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*Statement of Policy by the National Security Council*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 3, 1954.

NSC 5432/1

UNITED STATES OBJECTIVES AND COURSES OF ACTION WITH RESPECT  
TO LATIN AMERICA

GENERAL CONSIDERATIONS

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

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

3. Latin America needs U.S. assistance for the solution of these problems and will become increasingly subject to Communist intervention and subversion unless such assistance is forthcoming. Realizing the increasing importance of helping Latin America to reverse those trends which offer opportunities for Communist penetration, the U.S. should give greater emphasis than heretofore to its Latin American programs in order to safeguard and strengthen the security of the Hemisphere. The limited purpose of this paper is to define our objectives and courses of action concerning these and other important problems common to the area.

OBJECTIVES

4. The objectives of the United States with respect to Latin America are:

*a.* Hemisphere solidarity in support of our world policies, particularly in the UN and other international organizations.

*b.* An orderly political, military, and economic development in Latin America so that the states in the area will be more effective members of

<sup>1</sup> Acting NSC Executive Secretary Gleason, in a covering note dated Sept. 3, 1954, not printed, informed the NSC that the President had that date approved the statement of policy in NSC 5432 as amended by NSC Action No. 1209-*b* and adopted at the Council's meeting on Sept. 2, transmitted as NSC 5432/1, and directed its implementation by all appropriate Executive departments and agencies. The President designated the Operations Coordinating Board as the coordinating agency. See the memorandum of discussion at the NSC meeting, *supra*.

the hemisphere system and increasingly important participants in the affairs of the free world.

c. The safeguarding of the hemisphere, including sea and air approaches, by individual and collective defense measures against external aggression through the development of indigenous military forces and local bases necessary for hemisphere defense.

d. The reduction and elimination of the menace of internal Communist or other anti-U.S. subversion.

e. Adequate production in Latin America of, and access by the United States to, raw materials essential to U.S. security.

f. Support by Latin America of collective action in defense of other areas of the free world.

g. The ultimate standardization of Latin American military organization, training, doctrine and equipment along U.S. lines.

#### COURSES OF ACTION

##### *Political*

5. *Hemisphere Solidarity.* The United States should achieve a greater degree of hemisphere solidarity by:

a. A greater utilization of the Organization of American States as a means of achieving our objectives, which will avoid the appearance of unilateral action and identify our interests with those of the other American states.

b. Being prepared to increase, and encouraging other members to increase proportionately, financial support for the activities of the Organization of American States, particularly constructive technical programs carried on through the Pan American Union and specialized agencies, in order to increase their relative role in the handling of multilateral contributions.

c. Consulting with the Latin American states, whenever possible, before taking actions which will affect them or for which we wish their support, explaining as fully as security permits the reasons for our decisions and actions.

d. Evidencing greater consideration of Latin American problems at the highest levels of government by according sympathetic attention to representatives of Latin America, by exercising care in public statements relating to the area, and through such methods as visits by high officials and distinguished private citizens to Latin American states.

e. Refraining from overt unilateral intervention in the internal political affairs of the other American states, in accordance with existing treaty obligations. This does not preclude multilateral action through the inter-American system. . . .

f. Taking into consideration, in determining the extent of U.S. assistance and support to particular American states, their willingness and ability to cooperate with the United States in achieving common objectives.

g. Trying, in extending aid and advice of all kinds, to make it of a type and extend it in a way, which will preserve a relationship of equality and avoid the semblance of patronizing Latin America.

h. Assisting through the Organization of American States, or by such other means as may be available, those American states which are

resisting pressures from their neighbors, whenever such pressures are inimical to U.S. interests and the inter-American system.

*6. Increased Action Against Communist Penetration.*

*a.* The U.S. should encourage through consultation, prudent exchange of information, and other available means, individual and collective action against Communist or other anti-U.S. subversion or intervention in any American state.

*b.* In the event of threatened or actual domination of any American state by Communism, the U.S. should, pursuant to Resolution 93 of the 10th Inter-American Conference, promote and cooperate in application of the sanctions, including military, provided for in the Rio Treaty to the extent necessary to remove the threat to the security of the Hemisphere, all sanctions being applied in collaboration with other OAS members to the extent feasible, and unilateral action being taken only as a last resort.

*7. Colonialism.*

*a.* The United States should encourage acceptance and implementation by interested states of the principle that dependent and colonial peoples in this Hemisphere should progress by orderly processes toward a self-governing status to be achieved when they are ready for it.

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

*8. Other measures.* The United States should also:

*a.* Assist and encourage the formation and development of responsible organized labor movements and leadership in Latin American countries such as the Inter-American Organization of Workers (ORIT) as presently oriented.

*b.* Encourage Latin American governments to continue to prevent direct shipments of strategic materials to the Soviet bloc and to adopt an import certificate and delivery verification system to facilitate the prevention of indirect shipments.

*9. Increased Stability and Economic Development.*<sup>2</sup> The U.S. should:

*a.* Adopt stable, long term trading policies with respect to Latin American countries, including gradual selective reduction of U.S. barriers and tariffs on trade.

*b.* Through Export-Import Bank loans, provided each such loan is (1) in the interests of both the United States and the borrowing coun-

<sup>2</sup> At the 224th meeting of the National Security Council, held Nov. 15, 1954, the Council adopted Action No. 1270-b authorizing the amendment of NSC 5432/1, paragraph 9, sections (b), (c), and (g). President Eisenhower approved the NSC action on Nov. 16. The amendments were incorporated into revised pages for NSC 5432/1, which were transmitted to all holders of that document under cover of a memorandum by Mr. Lay, dated Nov. 16, 1954. (S/P-NSC files, lot 62 D 1)

For text of paragraph 9, sections (b), (c), and (g), as they read prior to revision on Nov. 15, see the memorandum of discussion at the 224th meeting of the NSC, p. 344.

try, (2) within the borrower's capacity to repay, and (3) within the Bank's lending capacity and charter powers, be prepared to assure such financing of all sound economic development projects, for which private capital or IBRD financing is not available.

