference in Buenos Aires. But only Dillon could have persuaded Dulles to order a review of the administration's economic policies towards Latin America in January 1958. The fact that Dulles appointed Dillon to co-ordinate the review supports the assertion that the initiative came from Dillon.³⁹ It is also clear that the assistant secretary of state for inter-American affairs, Rubottom, did not advocate policy review in the period following the conference. After the conference, Rubottom asserted that the level of anti-Americanism in Latin America had not increased. The assistant secretary expressed concern that the world market prices of the main commodities exported by Latin American nations had dropped. But he did not argue that the United States should employ measures such as commodity agreements to alleviate the situation.⁴⁰ Rubottom remained committed to the administration's fundamental approach towards Latin America. He merely recommended that the secretary of state visit the region to preserve "the reservoir of friendship and good will in Latin America".⁴¹

The review of the administration's economic policies towards Latin America began on 24 January 1958. The under secretary of state, Christian Herter, instructed the economic bureau of the State Department to review "financial and

³⁸OH #211, #1, C. Douglas Dillon, EL, p.20.

³⁹Memorandum director of the executive secretariat Fisher Howe to the assistant secretary of state for inter-American affairs Rubottom and assistant secretary of state for economic affairs Thomas Mann, 24 January 1958, FRUS, 1958-1960, V, Microfiche supplement, Document 1 (hereafter cited as D with number).

⁴⁰Letter Rubottom to Milton Eisenhower, 13 December 1957, FRUS, 1955-1957, VI, p.429.

⁴¹Memorandum Rubottom to the secretary, 26 December 1957, Lot 59D573, box 3, RG59. NA.

commodity problems". Herter assigned the review of "trade relations" to the inter-American bureau.⁴² On 30 January, the assistant secretary of state for economic affairs, Thomas C. Mann, and Rubottom had lunch with Dillon to discuss the review.⁴³ Like Rubottom, Mann believed that the administration's reliance on trade and private investment to meet development demands in Latin America was correct.⁴⁴ In 1953 Mann served in the United States embassy in Athens, where he learnt the importance of directing economic assistance to the Soviet periphery. He became the counselor of the embassy in Guatemala City after the coup in 1954. In this position, he was once again involved in a foreign aid programme designed purely to meet the Soviet threat. From 1955 to 1957 Mann served as the US ambassador in El Salvador. In September 1957 he became the assistant secretary of state for economic affairs.⁴⁵ Mann and Rubottom wished to uphold the administration's traditional position in the review of Latin American policy. Dillon, however, convinced the two men of the need to change policy. The day after the lunch with Dillon, Rubottom and Mann submitted preliminary reports to Herter. For the first time Rubottom advocated the United States participate in the establishment of an inter-American bank for development.⁴⁶ Both men urged that the EXIM Bank and the new Development Loan Fund increase their involvement

⁴²Memorandum director of the executive secretariat Fisher Howe to the assistant secretary of state for inter-American affairs Rubottom and the assistant secretary of state for economic affairs Mann, 24 January 1958, FRUS, 1958-1960, V, microfiche supplement, D1.

⁴³Ibid., fnt 4.

⁴⁴OH #271, Thomas C. Mann, TL, p.42;

⁴⁵Who's Who, 32, p.1977.

⁴⁶Memorandum by Rubottom to the acting secretary of state Herter, 31 January 1958, FRUS, 1958-1960, V, microfiche supplement, D2, p.2.

in the region.⁴⁷ Mann asserted that the administration should consider participating in an international commodity agreement on lead and zinc.⁴⁸

Under Dillon's direction, Mann and Rubottom continued to study the economic problems in Latin America. The two assistant secretaries established a task force to undertake a more detailed review of economic policies in Latin America. The task force consisted of representatives from the economic and inter-American bureaux of the Department of State and the Policy Planning Staff.⁴⁹ Dillon continued to oversee the entire project. In March, Mann sent Dillon a report outlining how the administration could help to stabilise the prices of lead, zinc and coffee.⁵⁰ On 31 March, Dillon forwarded a memorandum from members of the task force to the secretary of state. The paper urged that the United States participate in an international study group on coffee, and possibly enter an international coffee agreement.⁵¹ In early April, Dillon, Mann and Rubottom sent the final report by the task force on Latin America to Dulles. The report recommended that the United States participate in international study groups on lead, zinc and coffee, with the possibility of entering international agreements. The paper explained that the activities of the EXIM Bank merely helped Latin American countries to maintain a balance of payments. The organisation was not "designed" to give assistance for long term development projects. The report

⁴⁷*Ibid.*, Memorandum Mann to the acting secretary of state Herter, 31 January 1958, FRUS, 1958-1960, V, microfiche supplement, D3, pp.2-3.

⁴⁸Memorandum Mann to the acting secretary of state Herter, 31 January 1958, FRUS, 1958-1960, V, microfiche supplement, D3, pp.1-2.

⁴⁹Memorandum director of the office of inter-American regional economic affairs Harry R. Turkel to members of the Latin American task force, 28 February 1958. Lot 61D+11, box 25, RG59, NA.

⁵⁰Memorandum by T.C. Mann to Dillon, 18 March 1958, Chron File Jan-Mar 1958 (1), box 1, T.C. Mann Papers, EL.

⁵¹Memorandum by Dillon to the secretary of state, 31 March 1958, FRUS, 1958-1960, V, microfiche supplement, D5.

recommended that the United States extend more funds to the International Monetary Fund and participate in an inter-American development bank. Finally, the paper urged that the administration consider supporting a common market in central America.⁵²

Dillon had achieved his aim of presenting proposals for radical changes in policy to Dulles. Dulles, however, remained uninterested. He had appointed Dillon so that he did not have to be troubled with foreign economic policy. The secretary expected Dillon to pursue any policies within the administration that the deputy under secretary believed necessary.⁵³ But, without Dulles' direct involvement, Dillon lacked the authority needed to change policy. As the deputy under secretary for economic affairs Dillon outranked the assistant secretaries, and thus had adequate authority within the State Department.⁵⁴ But senior officials from other departments and agencies within the administration would not work with a deputy under secretary.⁵⁵ As shown, Eisenhower had ensured the implementation of basic national security policy partly through the involvement of many departments in the formulation of foreign policy. To override basic national security policy and change the administration's approach, Dillon required authority over other departments in the field of foreign economic policy. As only a deputy under secretary, and without the direct backing of Dulles, Dillon did not have such authority.

Therefore, in the period immediately following the submission of the report on Latin America to Dulles, no policy changes were achieved. Dulles made only

⁵²Memorandum Dillon, Mann and Rubottom to the secretary of state, 10 April 1958. "Review of Latin American Economic Policy", FRUS, 1958-1960, V, microfiche supplement. D6.

⁵³OH #211, #1, C. Douglas Dillon, EL, pp.19, 21.

⁵⁴Ibid., pp.18, 20; Letter to the author, 1 June 1995, p.2; Letter to the author. 30 June 1995. p.1.

⁵⁵OH #211, #1, C. Douglas Dillon, EL, p.18; Letter to the author, 1 June 1995, p.2.

one limited attempt to act on Dillon's recommendations. In early 1958, the Planning Board of the NSC had begun a review of basic national security policy. During the review procedure, representatives from the Treasury and Commerce Departments attempted to limit the involvement of the United States in commodity agreements. They argued that "the United States should not discuss the making of, or participate in, any international commodity agreement without the specific approval of the President".⁵⁶ At the NSC meeting on 1 May, Dulles opposed the language suggested by the representatives from the Treasury and Commerce Departments. The secretary argued that officials of the United States needed flexibility to be able to join study groups. But Dulles did not present Dillon's position that the United States should participate in commodity agreements.⁵⁷ As a result of the disagreement, the NSC deleted the entire paragraph on commodity agreements and directed the CFEP to examine the issue.⁵⁸ Four days later, Dillon asked the CFEP for permission to participate in an international study group on coffee.⁵⁹ At a meeting on 20 May 1958 the representatives from the various departments making up the CFEP, gave the State Department permission to join a study group on coffee. But the members warned that officials from the State Department must "take every precaution not to imply, either directly or indirectly, that the United States would participate in or police such an agreement".⁶⁰ Two days later, Randall advised the NSC that the current policy on commodity agreements did not need to be revised. The members of the CFEP agreed that the

⁵⁶Editorial Note, FRUS, 1958-1960, IV, p.563.

⁵⁷Ibid., pp.563-564.

⁵⁸Ibid., p.564.

⁵⁹Memorandum by Dillon to Randall, 5 May 1958, CFEP International Coffee Problems (1), box 13, Policy Papers Series, CFEPR, EL.

⁶⁰Minutes of the 72nd meeting of the CFEP, 20 May 1958, CFEP International Coffee Problems (1), box 13, Policy Papers Series, CFEPR, EL, p.2.

United States should express concern for the situation by participating in study groups on commodities, but asserted that the administration should not enter into commodity agreements without inter-agency consultation. Permission to enter into an agreement would only be given “when such participation can be demonstrated to be clearly in the national interest”.⁶¹ On 19 June, the NSC discussed the findings of the CFEP. At the meeting, Dulles supported the policy that the United States should participate in study groups on commodity agreements, and he agreed that the United States should not normally enter commodity agreements.⁶² In July, Randall gave Dillon permission to participate in an international study group on lead and zinc.⁶³ In October, the CFEP “expressed its reluctance to have the U.S. participate in an international lead and zinc commodity agreement unless it is clearly demonstrated to be in the national interest”.⁶⁴

Dulles did not support Dillon on the issue of participating in commodity agreements because the secretary continued to believe that the limited resources of the United States should be directed to the nations on the periphery of the Soviet bloc. Dulles anticipated that the free capitalist system would fulfil development needs in the regions not immediately threatened by Soviet communism. He recognised that the less developed nations desired rapid economic development. But he argued that the United States should respond with development assistance only in areas where the Soviets were manipulating the situation. The secretary continued to underestimate the force of nationalism in the developing regions, and

⁶¹Memorandum Randall to the CFEP, 28 June 1958, CFEP 531 U.S. Policy with respect to International Commodity Agreements (1), box 6, Policy Papers Series, CFEP, EL.

⁶²Memorandum of discussion, 368th NSC meeting, held on 19 June 1958, 20 June 1958. FRUS, 1958-1960, IV, p.570.

⁶³Summary of actions by the CFEP, CFEP (14), box 20, Subject Series, Confidential File. WHCF, EL, p.7.

⁶⁴Minutes of the 81st meeting of the CFEP, 28 October 1958, FRUS, 1958-1960, IV, p.187.

exaggerate the threat of Communist subversion.⁶⁵ Eisenhower agreed with Dulles' assessment of the situation. In his message to the Congress on the state of the union in January 1958, Eisenhower asserted that "Nations that are conscious of a steady improvement in their industry, education, health and standard of living are not apt to fall prey to the blandishments of communist imperialists."⁶⁶ To meet the threat of Soviet subversion, Eisenhower requested that the Congress appropriate \$625,000,000 in fiscal 1959, to expand the operations of the Development Loan Fund.⁶⁷ In addition, Eisenhower requested \$164,000,000 to increase the technical assistance programme of the United States, and to raise the contribution to the technical assistance fund of the United Nations.⁶⁸ In fiscal 1959, Latin America would not receive assistance for economic development.⁶⁹ Eisenhower continued to believe that private investment and sound loans from the EXIM Bank could meet the development needs of the region. For fiscal 1959 Eisenhower requested that the lending authority of the EXIM Bank be increased by \$2 billion.⁷⁰ Assistance to meet armed aggression by the Soviet Union continued to be one of the main expenditures within the Mutual Security Program. Eisenhower requested \$1.8 billion for military assistance and \$835,000,000 for defence support.⁷¹

⁶⁵Speech by Dulles before the National Conference on Foreign Aspects of United States National Security, 25 February 1958, SCRM, box 136, JFDP, ML, p.3; Statement by John Foster Dulles before the House Foreign Affairs Committee in support of the mutual security program, 26 February 1958, SCRM, box 128, JFDP, ML, pp.1-5.

