

16. National Security Council Report<sup>1</sup>

NSC 5613/1

Washington, September 25, 1956.

STATEMENT OF POLICY ON U.S. POLICY TOWARD LATIN AMERICA

General Considerations

1. The United States has close and friendly political relations with the Latin American countries and generally receives support from them for U.S. world policies. These close and friendly relations are promoted by the Organization of American States.

2. Trade relations with the other American Republics (\$7 billion annually), in most recent years, have been more extensive than with any other area of the world. Private U.S. investment in Latin America (\$7 billion) is larger than in any other area except Canada. With their rapid rate of population increase and economic growth, the other American Republics have achieved an increased weight internationally in both economic and political affairs.

3. The governments of the other American Republics frequently are subject to change by military coup d'état. In almost all of the Republics the military has a strong, often a decisive influence. Approximately half of the governments are now run by military officers, who originally assumed power by revolution.

4. There are strong nationalistic feelings in all of these Republics which often are expressed as anti-Americanism. In some countries, this nationalism expresses itself strongly against proposals for the development of natural resources, especially petroleum, by U.S. private capital. While many of these Republics are unwilling to adopt laws and policies which will create a climate favorable for the development of their countries by private capital, both domestic and foreign, there is an intense desire for rapid economic progress and higher standards of living. Because the national income of the United States is roughly 8 or 9 times that of the other American Republics combined, Latin America looks to us for assistance and expects that it should be forthcoming.

5. We have a long record of cooperation with these Republics in the development of their economies. However, some sectors in Latin America complain that our assistance is inadequate. Factors motivat-

<sup>1</sup> Source: Department of State, S/P-NSC Files: Lot 62 D 1, NSC 5613 Series. Secret. A covering title sheet, a transmittal note by Lay, dated September 25, and a table of contents are not printed. NSC 5613/1 was approved by President Eisenhower on September 25, thereby superseding NSC 5432/1, and transmitted to all American missions in Latin America in Department instruction CA-3421, dated October 19. (*Ibid.*, Central Files, 611.20/10-1956)

ing these sectors include political pressure for more rapid economic development, domestic political considerations, and the feeling that any given level of U.S. aid can be increased through complaints. These complaints are often reflected in the argument that the United States accords to Latin America an inadequate proportion of its total foreign aid. The annual increase in Latin America's gross national product since the last war has been on the order of 5.5% as compared to 5% in Western Europe and 4% in the United States. This is partially offset by the rapid growth of population in Latin America, averaging over two percent annually.

6. There is no danger of overt Communist attack against any Latin American country except in the context of general war. Communists have no present prospect of gaining control of any Latin American state by electoral means. They do, however, have the capacity to achieve direct participation in national politics and the governments of some countries, though not equal to that which they formerly enjoyed in Guatemala. Moreover, the Soviet bloc is seeking broader trade and economic and cultural relations with Latin American countries not only for economic reasons but in order to disrupt our friendly relations with Latin America, to subvert the countries in the area, and to destroy the inter-American system. Generous and vigorous implementation of U.S. policies in the area is essential if the Soviet effort is to be frustrated. The USSR seeks to distort our close relations with the other American Republics by accusing the United States of dominating and subjugating Latin America and by accusing the Latin Americans of being subservient to the United States. The Soviet Union is supported in these charges by highly vocal local Communist and other anti-U.S. elements. On occasion Latin American governments seek to emphasize their independence by taking positions at odds with ours and sometimes detrimental to our interests.

7. The foundation of our military relations with Latin America is the Rio Treaty. In planning its own defense, the United States must take account of Latin America in view of its geographic proximity and our dependence on Latin American resources. Our military cooperation with Latin America is especially valuable because of the unique position the military occupies in Latin American politics. We have a highly developed pattern of military relations with Latin America, including the Inter-American Defense Board, joint military commissions, attachés, missions, military assistance agreements and bases and base rights. Many Latin American states seek to obtain military equipment beyond militarily justifiable requirements (a) to enhance their prestige, (b) as a result of inter-American rivalries, or (c) to strengthen the position of military groups in internal affairs. The Latin American countries continue to

acquire and use substantial quantities of European military equipment. Their purchase of the major share of their military equipment in Europe, even when confined to non-communist sources, adversely affects U.S. influence in Latin America, and results in a varied assortment of equipment for which it would be difficult to obtain spare parts in time of war.

#### Policy Conclusions

8. It is essential that we strengthen our close political ties with the other American Republics and keep them associated with us in support of our world policies. The Organization of American States, with its subsidiary organizations, is one of the primary instruments through which we can accomplish this end, at the same time avoiding any appearance of unilateral action or intervention.