*c.* Only if action under *a* and *b* above over a period of time demonstrates that these courses of action are inadequate, and then only with Presidential approval in each case, finance through development assistance loans the initiation or acceleration of projects or activities which are in the basic U.S. interest and which, in the absence of such additional assistance, would not be undertaken or, if undertaken, would not be carried forward at the rate required by U.S. foreign policy objectives.

*d.* Strengthen, and program on a longer term basis, technical cooperation, with particular attention to the willingness and ability of each country to use such aid effectively: and increase specialized training in the U.S. of Latin Americans in finance, labor, management, agriculture, business and other specialized fields.

*e.* Preserve the necessary authority to continue or undertake limited economic grant programs such as the Inter-American Highway and the Rama Road, and the emergency program now being carried out in Bolivia.

*f.* While recognizing the sovereign right of Latin American countries to undertake such economic measures as they may conclude are best adapted to their own conditions, encourage them by economic assistance and other means to base their economies on a system of private enterprise and, as essential thereto, to create a political and economic climate conducive to private investment, of both domestic and foreign capital, including:

- (1) Reasonable and non-discriminatory laws and regulations affecting business,
- (2) Opportunity to earn and in the case of foreign capital to repatriate a reasonable return,
- (3) Reasonable rate-making policies in government regulated enterprises,
- (4) Sound fiscal and monetary policies, and
- (5) Respect for contract and property rights, including assurance of prompt, adequate, and effective compensation in the event of expropriation.

*g.* Consider sympathetically, but only on individual merit, any proposal by Latin American initiative to create regional economic actions and groupings to promote increased trade, technical cooperation and investment, and to concert sound development plans; with the understanding that any such proposal 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 Council.

*h.* Utilize, in reference to Latin America, the authority in the Agricultural Trade Development and Assistance Act of 1954 to build non-deteriorating assets valuable to the future of the United States.

*i.* Where appropriate encourage diversification of Latin American economies on a sound basis.

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

*Information and Related Activities*

11. The United States should expand and make more effective, information, cultural, education and exchange programs for the countries concerned. The U.S. Information and Cultural Programs for Latin American states should be specifically directed to the problems and psychology of specific states in the area, with the objective of alerting them to the dangers of Soviet imperialism and communist and other anti-U.S. subversion, and convincing them that their own self-interest requires an orientation of Latin American policies to our objectives.

12. . . .

*Military*

13. The United States should encourage acceptance of the concept that each of the Latin American states is responsible for maximizing its contribution, by military and mobilization measures, to:

- a. The internal security of its own territory.
- b. The defense of its own territory, including land communication, coastal waters, ports and approaches thereto, bases located within its area of responsibility and air lanes of communication associated therewith.
- c. The allied defense effort, including participation in combined operations within the hemisphere and support of collective actions in other theaters by forces beyond the requirements of hemisphere security.

14. In support of the course of action in paragraph 13, the United States should provide military assistance to Latin America consistent with the agreed plans of the Inter-American Defense Board and other bilateral or multilateral military agreements to which the United States is a party. U.S. military assistance should be designed to reduce to a minimum the diversion of U.S. forces for the maintenance of hemisphere security; and in determining the type of military assistance to be provided each nation, consideration should be given to its role in hemisphere defense.

15. The United States should assume primary responsibility for military operations in the Atlantic and Pacific Oceans and the Caribbean Sea, including sea and air approaches to the Panama Canal, and at the appropriate time should seek from other American states acceptance of U.S. military control of the defense of these areas.

16. To the extent that military bases other than U.S. bases in Latin America are required to further joint defense efforts, the United States

should technically guide and assist the Latin American countries in their development and maintenance and seek agreements providing for their reciprocal use, rights of air transit and technical stops, and availability for common defense purposes.

17. . . .

18. Where necessary the United States should assist in the protection of sources and processing facilities of strategic materials and land transportation related thereto. However, each of the Latin American countries should organize its own civil defense.

19. In providing military aid and seeking military commitments the United States should not encourage Latin American nations to contribute to the military effort to an extent which would jeopardize their economic stability.

20. In addition, the United States should:

*a.* Continue the planning of the Inter-American Defense Board and the Military Commissions on which we are jointly members with Brazil and Mexico.

*b.* Continue and establish where appropriate, military training missions in Latin American nations.

*c.* Increase the quotas of qualified Latin American personnel for training in U.S. Armed Forces schools and training centers; encourage Latin American countries to fill their authorized quotas for the U.S. Military and Naval Academies; and provide and encourage Latin American countries to fill a similar quota for the Air Force Academy.

*d.* Foster closer relations between Latin American and U.S. military personnel in order to increase the understanding of, and orientation toward, U.S. objectives on the part of the Latin American military, recognizing that the military establishments of most Latin American states play an influential role in government.

*e.* Seek ultimate military standardization, along U.S. lines, of the organization, training, doctrine, and equipment of Latin American armed forces; countering trends toward the establishment of European military missions in Latin America, or agencies or individuals with a similar function, other than those of the United States; and facilitating the purchase of U.S. equipment by offering Latin American countries competitive prices, more rapid delivery and credit terms, including long-term payments, pre-delivery financing of long lead-time items, and, if feasible, use of foreign currency and, in exceptional cases, barter arrangements.