⁶⁶Address Eisenhower to Congress on the state of the union, 9 January 1958, Public Papers, 1958, p.10.

⁶⁷Message Eisenhower to Congress, budget fiscal 1959, 13 January 1958, Public Papers 1958, p.39.

⁶⁸Ibid., p.40.

⁶⁹Message Eisenhower to Congress, MSP fiscal 1959, 19 February 1958, Public Papers 1958, pp.165-168.

⁷⁰Message Eisenhower to Congress, budget fiscal 1959, 13 January 1958, Public Papers, 1958, p.38.

⁷¹Message Eisenhower to Congress, MSP fiscal 1959, 19 February 1958, Public Papers, 1958, p.165.

The democratic Congress disagreed with Eisenhower that large amounts of US capital should be spent to help Latin American nations to strengthen their economies. The committee concerned with the MSP in the House proposed that funding for the Development Loan Fund be cut by \$325,000,000. The Senate wanted to cut Eisenhower's \$625,000,000 request for the DLF by \$45,000,000.⁷² After the final conference on the MSP for fiscal 1959, Congress approved \$400,000,000 to fund the DLF. This meant that Eisenhower's request was cut by \$225,000,000.⁷³

During the first half of 1958, vice president Nixon had the opportunity to observe the situation in Latin America, and influence Eisenhower's views on the region. Nixon, however, reinforced the traditional approach of the administration. In February 1958, Dulles asked Nixon to make a goodwill trip to Argentina, to attend the inauguration of the democratically elected Arturo Frondizi.⁷⁴ A month later, Dulles requested that Nixon extend the trip.⁷⁵ Nixon left for South America on 27 April. His visit raised little good will. Angry crowds attacked the vice president in almost every city. On returning to Washington, Nixon reported that increased Soviet Communist activity in the region caused the unrest.⁷⁶ He asserted that "various economic complaints" were not a major cause of the anti-Americanism.⁷⁷ As a result of his assessment of the situation, Nixon supported the

⁷² Congressional Record - Senate, 22 August 1958, 85th Congress, Second Session, Volume 104, Part 15, August 21 1958 - August 23 1958, p.19163.

⁷³ Congressional Record - Senate, 23 August 1958, 85th Congress, Second Session, Volume 104, Part 15, August 21 1958 - August 23 1958, p.19533.

⁷⁴ Ambrose, *Nixon*, p.461.

⁷⁵ Letter Dulles to vice president Nixon, 6 March 1958, *FRUS*, 1958-1960, V, p.222.

⁷⁶ Minutes of cabinet meeting, 16 May 1958, *FRUS*, 1958-1960, V, pp.238-239; Memorandum of discussion, 366th NSC meeting, held on 22 May 1958, 23 May 1958, *FRUS*, 1958-1960, V, pp.240-242.

⁷⁷ Minutes of cabinet meeting, 16 May 1958, *FRUS*, 1958-1960, V, p.238.

administration's balance between military and economic assistance in Latin America. He agreed that the main expenditure should be on military assistance to maintain internal security in Latin America. And the vice president supported the reliance of the administration on private investment and trade to promote development in the region.

Historians including Stephen G. Rabe, Marvin R. Zahiniser, W. Michael Weis and Thomas Zoumaras argue that the Nixon trip marked a turning point in the administration's economic policies towards Latin America.⁷⁸ But Nixon did not advocate changes in the administration's economic policies towards Latin America. He recommended that the administration fight the increased Communist activity in the region by expanding its exchange programme for students, members of the intelligentsia, labor leaders and newspaper reporters, and increasing the propaganda activities of the United States Information Service.⁷⁹

Nixon did not provide Dillon with the support necessary to change the administration's economic policies towards Latin America. But in August Dillon acquired the support that he needed. Dillon slowly succeeded in changing Dulles' views on development in Latin America. Under Dillon's influence, Dulles had supported the participation of the United States in commodity study groups. But by August the secretary agreed with Dillon that merely expressing concern for the economic plight of Latin American nations would not appease their demands for development assistance. Dulles decided that the United States had to expend resources to support development in Latin America.

⁷⁸ Rabe, *Eisenhower and Latin America*, pp.102-104; Zahniser and Weis, "A Diplomatic Pearl Harbour?", pp.166-169, 184-190; Zoumaras, "Eisenhower's Foreign Economic Policy", p.175.

⁷⁹ Minutes of cabinet meeting, 16 May 1958, *FRUS*, 1958-1960, V, p.239; Memorandum of discussion, 366th NSC meeting, held on 22 May 1958, 23 May 1958, *FRUS*, 1958-1960, V, p.242.

Dulles changed his opinion as a result of Dillon's influence combined with the changing political situation in Latin America. By August 1958, Dulles had concluded that democracies were replacing dictatorships in Latin America.⁸⁰ In the period 1956 to 1960, ten military dictators had fallen from power in Latin America. Latin Americans rose up against the repression which accompanied the military dictatorships, and the declining economic conditions within their countries. In 1958, the US economy had slumped into a recession. The economies of Latin American nations, which largely depended on US trade, also suffered. The new leaders of Latin America were dedicated to democracy, social reforms and economic development.⁸¹ Dulles now shared Dillon's concern that the people of Latin America would abandon free capitalism and adopt totalitarian forms of government and production if their aspirations for development were not rapidly fulfilled.⁸² This in itself was a threat to American interests. But Dulles also feared that economic chaos, weak democracies and abandoning the free enterprise system would make these nations easy targets of Soviet Communism.⁸³ Dulles now asserted that the administration could not afford to wait for private investment and trade to promote development in Latin America. The secretary believed that the situation required an alteration in the administration's approach towards development in the region.

In early August, Dulles travelled to Brazil to meet with President Juscelino Kubitschek. In response to the trouble experienced by Nixon during his trip to

⁸⁰Memorandum of discussion, 369th NSC meeting, 19 June 1958, FRUS, 1958-1960, V, p.29.

⁸¹Rabe, Eisenhower and Latin America, pp.104-105.

⁸²Address by Dulles before the American Chamber of Commerce for Brazil, 6 August 1958, DSB, 25 August 1958, XXXIX, 1000, pp.306-307.

⁸³Ibid., pp306-308; Memorandum of discussion, 369th NSC meeting, 19 June 1958, FRUS, 1958-1960, V, p.29.

South America, Kubitschek had sent a letter to Eisenhower in May. The President of Brazil implored that the United States help to maintain solidarity.⁸⁴ Kubitschek asserted that Pan-Americanism could only survive if the United States participated in a conference to find solutions to “the fight against underdevelopment”.⁸⁵ By the late 1950s, Brazilian leaders had grown tired of US indifference to the economic problems of the hemisphere. Brazil began to seek greater independence from the United States. The country sought solidarity among Latin American states, and urged Latin Americans to resist American economic domination.⁸⁶

Initially, Eisenhower responded to Kubitschek by sending the assistant secretary of state for inter-American affairs to Brazil. Rubottom was to help organise a meeting, “to consider problems of mutual interest to the American republics”.⁸⁷ However, Dulles believed that the United States should do more. Finally, Dulles supported Dillon’s proposal to establish an inter-American bank for development. From 4 to 6 August Dulles visited Brazil. The secretary met with Kubitschek and the Brazilian foreign minister, Francisco Negro de Lima. During the talks Dulles raised the possibility of establishing “a Latin American loan organization”.⁸⁸ As part of the joint communique issued after the discussions, Dulles and Kubitschek asserted “that the strengthening of the American community requires...dynamic efforts to overcome the problems of underdevelopment”. Both

⁸⁴Letter Kubitschek to Eisenhower, 28 May 1958, Public Papers, 1958, pp.464-465.

⁸⁵Eisenhower Note for Record -- Re Intelligence and State Department Items, 12 June 1958, June 1958 Toner Notes, box 34, DDE Diaries Series, AWF, EL.

⁸⁶MacMahon, “Eisenhower and Third World Nationalism”, p.468.

⁸⁷Memorandum Rubottom to assistant in the vice president’s office William Key, 28 June 1958, Lot 60D553, box 7, RG59, NA.

⁸⁸Minutes of cabinet meeting, 8 August 1958, Cabinet meeting of Aug 8 1958 (1), box 12, Cabinet Series, AWF, EL, p.3.

men also voiced their commitment to fight for “democratic principles”.⁸⁹ The communique concluded that officials of the American republics should meet regularly to discuss issues of common interest, including economic development.⁹⁰ Six days later, Dillon announced that the United States would support the establishment of an inter-American development bank.⁹¹

Eisenhower supported the creation of the bank because he trusted Dulles’ opinions on foreign affairs. Dulles would have voiced his changing views on American economic policies in Latin America to Eisenhower during their regular informal meetings. The views that Dulles would have expressed matched Eisenhower’s. The new democracies in Latin America would resort to Soviet methods of government and production if the needs of the people were not met. Eisenhower was also about to announce that the United States would support a development bank for the Middle East. The President feared that this action would further enrage the Latin Americans, who had been promised a development bank by President Roosevelt during the Second World War and were still waiting.⁹² Eisenhower’s focus remained on the regions closest to the Soviet bloc. The President did not take an active role in establishing the bank for Latin America. Dulles also did not participate in the negotiations to establish the bank. The secretary did not wish to be embroiled in the economic details, and cancer had begun to sap his strength. He expected Dillon to deal with the economic technicalities. Without Dillon, the bank would not have been designed to promote

⁸⁹Dulles and Kubitschek joint communique on multilateral subjects, 6 August 1958, DSB, 25 August 1958, XXXIX, 1000, p.301.

⁹⁰Ibid., p.302.

⁹¹Statement by Dillon before the Inter-American Economic and Social Council of the Organization of American States at Washington DC, 12 August 1958, DSB, 1 September 1958, XXXIX, 1001, pp.347-348.

⁹²OH #211, #1, C. Douglas Dillon, EL, p.36.

development in Latin America. The National Advisory Council on International Monetary and Financial Problems (NAC) was charged with determining how the lending institution would operate. The council included representatives from the departments authorised by Eisenhower to protect the economic strength of the United States. Representatives from the Departments of Treasury and Commerce, and from the Bureau of the Budget argued that the inter-American bank should not draw on the financial resources of the United States. They proposed that the bank should only give hard loans, and that it should be financed solely from Latin American capital.⁹³ Dillon argued that the nations of Latin America could not raise the funds necessary to create the bank, and that the United States would have to contribute. In addition, Dillon asserted that the bank could only promote development in Latin America by providing soft loans. Only the United States, Dillon argued, could provide the finance for such loans. He urged that the funds be granted through the Development Loan Fund.⁹⁴

Dillon won the battle. On 11 May 1959, Eisenhower described the inter-American bank to the Congress. The president stated that the United States would provide \$150,000,000 for hard loans. For soft loans, the United States would provide \$100,000,000.⁹⁵ Dillon triumphed over other departments within the administration because his position had been upgraded. In early 1958, Dillon complained to Dulles that, as a deputy under secretary of state, he did not have any

⁹³Minutes of the 269th meeting of the NAC, 26 August 1958, FRUS, 1958-1960, V, microfiche supplement, D8, p.2; Minutes of the 273rd meeting of the NAC, 25 November 1958, FRUS, 1958-1960, V, microfiche supplement, D12, pp.1-2.