9. Close economic relations with Latin America are a valuable asset to the United States and will become even more important as the economies of these Republics are further developed. Accordingly, it is important to preserve and improve the trade and investment relations between the United States and the Latin American nations.

10. The desire for more rapid economic progress and higher standards of living is a major political issue in Latin America. The maintenance of friendly relations with Latin America requires us to assist the other American Republics in carrying forward their constructive economic development programs and to become associated in Latin American thinking as a partner in economic progress. The United States should promote the development by private initiative of sturdy, self-reliant economies in Latin America which do not require continuing grant assistance from the United States.

11. Closer relations between the Soviet Union and Latin America are against the security interest of the United States. Some Latin Americans may respond favorably to some of the Soviet bloc offers, especially for expanded trade, or attempt to use the threat to accept Soviet offers as a weapon to obtain increased U.S. assistance. The Soviet overtures only serve to emphasize the urgency and necessity of carrying out U.S. policies vigorously, especially loan and trade policies, in order to demonstrate the benefits to be derived from a free private enterprise system and from close relations with the United States. We should be prepared, however, to take action appropriate to the occasion if a Latin American state establishes close economic or other ties with the Soviet bloc.

12. The unique political position of military groups in Latin America makes it important to the United States to maintain influence with these groups. A major factor in the maintenance of this influence with the military is U.S. ability to provide military training and equipment for their forces on a cash, credit or grant basis if

necessary. In some cases it is in the U.S. interest to provide such equipment primarily for political reasons.

13. The purchases and maintenance of non-essential military equipment by Latin American states generally reduce their capability to improve domestic living standards and to borrow abroad. It is, therefore, important for the United States to attempt to dissuade these countries from purchasing from any source military equipment not essential for military purposes.

14. In addition to being a source of vital strategic resources, Latin America provides bases important to our security. Accordingly, we should be prepared to provide military equipment and training to the Latin American states to assist them to maintain internal security and to defend coastal waters, ports, bases and strategic areas and installations within their own borders and communication routes associated therewith, when this will contribute to the defense of the hemisphere. In exceptional cases, political or hemispheric defense considerations may make it in the interests of national security for the United States to provide military equipment and training to certain Latin American states over and above that needed to assist them to discharge the normal military missions described above.

#### Objectives

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

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

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

d. Reduce and eventually eliminate Soviet bloc and Communist influence in the area.

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

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

#### General Courses of Action

##### *Political*

16. Achieve a greater degree of hemispheric solidarity by:

a. Strongly supporting and strengthening the Organization of American States to make it a model of relationships among free nations, utilizing it wherever feasible to achieve our objectives, and promoting increased financial support on a proportional basis.

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

c. Giving special emphasis to the maintenance of a spirit of partnership and equality, promoting close personal relations with Latin American leaders and encouraging reciprocal visits by high Government officials and distinguished private citizens.

d. Refraining from overt unilateral intervention in the affairs of the other American Republics, without prejudice to multilateral action through the inter-American system, . . . .

e. Taking into consideration, in determining the extent of U.S. assistance and support to particular American states, their willingness and ability to cooperate with us in achieving common objectives. If a Latin American state should establish with the Soviet bloc close ties of such a nature as seriously to prejudice our vital interests, be prepared to diminish governmental economic and financial cooperation with that country and to take any other political, economic or military actions deemed appropriate.

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

17. a. Encourage, through consultation, prudent exchange of information and other available means, individual and collective action against expansion of Soviet bloc influence or 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, promote and cooperate through the OAS in the application of measures available under the Rio Treaty (including military) to the extent necessary to remove the threat to the security of the hemisphere, taking unilateral action only as a last resort.

18. a. 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. Toward this end, we should continue our technical cooperation programs in these areas.

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

19. Assist and encourage programs designed to develop a social consciousness and responsibility on the part of management and labor, the improvement of labor-management relations, and the continued growth of democratic, responsible trade unions.

20. Enlist the support of Latin American governments to prevent direct and indirect shipments of strategic materials to the Soviet bloc.

*Economic*

21. Maintain stable, long-term trading policies with respect to Latin America designed to expand existing levels of inter-American commerce. In order to achieve a high level of inter-American trade in accordance with the most-favored-nation principle, (a) press strongly for reciprocal reductions of barriers to such trade and (b) take the lead by reducing further our own trade restrictions over the next few years, with due regard to national security and total national advantage.

22. Be prepared to encourage, through the Export-Import Bank, the financing of all sound economic governmental development projects or private commercial projects, for which private capital is not readily available provided each loan is (a) in the best<sup>2</sup> interests of both the United States and the borrowing country; (b) within the borrower's capacity to repay; (c) within the Bank's lending capacity and charter powers; and (d) sought to finance U.S. goods and services.