⁹⁴Minutes of the 269th meeting of the NAC, 26 August 1958, FRUS, 1958-1960, V, microfiche supplement, D8, p.1; Memorandum Rubottom to Dulles, 24 November 1958, FRUS, 1958-1960, V, microfiche supplement, D11; Minutes of the 273rd meeting of the NAC, 25 November 1958, FRUS, 1958-1960, V, microfiche supplement, D12, p.1.

⁹⁵Message Eisenhower to Congress on the establishment of the inter-American development bank, 11 May 1959, Public Papers, 1959, pp.374-375.

influence outside the State Department. He argued that he lacked the authority necessary to assert the role of the State Department in foreign economic policy.⁹⁶ In May 1958, Dulles requested that Eisenhower promote Dillon to the position of under secretary of state for economic affairs. Eisenhower agreed.⁹⁷ Dillon's promotion signalled to other members of the administration that the under secretary had the complete support of Eisenhower and Dulles in the realm of foreign economic policy.

Following his trip to Brazil, Dulles also supported Dillon's proposal to support the establishment of a common market in Central America. Immediately after his visit to South America, Dulles invited the Foreign Ministers of the nations of Latin America to Washington for an informal meeting, from 23 to 24 September 1958. Among other matters, the delegates discussed the establishment of regional common markets. In June, the nations of Central America had signed a free trade agreement, and Colombia, Ecuador and Venezuela had established committees to consider the possibility of establishing a regional common market.⁹⁸ At the September meeting, Dulles announced that the United States agreed to participate in a report on common markets by the Inter-American Economic and Social Council. Part of the common market would involve the development of certain types of industries in specific countries. Dulles stated at the meeting of foreign ministers that the United States would provide assistance, through the EXIM bank, for the establishment of industries under such an arrangement.⁹⁹ In the months

⁹⁶OH #211, #1, C. Douglas Dillon, EL, pp.18-19.

⁹⁷Memorandum of conversation, Eisenhower, Dulles and Herter, 2 May 1958, WH- meetings with the President 1/1-6/30/1958 (3), box 6, White House memoranda series, DP, EL, p.2.

⁹⁸Special report by the OCB to the NSC, 26 November 1958, FRUS, 1958-1960, V, p.42.

⁹⁹Ibid., pp.42-43; Speech by Dillon before the Special Committee of the Council of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation Washington DC, 18 November 1958, DSB, 8 December 1958, XXXIX, 1015. p.921.

following the meeting with Latin American foreign ministers, Dillon directed negotiations with the Treasury Department, concerning how to assist the Central American countries form a common market. The under secretary obtained the Treasury Department's approval that the Development Loan Fund would help to finance the initial costs involved.¹⁰⁰

As an under secretary of state, Dillon now had access to the NSC, its Planning Board and the OCB.¹⁰¹ This meant that he could exert his influence during the formulation of area policy statements. On 19 June 1958, Eisenhower ordered the Planning Board of the NSC to conduct a review of the policy statement on Latin America, NSC 5613/1.¹⁰² Nixon and Milton Eisenhower, having recently travelled to the region, participated in the review. Milton Eisenhower visited Central America, Panama and Puerto Rico from 12 July to 1 August 1958. He did not advocate changes in the foreign economic policy of the United States towards the region. He remained committed to the administration's reliance on private investment and sound loans to promote development. In a preliminary report to the President, Milton Eisenhower urged that "bankable loans - not grants" continue to be the policy of the United States in Latin America.¹⁰³ In his final report, Milton Eisenhower merely included the economic initiatives already taken by Dillon, such as the establishment of an inter-American bank and the

¹⁰⁰Memorandum Rubottom and Mann to Dillon, 30 July 1959, Chron File July-Sept 1959 (2), box 2, T.C. Mann Papers, EL; Memorandum Rubottom and Mann to Dillon, 4 August 1959, FRUS, 1958-1960, V, microfiche supplement, D25; Memorandum Mann to acting secretary Dillon, 5 August 1959, FRUS, 1958-1960, V, microfiche supplement, D25.

¹⁰¹OH #211, #1, C. Douglas Dillon, EL, p.19.

¹⁰²Memorandum of discussion, 369th NSC meeting, 19 June 1958, Latin America, U.S. policy toward (3) 1954-60, box 12. NSC Series, Briefing Notes Subseries, WHOSANSA. EL.

¹⁰³Statement by Milton Eisenhower to the President, 1 August 1958, DSB, XXXIX, 1000. 25 August 1958, p.309.

support of a regional common market in Central America.¹⁰⁴ He did not advocate the administration expend resources to meet Latin American demands for development assistance during the review of policy by the planning board.¹⁰⁵ Dillon, however, argued that the economic section of the policy paper on Latin America should be changed. The under secretary involved himself in the review procedure from the beginning.¹⁰⁶ Representatives from the Treasury Department consistently opposed attempts by Dillon, and his colleagues from the Department of State, to change the economic section of the policy statement. Officials from Treasury did not want the paper to include a commitment by the administration to fund development in Latin America. Representatives from State, however, wanted the paper to include specific guidance on how to promote development in the region.¹⁰⁷ Dillon used his position within the administration to negotiate with officials from the Treasury Department. In mid January Dillon spoke with the Secretary of the Treasury Robert Anderson about the economic section of the policy paper. Dillon convinced Anderson that specific guidance had to be included in the paper, especially on the new inter-American development bank.¹⁰⁸

On 12 February 1959, the NSC met to discuss the new policy paper on Latin America. Dulles did not attend. The secretary had been operated on for

¹⁰⁴Milton Eisenhower report to the President, 27 December 1958, DSB, 19 January 1959, XL, 1021, pp.93-95, 98.

¹⁰⁵Summary of Milton Eisenhower's remarks before the NSC Planning Board, undated, Lot 60D513, box 7, RG59, NA. This document is undated but the editors of FRUS, 1958-1960, V, assert that Milton Eisenhower had met with the NSC planning board on 11 July 1958, FRUS, 1958-1960, V, p.34.

¹⁰⁶Memorandum C.S. Whitehouse to Rubottom, 26 May 1958, Lot 60D553, box 6, RG59, NA.

¹⁰⁷Memorandum Henry Dearborn to Robert C. Hill, 19 August 1958, Lot 60D513, box 8, RG59, NA; Memorandum Hill to Rubottom and William P. Snow, 9 September 1958, Lot 60D513, box 8, RG59, NA; Memorandum deputy executive officer Roy M. Melbourne to special assistant to the President for security operations coordination Karl G. Harr Jr, 15 January 1959, Latin America US Policy Toward (2) 1954-60, box 12, NSC Series, Briefing Notes Subseries, WHOSANSA, EL, pp.1, 3-4.

¹⁰⁸Memorandum Ramsey to Rubottom, 16 January 1959, Lot 61D279, box 14, RG59, NA.

cancer. Dillon represented the State Department. As a result, Dillon was in a position to support the position of the State Department on the economic section. But Dillon had already asserted the position of his department during the review procedure, and gained the co-operation of the other departments involved. The policy statement presented to Eisenhower did not contain any disagreements on economic policy. This section was not disputed during the meeting on 12 February.¹⁰⁹ The resulting policy paper therefore, committed the administration to promoting development in Latin America, to assist the new democracies and prevent anti-Americanism. It stated that

Latin America is and must be dealt with primarily as an under-developed area. Its peoples' aspirations for higher living standards, more industrialization and popularly-based governments are rising more rapidly than they are being satisfied....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.¹¹⁰

Within the section on economic policy, the paper included all of Dillon's recent initiatives. It advised that the United States should enter study groups on international commodity agreements, and support regional common markets.¹¹¹ The paper stated that the United States would support the establishment of "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

¹⁰⁹Memorandum of discussion, 396th NSC meeting, held on 12 February 1959, 12 February 1959, FRUS, 1958-1960, V, pp.79-90.

¹¹⁰NSC 5902/1, "Statement of U.S. Policy Toward Latin America", 16 February 1959, FRUS, 1958-1960, V, p.92.

¹¹¹Ibid., p.99.

expanding the resources for financing economic development”. In addition, the bank would include a staff “capable of assisting Latin American countries in development planning and with preparation and engineering of development projects”. If the traditional loan institutions, combined with the new development bank, failed to promote economic development in Latin America, the paper advised that the United States would extend additional loans or grant assistance.¹¹²

Dillon had committed the administration to using funds to promote development in Latin America. The under secretary was able to change policy because he held authority within the administration. Through formal and informal meetings, Dillon gained the co-operation of representatives from the departments which traditionally opposed the use of public funds to promote development in Latin America. But, as always, Eisenhower had the final say. The President approved the changes to the economic section of the policy paper because he trusted Dillon, and he had come to share the under secretary’s broader view of the threats to national security. Eisenhower believed that Dillon, like Dulles, understood the need to protect the economic strength of the United States. Eisenhower had faith that Dillon only made foreign policy recommendations after considering the economic cost. In December 1960, Eisenhower wrote to Dillon “You and I are both dedicated to the prevention of debasement of our currency through any cause, domestic or foreign.”¹¹³ Eisenhower had also come to accept Dillon’s belief that totalitarian regimes could be as dangerous to the national interest as Soviet subversion. Totalitarian governments would adopt controlled

¹¹²*Ibid.*, p.100.

¹¹³Letter Eisenhower to C. Douglas Dillon, 15 December 1960, Dillon, C. Douglas (1), box 11, Administration Series, AWF, EL.

methods of production and opt out of the free capitalist system. They would deny America access to vital raw materials and markets. To Eisenhower, free capitalism underpinned people's spiritual and economic well-being. Without free capitalism, the people living under totalitarian governments would be easy targets of Soviet Communism. As shown, Dulles had come to the same conclusion some months before. In their frequent informal meetings, Dulles would have discussed this development in his thinking with Eisenhower. After Dulles' retirement in April 1959, Dillon became the under secretary of state for political, as well as economic, affairs. In this position, Dillon established a close working relationship with Eisenhower and continued to influence the President's thoughts.¹¹⁴ During a review of basic national security policy in mid 1959, Dillon urged that the administration should promote "sound economic growth...not only to meet the Communist threat but also to create an international environment in which the values and institutions of freedom can be sustained".¹¹⁵ Eisenhower agreed.¹¹⁶ In his message to the Congress on the Mutual Security Program for fiscal 1961 Eisenhower stated that

Hundreds of millions of people throughout the world have learned that it is not ordained that they must live in perpetual poverty and illness, on the ragged edge of starvation. Their political leaders press the point home. In a variety of ways this drive is moving forward by fits and starts, often uncertain of its direction. It is sometimes involved in free world struggle against Communism, sometimes not. It is clearly in the interests of the United States that we assist this movement so that these countries may take their places as free, independent, progressing and stable members of the community of nations. It is equally clear that it would be against our interests if this forward movement were stifled or hindered. The result

¹¹⁴OH #211, #1, C. Douglas Dillon, EL, pp.19-20.

¹¹⁵Memorandum of discussion, 411th NSC meeting, 25 June 1959, 411th meeting of NSC, June 25, 1959, box 11, NSC Series, AWF, EL, p.20.

¹¹⁶*Ibid.*, pp.20-21.

would be to breed frustration and explosive threats to political and economic stability in areas around the world.¹¹⁷

This change in Eisenhower's view of the less developed regions and the role of the United States in their development led him to extend grant aid to Latin America in 1960. After a discussion with Dillon in November 1959, Eisenhower decided that the nations of Latin America felt neglected by the United States, and that he should make a goodwill trip to the region.¹¹⁸ From 22 February to 7 March 1960, Eisenhower travelled to South America. The president visited Brazil, Argentina, Chile and Uruguay. Eisenhower recognised during the trip that the four South American nations were "determined to progress - to improve and diversify their economies - to provide better housing and education - to work ceaselessly for rising levels of human well being". At this point, the President asserted that these nations wished to meet aspirations for development without abandoning democracy.¹¹⁹ The President stated that he wanted the nations of Latin America to advise him if the new inter-American bank, combined with the traditional lending institutions, failed to meet their needs.¹²⁰

Already, however, Eisenhower believed that the United States should do more to promote development, and thus democracy, in Latin America. Events in Cuba reinforced Dillon's argument that a failure to meet rising demands for development would lead to political unrest, totalitarian forms of government, disruptions to free trade and Soviet subversion. In January 1959, Fidel Castro and

¹¹⁷Message Eisenhower to Congress, 16 February 1960, Public Papers, 1960, p.179.

¹¹⁸Memorandum of conversation, Eisenhower, deputy under secretary Livingston Merchant, John S. D. Eisenhower, 27 November 1959, Chritian Herter November 1959 (1), box 12, Dulles - Herter Series, AWF, EL.

¹¹⁹Radio and television report to the American people by Eisenhower on his South American trip, 8 March 1960, Public Papers, 1960, p.283.

¹²⁰Ibid., p284.

his supporters successfully ousted the dictator, Fulgencio Batista, from power in Cuba. Within weeks Castro had legalised the Communist party, declared himself premier, refused to hold elections for two years, and jailed and executed hundreds of former Batista supporters.¹²¹ By the end of the year, Castro had expropriated vast areas of farmland and prohibited foreigners from owning land in Cuba. In February 1960, Castro allowed a Soviet trade fair to be held in his country and entered into a trade agreement with the Soviets in return for economic assistance. By 17 March 1960, Eisenhower had decided to use covert operations against Castro.¹²²

At the same time, Eisenhower read a report on the less developed regions by the academic Walt W. Rostow. In July 1959, Eisenhower's former special adviser, C.D. Jackson, sent Eisenhower a paper by Rostow entitled "The Stages of Economic Growth and the Problems of Peaceful Coexistence".¹²³ In early 1960, Rostow published his ideas in a book, The Stages of Economic Growth: A Non - Communist Manifesto. Rostow argued that there were five stages of development. Society could only move from the "traditional stage" to the stage of "preconditions for take-off" if the western world provided capital and technical know-how.¹²⁴ Eisenhower read the paper by Rostow from Jackson in mid-1959, and agreed with its conclusions.¹²⁵

Dillon's influence, combined with events in Cuba and the report by Rostow, prompted Eisenhower to extend grant aid to Latin America in 1960. On 10 May,

¹²¹Rabe, Eisenhower and Latin America, p.123.

¹²²Ibid., pp.124-125.

¹²³Dennis Merrill, Bread and the Ballot: The United States and India's Economic Development, 1947-1963 (Chapel Hill and London, 1990), p.154.

¹²⁴Ibid., p.153.

¹²⁵Ibid., p.154.

Eisenhower suggested to Dillon that the administration transfer some of the funds designated for the Development Loan Fund in the fiscal 1962 budget to the new inter-American bank.¹²⁶ Dillon agreed that the funds for the soft loan lending capacity of the bank should be increased, and he advised the President that he would “pursue the subject” with the Treasury Department.¹²⁷ At a meeting of the NSC on 30 June, Eisenhower expressed his concern that “a wave of revolution [was] sweeping around the world”. The President argued that dictatorships did not bring “stability”. Rather, Eisenhower declared that “it was necessary to prepare people for free self-government”. He ordered that the State Department and other agencies review policies to ensure that the United States was helping to combat “social unrest and political instability”.¹²⁸ In response, the assistant secretary of state for policy planning, Gerard C. Smith, recommended to Dillon that the proposed increase to the soft loan lending capacity of the inter-American bank be reconsidered. Smith advised that the amount under consideration should be substantially increased.¹²⁹ Dillon supported the idea. The under secretary recommended that the new fund should consist of \$500,000,000. \$150,000,000 would be for reconstruction in Chile, following a series of devastating earthquakes. \$50,000,000 would go to the International Cooperation Administration for grants, and \$300,000,000 would add to the soft loan lending capacity of the inter-

¹²⁶Memorandum by Eisenhower to Dillon, 10 May 1960, DDE Dictation May 1960, box 49, DDE Diaries Series, AWF, EL.

¹²⁷Memorandum by Dillon to Eisenhower, 17 May 1960, FRUS, 1958-1960, V, microfiche supplement, D32.

¹²⁸Memorandum of discussion, 449th NSC meeting, 30 June 1960, 449th meeting of NSC, June 30, 1960, box 12, NSC Series, AWF, EL.

¹²⁹Memorandum by assistant secretary of state for policy planning Smith to Dillon and attachment - tab A, 5 July 1960, FRUS, 1958-1960, V, microfiche supplement, D33.

American development bank.¹³⁰ On 11 July, Eisenhower announced his intention to ask the Congress for public funds “to assist free men and neighbours in Latin America in cooperative efforts to develop their nations and achieve better lives”.¹³¹

On 9 August 1960, the State Department submitted a bill to the Congress, requesting \$500,000,000 for a development programme in Latin America. Congress rapidly approved the bill. Members of Congress were aware of events in Cuba. They did not want Castroism to spread throughout the hemisphere.¹³² In early September, Dillon led the United States delegation to the meeting of the Special Committee of the Council of the Organization of American States. Twelve days before the committee convened in Bogotá, Dillon sent a draft of an “Agreement for the Establishment of an Inter-American Program for Social Development” to the Latin American delegates. The opening paragraph of the agreement stated that

the preservation and strengthening of free and democratic institutions in the American Republics requires the acceleration of social progress in Latin America adequate to meet the legitimate aspirations of the individual citizen of Latin America for a better life and to provide him the fullest opportunity to improve his status[.]¹³³

To achieve the avowed goal of strengthening democracy in Latin America, Dillon announced at the conference that the United States would provide

¹³⁰Telephone conversation Dillon with assistant secretary of state for economic affairs Mann, 9 July 1960, FRUS, 1958-1960, V, microfiche supplement, D36; Memorandum counselor of the State Department Achilles to Mann, 9 July 1960, FRUS, 1958-1960, V, microfiche supplement, D37.

¹³¹President news conference at Newport Rhode Island, 11 July 1960, Public Papers, 1960, p.571.

¹³²Rabe, Eisenhower and Latin America, p.129.

¹³³Draft “Agreement for the Establishment of an Inter-American Program for Social Development”, 25 August 1960, Lot 61D248, box 15, RG59, NA.

\$500,000,000.¹³⁴ On 13 September, the majority of delegates at the committee voted in favour of the agreement, now entitled the “Act of Bogotá”.

Eisenhower extended grant aid to Latin America because he came to share Dillon’s view that the nations of Latin America would resort to totalitarian forms of government if their economic needs were not met. Dillon argued that these nations would abandon democracy and the free enterprise system. Eisenhower saw totalitarian governments as a threat to the national security for two reasons. First, because they could deprive the United States of vital raw materials and markets. As a result, they could threaten the well-being of Americans. Second, Eisenhower and Dulles believed that these totalitarian nations would be more susceptible to Communist infiltration. Both men believed that individual spiritual and economic strength lay in the free enterprise system. People living and working under totalitarian regimes would not have the strength to fight Soviet Communism.

A number of factors enabled Dillon to change the administration’s approach. Most importantly, he held authority within the administration. This meant that he had access to Eisenhower and Dulles and, from mid-1957, he had authority over other organisations and agencies which Eisenhower had involved in foreign policy formulation to ensure that basic national security policy prevailed. Eisenhower and Dulles thought that Dillon held the same view of the national interest. Dillon’s views were very similar. He presented his opinions in terms which Eisenhower and Dulles related to and agreed with. The changing political situation in Latin America assisted Dillon to change Dulles’ views. By mid-1958, Dulles feared that the new democracies of Latin America would resort to

¹³⁴Dillon statement at committee of 21 at Bogotá, 6 September 1960, DSB, 3 October 1960. XLIII, 1110, p.536.

totalitarian methods of government and production if their needs were not met. Dulles also thought that these new democracies were easy targets for Soviet infiltration. As a result, he travelled to Brazil and supported Dillon's proposal for a development bank. The rise of Castro in 1959 and the widely publicised views of Rostow helped Dillon to gain Eisenhower's interest in extending capital to Latin America. It is because Eisenhower and Dulles stopped thinking only in terms of Soviet subversion and infiltration that they began to extend funds for development to Latin America.

IV

Dillon and Development Assistance for Sub-Saharan Africa, March 1957 - December 1960

From 1957 until the close of the Eisenhower administration, Dillon urged that development assistance be sent to sub-Saharan Africa. Dillon argued that the administration should act to promote democracy in the region. The under secretary believed that the Africans would resort to totalitarian methods of government and abandon the free enterprise system if their aspirations for greater living standards were not met. Dillon did not think that the United States could afford to carry the entire cost of development in sub-Saharan Africa. He wanted the United States to act in co-operation with the metropolitan powers. Dillon advocated the industrialised nations unite to promote development in the region. In December 1960, he transformed the Organization of European Economic

Cooperation (OEEC) into the Organization for Economic Cooperation and Development (OECD). The new organisation was designed to extend development assistance to the less developed regions, particularly Africa. Eisenhower approved Dillon's actions because the President agreed with Dillon's assessment of the threats to national security.

Thomas J. Noer argues that the Eisenhower administration changed its approach towards colonial Africa because of the rapid movement towards independence and because of the rise of black activism in the United States.¹³⁵ The mass movement to independence in 1960 in sub-Saharan Africa did help to change the administration's economic approach towards the region. It prompted Dillon to act, and the events in sub-Saharan Africa supported his opinions.

From 28 February to 21 March 1957, vice president Nixon made a goodwill trip to Africa. The main purpose of the visit was to attend the independence ceremonies in the new nation of Ghana. In addition, Nixon visited Liberia, Ethiopia, Morocco, Uganda, Sudan, Libya, Tunisia and Italy.¹³⁶ Nixon's destinations indicated that the Eisenhower administration continued to view Africa only in terms of the Soviet threat. The focus remained on those areas closest to the Soviet bloc. Sub-Saharan Africa continued to be a minor concern of Eisenhower and Dulles. In early April, Nixon submitted his report on the trip to the President. The report emphasised the political conditions in North Africa and the horn of Africa.¹³⁷ The vice president did not entirely ignore sub-Saharan Africa. He recommended that the United States extend technical and economic assistance to

¹³⁵ Noer, *Cold War and Black Liberation*, p.255.

¹³⁶ Ambrose, *Nixon*, p.431.

¹³⁷ Report by vice president Nixon to the President, 5 April 1957, *FRUS*, 1955-1957, XVIII, pp.57-59, 61-64.

Ghana, and that the amount of assistance given to Liberia by the United States should be increased.¹³⁸ Nixon also warned that the dependent territories would soon gain their independence. He urged that the administration use small amounts of economic and technical assistance to ensure that these new nations shared “a close relationship with the United States”.¹³⁹ But Nixon remained committed to Eisenhower’s broad strategy for maintaining national security. He advised that the amount of assistance extended to Africa should depend on the economic situation within the United States, and the needs of areas closer to the Soviet bloc.¹⁴⁰ The development of Africa, Nixon asserted, should occur mainly through private investment and sound loans.¹⁴¹ Nixon also recommended that a separate bureau of African affairs be created in the State Department.¹⁴² In August 1958, the State Department announced the creation of the new bureau. A career foreign service officer, Joseph C. Satterwaite became the first assistant secretary of state for African affairs. Thomas J. Noer argues that those appointed to the African section of the State Department supported the administration’s approach towards Africa.¹⁴³ But the evidence indicates that individuals within the State Department made constant efforts to gain aid for the region.