23. Support applications for sound development loans which are submitted to the IBRD.

24. Only if actions under paragraphs 21, 22 and 23 are inadequate, and then only with the approval of the President or his designee in each case, make soft dollar loans or provide grant economic assistance to meet conditions of temporary emergency affecting U.S. interests which the local government cannot solve with resources at its command. Encourage the beneficiaries of such programs to relinquish U.S. aid and to become self-reliant as soon as it is practical to do so. Notwithstanding the foregoing, continue our aid to the Inter-American Highway and the Rama Road, and encourage the use for economic development purposes in the purchasing countries of the local currency proceeds obtained through the sale of surplus agricultural commodities.

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

26. While recognizing the sovereign right of Latin American states to undertake such economic measures as they may conclude are best adapted to their own conditions, encourage them by eco-

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<sup>2</sup> On September 27, a typographical omission of the word "best" was corrected. (Memorandum from Lay, September 27, *ibid.*; S/S-NSC Files: Lot 63 D 351, NSC 5613/1—Memoranda)

conomic assistance and other means to base their economics 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:

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

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

- a. Give particular attention to the economic vulnerabilities of the Latin American countries and avoid, to the maximum extent practicable, detracting from the ability of these countries to market their own exportable produce.
- b. Give particular emphasis to the use of these resources to promote multilateral trade and economic development.

28. Where appropriate, encourage diversification of Latin American economics on a sound basis.

#### *Information and Related Activities*

29. Expand and make more effective information, cultural, education and exchange-of-persons programs, with particular emphasis on aid to American schools abroad, bi-national cultural centers, and exchange-of-persons programs, stimulating private groups to undertake appropriate projects.

30. . . .

#### *Military*

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

32. a. Encourage acceptance of the concept that each of the Latin American states is responsible for its own internal security and for providing, through effective military and mobilization measures, a contribution to the defense of the hemisphere by the defense of its coastal waters, ports and approaches thereto, bases, strategic areas

and installations located within its own territory, and routes of communication associated therewith.

b. In exceptional cases, be prepared to accept participation by a Latin American state in combined operations in support of U.S. military responsibility under paragraph 31 above, where its location and resources make such participation feasible, and where political or hemisphere defense considerations make such a course of action in the interests of the security of the United States.

33. Make available to Latin American states, on a grant basis if necessary, the minimum military equipment necessary to assist them to carry out the limited missions in the foregoing paragraph.

34. a. Recognizing that Latin American requests for military equipment are requirements against limited MDAP funds and supplies of U.S. military equipment; that their purchases of military equipment, especially on credit, have an adverse effect on their borrowing capacity and our ability to make loans to them for economic development purposes; that the denial of their requests has disadvantages for the United States; and that in certain instances the military elements in Latin America exercise a disproportionate influence on the governments; discourage Latin American governments from purchasing military equipment not essential to the missions in paragraph 32. Notwithstanding the foregoing, if a Latin American government cannot be dissuaded from purchasing unneeded military equipment, and if it is essential for U.S. political interests, make additional equipment available on a cash, credit, or, under extraordinary circumstances, grant basis, if appropriate.

b. In order to be in a position effectively to supply military equipment on a reimbursable basis in accordance with this and the foregoing paragraph:

(1) Offer to Latin American governments military equipment at competitive prices and under competitive delivery dates.

(2) Make sales of military equipment to Latin American governments on credit, which should normally be limited to three years.

35. Except when it will create undue demand on the United States for modernization, replacement, spare parts, and ammunition; seek, in the interests of standardization as well as for other reasons, to discourage purchases by Latin American governments of military equipment from other Free World countries, primarily by assuring the Latin American countries that we will endeavor to fill their essential requirements on reasonable terms. Wherever feasible consistent with the above, seek to prevent other Free World countries from selling military equipment to Latin American states.

36. Seek to develop a conviction that collaboration, including military purchases, by any of the American states with Communist



nations would be a serious hazard to all of the nations of this hemisphere.

37. Proceed vigorously with the implementation of the program for strengthening the local police, constabulary and related forces necessary to maintain internal security and to destroy the effectiveness of the communist apparatus in the Western Hemisphere in countries found to be vulnerable to Communist subversion.

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

39. . . .

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

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

42. Foster closer military relations with the Latin American armed forces in order to increase their understanding of, and orientation toward, U.S. objectives and policies.

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

44. Provide adequate quotas for qualified personnel for training in U.S. armed forces schools and training centers; encourage Latin American states to fill their authorized quotas at the three Service Academies.

45. Study the advisability of encouraging the use of the Latin American military personnel for a constructive role in economic development projects.

46. Encourage, to the maximum extent consistent with the needs and capabilities of each Latin American nation, the standardization along U.S. lines of military doctrine, unit organization and training.