Officials within the section of the State Department dealing with sub-Saharan Africa urged that the administration expend resources to promote development in the region. In 1957, the Consultative Committee for Technical Assistance in Africa (CCTA) proposed a plan for the long-term development of

¹³⁸*Ibid.*, pp.60-61.

¹³⁹*Ibid.*, p.65.

¹⁴⁰Unclassified report of vice president Nixon to the President, 5 April 1957, *DSB*, 22 April 1957, XXXVI, 930, p.637.

¹⁴¹*Ibid.*

¹⁴²Schraeder, *United States Foreign Policy Toward Africa*, p. 1.

¹⁴³Noer, *Cold War and Black Liberation*, p.49.

Africa. The proposal for Africa copied the “Colombo Plan”, begun in South and Southeast Asia in 1951. Both plans involved the unification of industrialised nations with less developed countries, for the purpose of initiating and sustaining development. In early June, the British requested that the United States consider the proposal for Africa.¹⁴⁴ Earlier that year, the former British colony known as the Gold Coast became independent. The establishment of Ghana in March 1957 began the movement towards independence in sub-Saharan Africa.¹⁴⁵ British officials now wanted US assistance to ensure that this process occurred in a manner acceptable to Great Britain and her allies.

Officials within the State Department’s office of southern Africa affairs advocated the administration support the proposal, particularly for the region south of the Sahara. C.V. Ferguson Jr, director of the office of southern Africa affairs, gained the support of the European and economic bureaux, and requested the deputy assistant secretary of state for African affairs to consider the plan.¹⁴⁶ The deputy assistant secretary for Africa affairs, Joseph Palmer agreed that the United States should lend its support.¹⁴⁷ On 16 August, the assistant secretary of state for near eastern, south Asian, and African affairs, William M. Rountree, sent a memorandum to John Foster Dulles, advising that the United States should support the proposal.¹⁴⁸ The paper warned that

The social, economic, and political ferment in Africa is undermining the influence of the Metropoles in guiding the evolution of the African

¹⁴⁴FRUS, 1955-1957, XVIII, p.70, ftnt 3.

¹⁴⁵ Duignan and Gann, *United States and Africa*, p.286.

¹⁴⁶Memorandum C.V. Ferguson to deputy assistant secretary of state for African affairs Joseph Palmer, 24 June 1957, 870.00/6-2457, box 4848, RG59, NA.

¹⁴⁷Memorandum Benson E.L. Timmons to Palmer, 12 July 1957, Lot 59D293, box 24, RG59, NA.

¹⁴⁸Memorandum Rountree to Dulles, 16 August 1957, *FRUS*, 1955-1957, XVIII, pp.70-71.

peoples along sound and orderly lines. The situation calls for a cooperative and sustained effort in Africa by not only the Metropolises but other developed nations of the west.¹⁴⁹

To change policy, officials within the State Department required Dulles' support. The secretary, however, remained uninterested. Dulles' only concern about Africa was the threat of Soviet infiltration. The secretary continued to believe that the movement towards independence in Africa would be slow. Until the time of independence, he thought that the metropolitan powers would prevent Soviet infiltration. Dulles felt that by the time independence did come, the metropolitan powers would have prepared their nations for independence. The secretary did not support the claims that the United States should interfere. America could not afford to extend development assistance to Africa, and Dulles did not wish to anger key European allies.¹⁵⁰ Dulles did not support the efforts of his deputies to initiate programmes for multilateral aid in sub-Saharan Africa. In August the NSC completed the first policy statement on sub-Saharan Africa. The paper included the views of officials within the State Department dealing with Africa south of the Sahara. It stated that the United States should "promote and support...the sound economic development of the area, both as an end in itself and as an important factor contributing to democratic political evolution".¹⁵¹ Specifically, the paper recommended that the United States should consider multilateral aid proposals, such as the "Colombo-type plan".¹⁵² The departments on the planning board ordered by Eisenhower to protect the economic strength of

¹⁴⁹*Ibid.*, p.70.

¹⁵⁰Memorandum of conversation, Dulles, Selwyn Lloyd and officials from the US and UK at Bermuda, held on 23 March 1957, 25 March 1957, *FRUS*, 1955-1957, XVIII, pp.53, 55-56.

¹⁵¹NSC 5719/1, "Statement of U.S. Policy Toward Africa South of the Sahara Prior to Calendar Year 1960", 23 August 1957, *FRUS*, 1955-1957, XVIII, p.77.

¹⁵²*Ibid.*, p.82-83.

the United States used the financial appendix of the policy paper to oppose the recommendations for increased economic and technical assistance. The financial section did not allow for an increase in technical assistance for the dependent overseas territories. It anticipated that technical assistance would continue to be extended only to the British dependent territories, at the level of \$1,300,000 per fiscal year. It estimated that development assistance would not be extended to the dependent overseas territories, or the independent nations of Ghana and Liberia, in the next three fiscal years.¹⁵³ To change policy, State Department officials required support within the NSC. Dulles, however, did not attend the meeting on 22 August, where the policy statement on sub-Saharan Africa was discussed. At the meeting, the director of the ICA, John B. Hollister, argued that extending assistance to the dependent territories would be “wasteful”.¹⁵⁴ Under secretary Herter, representing the State Department, did not dispute Hollister’s assertion, and neither did Eisenhower.

Eisenhower continued to view Africa solely in terms of Soviet subversion. The President’s concerns were focused on the threat of Soviet infiltration in northern Africa.¹⁵⁵ He agreed with his secretary of state that American resources should not be used in regions under limited threat of subversion by the Soviet Union. In February 1958, Eisenhower presented the Mutual Security Program for fiscal 1959 to the Congress. The largest sum continued to be for increasing the military strength of the free world. Eisenhower requested \$1.8 billion for military

¹⁵³NSC 5719/1, “U.S. Policy Toward Africa South of the Sahara Prior to Calendar Year 1960”. Financial Appendix, 23 August 1957, NSC 5719/1 US Policy Toward Africa (1). box 21. NSC Series, Policy Papers Subseries, WHOSANSA, EL, p.27.

¹⁵⁴Memorandum of discussion, 335th NSC meeting, held on 22 August 1957, 23 August 1957. FRUS, 1955-1957, XVIII, p.72.

¹⁵⁵Letter Eisenhower to Prime Minister Harold Macmillan, 28 April 1957. Apr 27 Miscellaneous (1), box 23, DDE Diaries Series, AWF, EL, pp.2-3.

assistance and \$835,000,000 for defence support.¹⁵⁶ In addition, Eisenhower requested \$212,000,000 for special assistance. This amount would be used to combat “Communist subversion and penetration”, particularly in Morocco and Libya, where the United States maintained air bases.¹⁵⁷ The programme for fiscal year 1959 did not include funds for economic assistance to sub-Saharan Africa. It included only \$4,400,000 for technical assistance in Ghana, Liberia and the British dependent territories.¹⁵⁸ It did not provide funds to participate in the proposed multilateral aid programme for Africa. Britain and France decided to act without the support of the United States. From 1956, officials in both nations saw the rising nationalism in black Africa and recognised that reforms had to occur to prevent major unrest.¹⁵⁹ In February 1958, the CCTA established the Foundation for Mutual Assistance of African Countries South of the Sahara (FAMA), designed to extend technical assistance throughout the region. Initially, the United States did not participate.¹⁶⁰

The deputy assistant secretary for African affairs, Joseph Palmer, believed that the United States should extend economic assistance to sub-Saharan Africa. Palmer argued that the people of sub-Saharan Africa would only support moderate, democratic governments if their demands for increased standards of living were met.¹⁶¹ Political and economic chaos, Palmer asserted, provided opportunities for

¹⁵⁶Message Eisenhower to Congress, 19 February 1958, Public Papers, 1958, p.165.

¹⁵⁷Ibid., pp.162-166.

¹⁵⁸OCB report on “U.S. Policy Toward Africa South of the Sahara Prior to Calendar Year 1960”, NSC 5719/1, NSC 5719/1 US Policy Toward Africa (1), box 21, NSC Series, Policy Papers Subseries, WHOSANSA, EL, p.15.

¹⁵⁹Yves Person, “French West Africa”, p.161.

¹⁶⁰OCB report on “U.S. Policy Toward Africa South of the Sahara Prior to Calendar Year 1960”, NSC 5719/1, NSC 5719/1 US Policy Toward Africa (1), box 21, NSC Series, Policy Papers Subseries, WHOSANSA, EL, p.6.

¹⁶¹Article by deputy assistant secretary for African affairs Joseph Palmer “The Problems and Prospects of Sub-Sahara Africa: A United States Point of View”, DSB, 9 December 1957. XXXVII, 963, p.932.

Soviet infiltration and threatened American trade with the region.¹⁶² In October 1957, Dulles requested that Julius C. Holmes undertake a study tour of Africa. Holmes' previous positions included the former special assistant to the assistant secretary of state for European affairs and the Consul General at Tangier. Dulles ordered the fact finding mission because he resented a sudden involvement of other agencies in African affairs. In July 1957, academics from the Center for International Studies of the Massachusetts Institute of Technology informed the African section of the State Department that they proposed to conduct a study on sub-Saharan Africa.¹⁶³ The CIA gave the center at MIT \$100,000 to make the study.¹⁶⁴ Eisenhower's special assistant for national security affairs directed the chairman of the CFEP, Clarence Randall, that the CFEP would study the report by MIT, and make recommendations to the national security council on the future role of the United States in the economic development of sub-Saharan Africa. Cutler advised that the NSC needed the recommendations by mid-1958, in time to establish the amount of aid for Africa in the MSP for fiscal 1960.¹⁶⁵ To prepare for this task, Randall considered undertaking a study trip to sub-Saharan Africa.¹⁶⁶ Dulles believed that other agencies, particularly a non-government organisation, should not be involved in the formulation of foreign policy. The secretary wanted his department to take the initiative in the region. On 6 February 1958, Holmes

¹⁶²*Ibid.*, pp.930, 933.

¹⁶³Memorandum of conversation academics from MIT including Max F. Millikan, Walt W. Rostow, Bloomfield, Arnold Rifkin, officials from the African section of the department of state and from OIR, 11 July 1957, 770.00/7-1157, box 3645, RG59, NA.

¹⁶⁴Memorandum by Clarence B. Randall to Robert Cutler, 5 August 1957, CFEP 568 US Foreign Eco Pol for Af Sth of the Sahara (10), box 13, Policy Papers Series, CFEP, EL: Memorandum with attachment Cutler to Randall, 7 August 1957, CFEP (Dodge) (2), box 10, Executive Secretary's Subject File Series, WHONSCS, EL.

¹⁶⁵Memorandum by Cutler to Randall with attachment, 7 August 1957, CFEP (Dodge) (2), box 10, Executive Secretary's Subject File Series, WHONSCS, EL.

¹⁶⁶Randall journal entry, 14 November 1957, CFEP vol vi Oct 26 - Nov 27 1957, box 4, Randall Journals, Clarence B. Randall Papers, EL.

reported to the secretary that “the Nationalist movements are in the hands of moderates....These moderate leaders will be expected by the people to produce tangible results in the form of economic and social improvement. By assisting in these fields, we can lend important support to their leaders.”¹⁶⁷ In particular, Holmes recommended that the African section of the State Department work with Dillon to study “the advisability of developing a multilateral aid programme for Africa”.¹⁶⁸ Dulles still thought that sub-Saharan Africa should not receive large amounts of assistance from the United States, and he did not wish to be burdened with the technical details of aid programmes. But the secretary did give permission for the Africanists in the State Department to approach Dillon. On 28 February, Palmer sent Holmes’ report on Africa to Dillon, and advised that he would speak to the deputy under secretary soon about a multilateral aid programme for Africa.¹⁶⁹

Dillon agreed that the United States should send assistance for development to sub-Saharan Africa. Like the Africanists within the State Department, Dillon believed that the moderate leaders who led their nations to independence, would be overthrown if the material needs of the masses were not fulfilled.¹⁷⁰ The deputy under secretary felt that the administration should begin to extend assistance to the dependent territories of Africa, so that the demands of the people for development could begin to be met. In November 1957, Dillon already had advocated the administration extend loans through the Development Loan Fund to the dependent

¹⁶⁷Memorandum special assistant to the secretary of state, Holmes, to Dulles, 6 February 1958.

FRUS 1958-1960, XIV, p.3.

¹⁶⁸Ibid., p10.

¹⁶⁹Memorandum Joseph Palmer to Dillon with attachment, 28 February 1958, Lot 62D358, box 90, RG59, NA.

¹⁷⁰Address by Dillon before the New Orleans Foreign Policy Association. “Our Mutual Security Programs”, 26 June 1957, DSB, 15 July 1957, XXXVII, 942, p.116.

territories of Africa.¹⁷¹ Dillon was receptive to the idea of a multilateral aid programme for Africa in early 1958. By late April, the administration had agreed to participate in the Foundation for Mutual Assistance of African Countries South of the Sahara. The United States would provide a small amount of technical assistance. This action did not indicate a willingness by Eisenhower or Dulles to use American resources to promote development in sub-Saharan Africa. The administration would not increase its level of funding for the region. The funds would be taken from the existing appropriations for technical assistance in sub-Saharan Africa.¹⁷²

Dillon believed that the administration needed to do more. From 19 March to 2 April 1958, Randall travelled to Paris, Kenya, Southern Rhodesia, French Equatorial Africa, the Belgian Congo and Ghana. In each of the sub-Saharan countries, Randall also met with United States officials from other areas.¹⁷³ Randall had decided, in late 1957, that the study by MIT would not be ready in time for the CFEP to make recommendations on the amount of assistance required by sub-Saharan Africa in fiscal 1960. He decided that he needed to travel to the region, and make an independent study.¹⁷⁴ Eisenhower appointed Randall to chair the CFEP in July 1956. Randall had co-ordinated the study on the administration's foreign economic policy in 1954. He could be trusted to advocate a policy of development in Africa through private investment, not aid. At his first meeting as

¹⁷¹Memorandum George Dolgin to C.V. Ferguson Jr, 19 November 1957, Lot 58D627 and 60D37, box 10, RG59, NA.

¹⁷²Staff notes 302, 12 February 1958, Staff Notes February 1958, box 30, DDE Diaries Series, AWF, EL.

¹⁷³Report by Randall to the CFEP, "U.S. foreign economic policy in Africa, South of the Sahara". April 1958, volume I, 611.70/4-3058, box 2543, RG59, NA, p.1.

¹⁷⁴Randall journal entry, 20 November 1957, CFEP vol vi Oct 26 - Nov 27 1957, box 4. Randall Journals, Clarence B. Randall Papers, EL; Randall journal entry, 7 December 1957, CFEP 1957-1958 vol vii Dec 2, 1957 - Jan 6 1958, box 4, Randall Journals, Clarence B. Randall Papers, EL.

chairman of the CFEP, Randall declared that the foreign economic programme of the administration should not be “milk for every Hottentot”.¹⁷⁵ Despite his pre-established views, however, on his return Randall did advocate the administration assist sub-Saharan Africa. Randall had seen the poverty throughout the region, and had met with numerous foreign service personnel. These officials asserted that the nations of sub-Saharan Africa were rapidly moving towards independence. They argued therefore that the administration should extend assistance for development to the dependent territories, to ensure a peaceful transition of moderate governments to independence, and the continued friendship of these areas with the United States.¹⁷⁶ In his final report to the President, Randall criticised the policy of extending assistance only to the independent countries, and to nations which expected to be independent within three to five years. Randall asserted that the administration should assist all the dependent territories to ensure future “friendships”.¹⁷⁷ Dillon supported Randall’s recommendation. He immediately asked the African and European specialists within the State Department to give him their views on whether the dependent territories should receive assistance from

¹⁷⁵Memorandum deputy director of operations ICA Dennis A. Fitzgerald to director ICA John B. Hollister, 16 July 1956, *FRUS*, 1955-57, X, pp.77-78.

¹⁷⁶Randall Report to CFEP “U.S. Foreign Economic Policy in Africa, South of the Sahara”, April 1958, volume II, TAB B comments by American consul general Nairobi, Kenya Charles D. Withers, 25 March 1958, pp.2-3, 8-11; TAB C comments by economic officer office of the American consul general Nairobi, Kenya Frank R. LaMacchia, 25 March 1958, pp.1-6; TAB I American consul general Salisbury, Southern Rhodesia Lloyd V. Steere, 27 March 1958 pp.1-2, 5-7; TAB J comments by economic officer office of the American consul general Salisbury, Southern Rhodesia Curtis Strong, 27 March 1958, pp.1-3, 5; TAB K comments by American Consul Lourenco Marques, Mozambique William L. Wight, 27 March 1958, pp.2-3; TAB N comments by consul resident in Brazzaville, French Equatorial Africa Francis N. Magliozzi, 28 March 1958, p.1; TAB O comments by American consul general Leopoldville, Belgian Congo James F. Green, 29 March 1958 p.6; TAB P comments by economic officer of the American consul general Leopoldville, Belgian Congo Ruth Torrance, 29 March 1958, p.1; TAB T comments by American consul general in Lagos, Nigeria Ralph Hunt, 31 March 1958, pp.1-3, 5. All in 611.70/4-3058, box 2543, RG59, NA.

¹⁷⁷Clarence B. Randall Report to the CFEP, “U.S. Foreign Economic Policy in Africa, South of the Sahara”, April 1958, volume I, 611.70/4-3058, box 2543, RG59, NA, p.7.

the United States. Individuals from both sections of the department agreed with Randall's recommendation.¹⁷⁸

Randall followed the instructions of Eisenhower's special assistant of national security affairs, and submitted his recommendations on a foreign economic policy for sub-Saharan Africa to the CFEP. In addition, the agencies represented on the CFEP considered an economic survey of the region, completed by the Center for International Studies at MIT.¹⁷⁹ Dillon, having been promoted to the position of under secretary of state, represented the State Department during the deliberations on sub-Saharan Africa.¹⁸⁰ Dillon argued that the United States should combine with other developed nations to extend assistance to sub-Saharan Africa. He urged that the United States and other western nations should become members of the CCTA and that the CCTA should broaden its programme in Africa to include economic assistance. Dillon advised that if the CCTA could not assume this expanded role, a new multilateral organisation should be established. The under secretary also supported the recommendation that the United States include the dependent territories in an expanded bilateral technical and economic assistance programme.¹⁸¹ On 17 June, the CFEP approved the recommendations, and asked

¹⁷⁸Memorandum Joseph Palmer to Dillon, 19 May 1958, 770.5-MSP/5-958, box 3649, RG59, NA; Note C. S. Whitehouse to member of the bureau for European affairs Long, 26 May 1958, 770.5-MSP/5-1958, box 3649, RG59, NA; Memorandum member of the bureau of European affairs C. Burke Elbrick to Dillon, 2 June 1958, 770.5-MSP/6-258, box 3649, RG59, NA.

¹⁷⁹Memorandum by secretary of the CFEP Paul H. Cullen to the CFEP, 26 May 1958, Special assistant series, subject subseries, box 3, Council on Foreign Economic Policy (2) May-June 1958, box 3, Special Assistant Series, Subject Subseries, WHOSANSA, EL.

¹⁸⁰Minutes CFEP meeting, 17 June 1958, CFEP 568 U.S. Foreign Economic Policy for Af Sth of the Sahara (1), box 12, Policy Papers Series, CFEPR, EL.

¹⁸¹Memorandum Randall to the CFEP, 13 June 1958, with attachment CFEP 568/2, "Foreign Economic Policy Recommendations for Africa South of the Sahara", Council on Foreign Economic Policy (2) May-June 1958, box 3, Special Assistant Series, Subject Subseries. WHOSANSA, EL, pp.4-5.

the Planning Board of the NSC to conduct a review of the proposals.¹⁸² As the under secretary for economic affairs, Dillon also represented his department on the Planning Board. He was in a position to oppose attempts by the Bureau of the Budget and the Treasury Department to limit the amount of United States aid to sub-Saharan Africa.¹⁸³ On 7 August, the NSC considered the economic proposals for sub-Saharan Africa. Eisenhower did not dispute the recommendations, and approved their inclusion in the policy statement on the region.¹⁸⁴ The new paper, NSC 5818, highlighted the benefits of the participation by the United States in a multilateral organisation to provide development to sub-Saharan Africa. And it stated that the United States should extend economic assistance to the dependent territories.¹⁸⁵

Eisenhower approved the new economic policy for sub-Saharan Africa, but he had no intention of implementing it in the immediate future. The President's focus remained on the areas closer to the Soviet bloc. In March 1959, Eisenhower presented the Mutual Security Programme for fiscal year 1960 to the Congress. The programme did not provide funds to assist the dependent territories, or to establish a multilateral development organisation.¹⁸⁶ Dillon's concerns also lay elsewhere. Dillon had become the under secretary of state for political, as well as

¹⁸²Minutes CFEP meeting, 17 June 1958, CFEP 568 U.S. Foreign Economic Policy For Af Sth of the Sahara (1), box 12, Policy Papers Series, CFEPR, EL.

¹⁸³Memorandum by Joseph Rand to Colonel Cullen, 11 July 1958, CFEP 568 US Foreign Eco Pol for Af Sth of the Sahara (5), box 12, Policy Papers Series, CFEPR, EL.

¹⁸⁴Memorandum of discussion, 375th NSC meeting, held on 7 August 1958, 8 August 1958, FRUS, 1958-1960, XIV, pp.19-22.

¹⁸⁵NSC 5818, "Statement of U.S. policy toward Africa South of the Sahara Prior to Calendar Year 1960", 26 August 1958, FRUS, 1958-1960, XIV, pp.32-33.

¹⁸⁶Final draft of President's annual report on MSP for fiscal 1960, 29 September 1960, 133-L 1960 (4), box 668, Official File, WHCF, EL, pp.38-39.

economic, affairs by this time. Other, more urgent matters occupied his time and energies.

By October 1959, however, Dillon's concerns about sub-Saharan Africa had increased. The political situation in sub-Saharan Africa was changing rapidly. The movement towards independence had begun with the establishment of Ghana in March 1957. In April 1958, the independent nations in the whole of Africa held a conference in Ghana. In October 1958, Guinea gained independence from France. Two months later the first conference of African peoples was held. Delegates at the conference called for the liberation of the rest of the continent. Independence for most nations of sub-Saharan Africa soon followed. In 1960, Cameroun, Togo, the two Somalilands, the Belgian Congo, the Mali Federation, Nigeria and Mauritania became independent.¹⁸⁷

The rapid movement towards independence in sub-Saharan Africa prompted Dillon to act. In November, Herter sent a memorandum to Eisenhower, outlining Dillon's solution for meeting the development needs of the "Free World", particularly in Africa. Dillon advocated the Organization for European Economic Cooperation (OEEC) be reorganised. He suggested that the United States and Japan should join the organisation, and co-operate with the nations of Western Europe to assist development.¹⁸⁸

Eisenhower agreed with Dillon's plan. As shown, the President had come to share Dillon's broader view of the threats to national security by mid-1959. He agreed that the United States should act, not merely to prevent communist subversion, but to promote democracy and prevent the emergence of totalitarian

¹⁸⁷ See Appendix, Figure 1.

¹⁸⁸ Memorandum Herter to Eisenhower, 24 November 1959, FRUS, 1958-1960, IV, pp.58-59.

regimes. In December, Eisenhower travelled to the less developed countries of Asia, India and the Near East. The experience confirmed Eisenhower's commitment to Dillon's belief that the developed nations needed to extend assistance to the less developed regions.¹⁸⁹ While Eisenhower made his tour, Dillon already had begun to negotiate with the western European powers about using the OEEC to promote development.¹⁹⁰ In January, the members of the OEEC met in Paris to discuss Dillon's proposal. A working group was formed to study how the OEEC could be reorganised to assist with development.¹⁹¹ In December 1960, the OEEC became the Organization for Economic Cooperation and Development (OECD). Dillon had achieved his goal of establishing a multilateral organisation, with the participation of the United States, to extend assistance to the less developed regions, particularly in Africa.

V

Eisenhower and Dulles began to extend resources to promote development in Latin America and sub-Saharan Africa because their ideas on the nature of the Soviet threat changed. Dillon did not see the main threat of Soviet Communism in the less developed regions to be direct Soviet subversion and infiltration. He thought that the Soviet Union posed a greater threat to United States interests in the emerging Third World because it offered an alternative to the American way. Soviet Communism taught that development could be achieved and economic and social needs rapidly met through totalitarian forms of government and controlled

¹⁸⁹ Ambrose, *Eisenhower the President*, p.553; Eisenhower, *Waging Peace*, p.495.

¹⁹⁰ Telegram 3009 Dillon in UK to Department of State, 9 December 1959; Telegram 3010 Dillon in UK to Department of State, 9 December 1959, both *FRUS*, 1958-1960, IV, pp.364-366.

¹⁹¹ "Follow-Up Action Arising From President's Good Will Trip" December 1959, state dept Oct 1959-Feb 1960 (7), box 4, Subject Series, State Department Subseries, WHOSS. EL, p.2.

economies. The United States had to show the people of the less developed countries that the way to develop lay in democracy and the free enterprise system. The United States, Dillon opined, could not survive in a world dominated by totalitarian regimes. Essential markets and raw materials would be lost and American democratic values threatened. From 1957 to 1960, Eisenhower and Dulles came to share Dillon's views. They agreed that the grand strategy to maintain national security needed to be altered to deal with the political situations in Latin America and sub-Saharan Africa. Resources for development had to be extended to the immediate Soviet periphery and the outer regions.

CONCLUSION

I

Eisenhower extended development assistance to Latin America and sub-Saharan Africa because he feared the rise of totalitarian governments. He and Dulles came to share Dillon's view that Soviet subversion did not pose the only threat to American interests in the less developed regions. Dillon argued that the new democracies in Latin America and sub-Saharan Africa would adopt totalitarian forms of government, and abandon the free enterprise system, if their aspirations for development were not met. The Soviet Union stood as a threat to American interests in the less developed regions because it offered an alternative to democracy and capitalism. Totalitarian governments could deny American access to raw materials and markets. As a result, the economic strength of America would be weakened, and the American way of life threatened. The people of these totalitarian governments could be easily subverted by Soviet Communism. Abandoning the capitalist system, Eisenhower asserted, would destroy individual economic and spiritual strength.

Before Dillon, other individuals within the administration had argued that the administration should meet development needs in Latin America and sub-Saharan Africa. From January 1953 to February 1954, the assistant secretary of state for inter-American affairs, John Moors Cabot, argued that relations between the United States and Latin America would deteriorate if the US continued to rely on the free capitalist system to meet development demands. He asserted that Latin

American nations could not earn the capital required to establish basic infrastructures through the free enterprise system. A failure to develop, Cabot warned, would result in heightened anti-Americanism. Cabot attempted to change the administration's approach towards development in Latin America. But Eisenhower's formal and informal systems of policy formulation were designed to uphold Eisenhower's basic strategy for maintaining national security. This grand strategy determined the administration's approach to development in Latin America and sub-Saharan Africa until the late 1950s. Eisenhower believed that maintaining the national security meant ensuring the well-being of Americans. As a result, Eisenhower wanted to decrease government expenditures, so that taxes and inflation could remain low. This well-being, Eisenhower asserted, also depended on maintaining the conditions needed for the capitalist system to thrive. America had to have access to the raw materials and markets of the less developed regions. Eisenhower argued that the free enterprise system would promote development in these areas, thereby providing the economic and spiritual strength required to counter Soviet subversion. His reliance on the free enterprise system did not come from any knowledge or experience of the emerging Third World. It stemmed from his long held belief in the ability of the free enterprise system to provide economic advancement, and his desire to decrease foreign aid expenditures. Economic aid, Eisenhower declared in 1953, would only be extended to nations on the periphery of the Soviet bloc supporting defence establishments.

Latin America and sub-Saharan Africa, therefore, were treated differently to other regions of the developing world by the Eisenhower administration. From the beginning, Eisenhower and his main advisers sent economic assistance to

nations in South and South East Asia, the Middle East and North Africa. These nations, Eisenhower believed, needed to create and maintain defence establishments. Without such defences, they would be lost to Soviet communism. But, like America, nations on the periphery of the Soviet bloc could not sacrifice economic strength for military might. Weak economies could make nations easy targets for communist subversion. The President thought that trade and private investment, both foreign and domestic, would bring economic strength to those members of the developing world not having to build up defence capabilities.

Between 1953 and 1957, Eisenhower began to send economic assistance to more nations of the developing world. These countries were close to the Soviet bloc, and Eisenhower came to believe that Soviet infiltration of these nations was increasing. The administration could not afford to wait for free capitalism to lead to development in these regions. Under Dulles' influence, Eisenhower sent economic aid for development to Asia in fiscal 1956.¹ The advent of the Soviet economic offensive led Eisenhower to establish the Development Loan Fund in fiscal 1958. But the soft loans made by the DLF were directed towards nations close to the Soviet bloc. At the same time as the establishment of the DLF, Eisenhower began to send economic assistance to the Middle East and North Africa. Fear of increased Soviet infiltration motivated his actions in these two regions.²

Eisenhower only began to send economic aid for development to nations when he believed Soviet involvement was increasing. For this reason, he sent aid to Asia, the Middle East and North Africa. The regions of Latin America and sub-

¹ H.W. Brands, Jr, The Specter of Neutralism: The United States and the Emergence of the Third World, 1947-1960 (New York, 1989), pp.106-109.

² Kaufman, Trade and Aid, p.101; Douglas Little, "Cold War and Covert Action: The United States and Syria 1945-1958", Middle East Journal, 44, 1, (Winter 1990), pp.72-73.

Saharan Africa, however, were not eligible for development aid as long as Eisenhower viewed Soviet subversion to be the only threat to US national security. Only when the President's view of the Soviet threat changed did Eisenhower begin to extend economic assistance for development to Latin America and sub-Saharan Africa.

Eisenhower acted to ensure that his administration implemented his grand strategy for maintaining national security. He chose key cabinet officials who agreed with his desire to decrease foreign expenditures and contain the Soviet threat. In particular, he chose his secretary of state carefully. Dulles agreed with Eisenhower's views. He believed that the free enterprise system was the correct tactic to meet development needs in the less developed countries. Eisenhower also established a complex system of foreign policy formulation. He involved many organisations and agencies in the process, particularly the Treasury Department and the Bureau of the Budget. These two agencies would oppose demands from other organisations which were not included in the administration's basic national security policy. Eisenhower expected his key officials to present their views within the Planning Board and the NSC and then he would make the final decision.

Until 1958, Eisenhower's strategy for maintaining national security determined the administration's approach towards development in Latin America and sub-Saharan Africa. Cabot attempted to convince Dulles that the administration's approach towards development in Latin America should change. But Dulles agreed with Eisenhower's priorities. From 1953, Dulles feared that the amount of private foreign investment in the less developed regions would not be adequate. He believed that the less developed regions would be vulnerable to

Soviet subversion if living standards were not raised. His fears led him to advocate sound loans be sent to Latin America, but Latin American nations could rarely meet the strict lending criteria. Dulles did not argue that grant aid or soft loans should be sent to the region. He continued to agree with Eisenhower that the United States could not afford such a commitment. He also thought that grant aid would not promote individual spiritual strength. Without Dulles' support, Cabot could not change the administration's approach and basic national security policy prevailed. Eisenhower and Dulles replaced Cabot with Henry F. Holland. Holland faithfully implemented the administration's approach towards development in Latin America.

Key officials concerned with sub-Saharan Africa, including Nicholas Feld, George V. Allen, Fred Hadsel and Joseph Palmer, attempted to change the administration's approach towards development in sub-Saharan Africa. They argued that the movement towards independence would be rapid. Political and economic chaos, they asserted, would occur if the United States did not extend economic assistance to promote development. Such unrest could deny America access to strategic raw materials in the region, and made the area susceptible to Soviet infiltration. But Dulles did not support their position. He argued that the metropolises would prepare the region for eventual independence, and prevent Soviet infiltration in the short term. Without Dulles' support, these individuals did not have the authority required to override basic national security policy. Allen and Hadsel turned to private philanthropic organisations. They succeeded in influencing the policies of the Ford and Rockefeller Foundations.

In the period 1954 to 1956, Dulles became increasingly worried that the level of private foreign investment in the less developed regions would not be adequate to promote development and prevent Soviet subversion. The advent of the Soviet economic offensive increased his fears. Dulles' Policy Planning Staff and C.D. Jackson supported his position. They argued that the administration should extend development assistance throughout the less developed regions to prevent Soviet subversion. But Dulles continued to agree with Eisenhower that the United States could not afford to make such a commitment. He urged Eisenhower to extend assistance for development only to the less developed regions under immediate threat, on the periphery of the Soviet bloc. Eisenhower agreed. He also feared that development through trade and private investment would be too slow in these regions. Only when Eisenhower and Dulles broadened their view of the nature of the Soviet threat did they begin to extend development assistance to the regions far removed from the Soviet bloc.

During the Eisenhower administration many individuals asserted that the extension of grant economic aid would lead to development in Latin America and sub-Saharan Africa. In the late 1950s and 1960, Dulles, Eisenhower and Dillon did not doubt that direct economic assistance, in the form of grants, would lead to development. Only John Moors Cabot considered that assisting development would not be this simple. He argued in a memorandum to Dulles that it would have to be extended directly to the masses to have any effect. He asserted that assistance given to the ruling elites would not "trickle down". The Kennedy administration increased grant aid to Latin America and called the programme the Alliance for Progress. The programme continued throughout the 1960s but, at the

end of this time, it had not improved the living conditions of the masses in Latin America.³ People involved with the Alliance found that those who already held wealth and power benefited from the foreign aid.⁴ They realised that social and political reforms in the recipient country had to accompany the aid.⁵

In its broadest sense, diplomatic history can be seen as the impact of one society or culture on another. This work has focused on providing explanations for the Eisenhower administration's approach to development in Latin America and sub-Saharan Africa. It has not aimed to provide a detailed description of the impact of these decisions on Latin America or sub-Saharan Africa. It is clear that the administration's policies did not lead to development in either of the two regions. The free enterprise system did not provide the capital required to establish the basic infrastructure necessary for development. Most of the nations relied on the sale of single commodities to earn foreign exchange. They could rarely earn enough to buy the manufactured goods they needed from the developed world. These nations struggled to meet the strict lending criteria of the IBRD, the IMF and the EXIM Bank. Less developed nations had to employ strict financial measures to be eligible to obtain loans. This involved decreasing the already limited amounts of domestic government spending and lowering wages to keep inflation down. The impact of such actions on the people of Latin America and sub-Saharan Africa needs to be investigated. Similarly, the impact of prolonged colonial rule on the people of sub-Saharan Africa should be examined. Here the diplomatic historian will need to combine their skills with the methodologies of

³Jerome Levinson and Juan de Onis, The Alliance that Lost its Way (Chicago, 1970), p.307.

⁴Ibid., p.308.

⁵Ibid.

social, cultural and economic historians, and expand their research into the archives of Third World countries.

II

This thesis adds to the historiography on the Eisenhower administration. First, it contributes to the ongoing debate about Eisenhower's performance as President. The revisionist historians of the 1970s and 1980s have praised Eisenhower for being an active President.⁶ Eisenhower did control the administration's policies towards Latin America and sub-Saharan Africa. But this work questions whether Eisenhower's activism can be viewed in a positive light.

From 1953 to the end of 1957, Eisenhower implemented a policy towards Latin America and sub-Saharan Africa which failed to take into consideration the most important development in both regions after the Second World War, aspirations for development. Eisenhower's approach to both regions stemmed from his narrow view of the relationship of the less developed regions to the United States. He did not have any knowledge of the less developed nations. His pre-presidential experience in these areas had been scarce and limited to military issues. His post Second World War positions and experiences had been military in nature and concerned with meeting the Soviet threat. Eisenhower did not recognise that his personal experience had not given him a broad training in world

⁶Mary S. McAuliffe, "Commentary/Eisenhower, the President", *The Journal of American History*, 68, 3 (December 1981), pp.625-628; Vincent P. Desantis, "Eisenhower Revisionism", *Review of Politics*, 38, 2 (April 1976), pp.201, 203-204; Gary W. Reichard, "Eisenhower as President: The Changing View", *The South Atlantic Quarterly*, 77, 3 (Summer 1978), p.275; Arthur M. Schlesinger Jr, "The Ike Age Revisited", *Reviews in American History*, 11, 1 (March 1983), pp.2,6; McMahon, "Eisenhower and Third World Nationalism", pp.453-455.

affairs. Instead, on entering the White House, he enforced his views onto his administration.

For these reasons, Eisenhower's activism cannot be viewed in a positive light. Robert McMahon argues that Eisenhower's failure to understand "the single most dynamic new element in international affairs during the 1950s", Third World nationalism, is enough to question the positive appraisal of the revisionists.⁷ Richard Immerman asserts that Eisenhower still deserves a favourable assessment because he was "the first postwar president to produce a systematically articulated body of thought on war, peace, and security in the nuclear age, and to try to formulate and implement U.S. strategy accordingly".⁸ But the fact that Eisenhower relied so heavily on his own perceptions and experiences to formulate these views, that he lacked the personal insight to see that his experiences were limited, that he too readily dismissed the opinions of others and failed to seek more informed views on some issues, casts doubt on whether Immerman's observation can earn Ike such high praise.

Other historians believe that Eisenhower deserves the positive reappraisal because he created and controlled a complex system of foreign policy formulation. Historians including Anna Kasten Nelson, Shirley Anne Warshaw, and John W. Sloan argue that Eisenhower's use of a formal system and informal advisers ensured that the President heard a wide variety of opinions before making a decision.⁹ But these historians have evaluated Eisenhower's policy process independently of the policies themselves. This work indicates that Eisenhower's

⁷McMahon, "Eisenhower and Third World Nationalism", pp.456-457.

⁸Immerman, "Confessions", p.325.

⁹Kasten Nelson, "Policy Hill", pp.312, 324; Sloan, "Management and Decision-Making". p.295; Warshaw, ed., *The Eisenhower Legacy*, p.148; Introduction by Shirley Anne Warshaw in Warshaw ed., *Re-examining the Eisenhower Presidency*, p.xvi.

formal and informal processes of policy formulation did not attain multiple advocacy. Rather, Eisenhower used his formal and informal methods of foreign policy formulation to ensure that his administration implemented his grand strategy for maintaining national security. For the majority of the Presidency, Eisenhower's informal system of policy formulation did not act as "a check and balance system to the more formal system".¹⁰ Informal advisers, such as Milton Eisenhower, supported Eisenhower's approach.

This study also contributes to the historiography on John Foster Dulles. It supports the conclusion of the revisionists that Eisenhower and Dulles worked as a team. In 1955, Eisenhower accepted Dulles' advice to use development assistance as a tactic to maintain national security. At the same time, Dulles respected Eisenhower's views on the need to limit foreign aid expenditures, and to protect the American way of life. Both men agreed to limit foreign aid to countries under immediate threat on the periphery of the Soviet bloc. In 1958, Eisenhower accepted Dulles' belief that Latin America should receive some development assistance. Eisenhower always made the final decision, but the President respected Dulles' views and, at times, deferred to them. This work supports the emerging synthesis that Dulles did not merely implement Eisenhower's policies; he played a central role in the formulation of these policies.¹¹

This thesis also supports the emerging view that the portrayal of Dulles as a rigid Cold Warrior, with little perception of situations in other regions of the

¹⁰Sloan, "Management and Decision-Making", p.302.

¹¹Immerman, "Introduction" in Immerman ed., *Dulles and Diplomacy*, p.9; John Lewis Gaddis "The Unexpected John Foster Dulles: Nuclear Weapons, Communism, and the Russians" in Immerman ed., *Dulles and Diplomacy*, p.48.

world, is too simplistic.¹² Dulles did question whether the free enterprise system would promote development in the less developed regions. His doubt did not stem from a lapse in his belief that opportunities for economic promotion existed within international capitalism. Dulles' lifelong involvement with international capitalism had not prepared him to question the merits of the system. Dulles always believed that, under ideal circumstances, capitalism would lead to development. He questioned whether those circumstances existed in the 1950s. He saw that nationalism in the emerging Third World often provoked the expropriation of foreign dominated industries. This risk, combined with the threat of Soviet expansionism, led Dulles to believe that the level of foreign private investment in the less developed regions would not be adequate. Dulles did not ignore Latin America and sub-Saharan Africa. In particular, he played a crucial role in liberalising the loan policy of the EXIM Bank and changing the administration's policies towards development in Latin America from 1958. Anti-Communism did drive Dulles' actions, but the picture of a secretary of state focused on the Soviet Union and European affairs is not accurate.

It is clear that Dulles did not always seek the advice of his subordinates. Dulles did not use his colleagues in the inter-American bureau or his specialists concerned with Africa. John Moors Cabot could rarely gain Dulles' attention and, when he did, Dulles dismissed his ideas. Africanists within the bureau of near eastern, south Asian and African affairs had even less success gaining the attention of Dulles. Dulles relied on his own perceptions of the situations in Latin America

¹²Robert A. Divine, "John Foster Dulles: What You See is What You Get", Diplomatic History, 15 (Spring 1991), pp.278, 284-285; Immerman, "Introduction" in Immerman ed., Dulles and Diplomacy, p.16; Pruessen, "John Foster Dulles and the Predicaments of Power", p.39.

and sub-Saharan Africa, and the advice of his Policy Planning Staff. Dulles used Robert Bowie, as the director of the Policy Planning Staff, because he trusted him to take into account the world commitments of the United States, when considering policies on Latin America and sub-Saharan Africa. But this work supports the conclusion of Anna Kasten Nelson that Dulles did not always back the opinions of his Policy Planning Staff at the NSC level. However, it refutes Kasten Nelson's assertion that Dulles usually abandoned his Department's position when the issue involved relations with Europe.¹³ Dulles did not support his staff's position that the United States should extend economic assistance to promote development throughout the less developed regions.

Finally, this work points to an important omission in the historiography on the Eisenhower administration. It is clear that C. Douglas Dillon played the central role in the formulation of policy towards Latin America and sub-Saharan Africa from the end of 1957 until the end of the administration. Dillon had great influence with both Dulles and Eisenhower. Dillon's role in the policies towards other regions during the final three years of administration needs to be evaluated. Such inquiry will add to the history of the policies themselves, the nature of Eisenhower's policy formulating systems in the final stage of the administration and the extent of Dillon's influence. Dillon's role as ambassador to France during the administration's first term also awaits detailed investigation. Most importantly, this work indicates that Dillon is an important key to understanding how American leaders perceived the nature of the Soviet threat in the late 1950s and 1960.

¹³Nelson, "Importance of Foreign Policy Process", p. 116.

APPENDIX

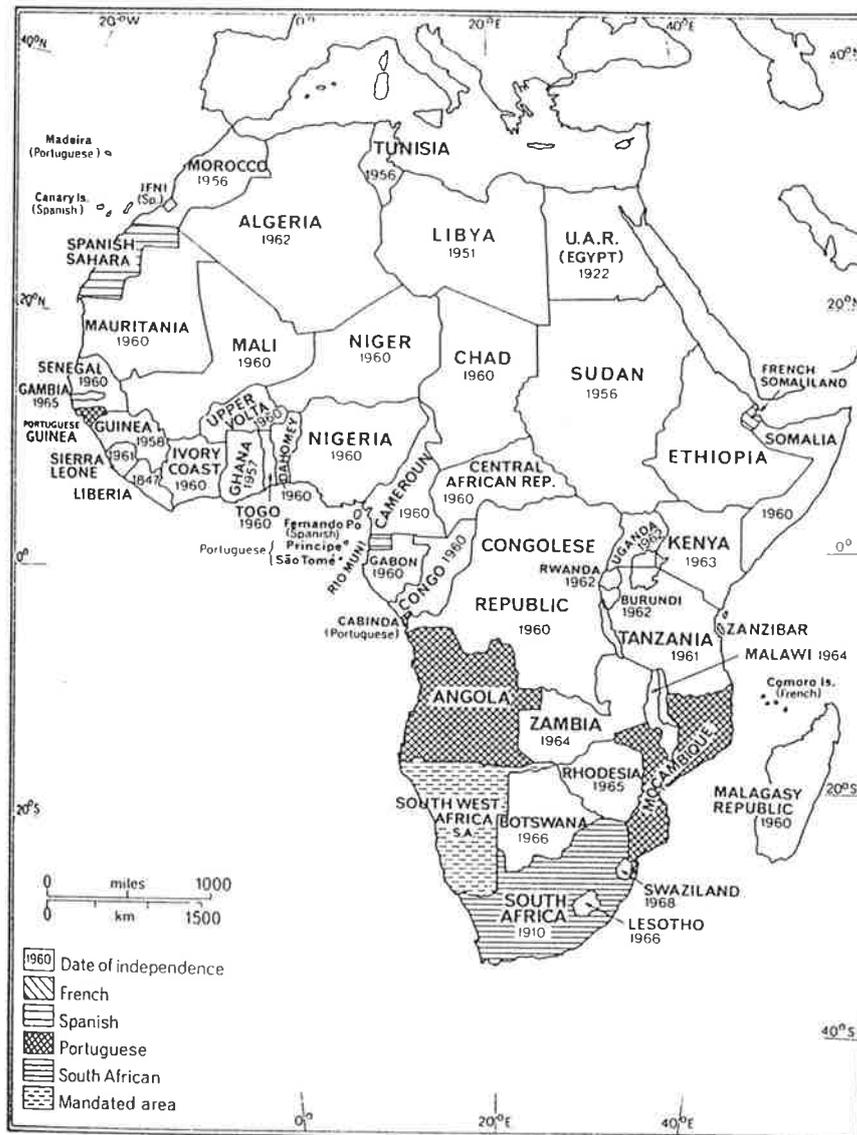


Figure 1: Map of Africa in 1968.

Source: Peter Duignan and L.H. Gann, *The United States and Africa: A History* (New York and Melbourne: Cambridge University Press, 1984), p.287.

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