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Authority NLE 2001-116 #1  
By MMK NLDDE Date 7/16/10

# NATIONAL SECURITY COUNCIL

PROGRESS REPORT  
(September 11, 1957)

on

U. S. POLICY TOWARD LATIN AMERICA  
(NSC 5613/1)

by

THE OPERATIONS COORDINATING BOARD

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OPERATIONS COORDINATING BOARD  
Washington 25, D. C.

MEMORANDUM FOR: Mr. James S. Lay, Jr.  
Executive Secretary  
National Security Council

SUBJECT: Progress Report on Latin America (NSC 5613/1)

The attached Progress Report by the Operations Coordinating Board on Latin America (NSC 5613/1), covering the period from September 25, 1956, through September 11, 1957, for transmittal to the National Security Council.

U.S. Policy in relation to Latin America (NSC 5613/1) has been found to be consistent with National Security Policy (NSC 5707/8).



*Roy M. Melbourne*  
Roy M. Melbourne  
Acting Executive Officer

Attachment:

Subject Report dated 9/11/57

OPERATIONS COORDINATING BOARD

September 11, 1957

PROGRESS REPORT ON LATIN AMERICA (NSC 5613/1, September 25, 1956)  
(Period Covered: September 25, 1956 through September 11, 1957)

A. SUMMARY OF OPERATING PROGRESS IN RELATION TO MAJOR NSC OBJECTIVES



1. Summary Evaluations. While there have been some setbacks and problems, reasonable progress has been made toward accomplishing basic policy objectives, though in some respects necessarily on a long-range basis.

a. Inter-American Solidarity. The other American republics remain essentially friendly toward the United States and have continued on the whole to support major US world policies, particularly in the UN. The Organization of American States (OAS) took effective action to preserve the peace in Central America in connection with a flare-up of a Nicaragua-Honduras boundary dispute.

b. Economic Development. US programs have sought to encourage the growth of sturdy, self-reliant economies based on the free enterprise system. Despite some progress, factors such as excessive nationalism, statism, corruption and inefficiency, political instability and the generally low levels of education, make this a slow and very long-range effort.

c. Soviet and Communist Influence. The Soviet Bloc, with its attention diverted to Hungarian and Middle Eastern problems, has not increased its influence in the area, and local communists, though vocal and still having a potential for making trouble, generally have been held in check. Progress on overseas internal security programs is detailed in Annex A, para. 3.

d. Raw Materials. In present circumstances production of and access to the materials essential to US security remain adequate.

e. Military. The Latin American countries continue willing to participate in and support measures to defend the hemisphere. Their capabilities in this regard are confined generally to the maintenance of internal security and individual territorial integrity and a limited naval and air capability for protection of Inter-American maritime traffic.

f. Political Development. Little progress has been evident in the development of stable political systems along democratic representative lines, due mainly to political and economic immaturity and to some extent to deliberate communist and nationalist agitation.

2. Need for Policy Review. In view of the above, review of US Policy Toward Latin America (NSC 5613/1) is not recommended at this time. The CCE, however, has undertaken a study of the problems created by varying interpretations of the scope of military assistance policy which might require NSC attention at some time in the future.



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B. MAJOR OPERATING PROBLEMS OR DIFFICULTIES FACING THE UNITED STATES

3. There are at present no critical or strategic problems or difficulties which are major threats to US security or which seem likely to cause changes in the generally satisfactory status of US-relations with the area. Nevertheless, there are a very large number and variety of major problems and difficulties (detailed below) involved in maintaining currently achieved objectives and in progressing toward unachieved long-range objectives, as well as potentially dangerous situations in selected countries. These are being attacked in accordance with the special operating guidance and the courses of action con-  
curred in by the CCB.



4. Political

a. Political instability, especially in Argentina, Haiti, Cuba, Guatemala (see Annex B), Bolivia and Honduras, represents a threat to US interests. It places a premium on implementation of the courses of action which promote a broad basis of understanding and support of our world policies in spite of changes in governments. It also underscores the wisdom of continued long-range US efforts on many fronts for an evolution toward political stability.

b. Charge that US Supports Dictatorships. Continued US adherence to the policy of non-intervention in the internal affairs of Latin American countries including dictatorships, has strengthened the view of liberal circles in Latin America and in the United States that this Government favors dictators. For example, the process of investigating the disappearance last December in the Dominican Republic of a young American pilot, and his possible relationship to the disappearance of a prominent critic of the Dominican government, has been greatly complicated by pressures brought to bear on the Government in favor of an open anti-Trujillo policy.

c. Labor; Management. In general, the involvement of organized labor in politics, a dearth of trained union leadership, the prevalence of class feeling, the inadequacy of basic education and technical training, the backwardness of management, and the general low standard of living hampered the carrying out of the agreed courses of action. Although the communists in general remained numerically weak throughout the area, they enjoyed some successes in their efforts to infiltrate and influence the labor movement. They were particularly active in Argentina, Bolivia, Chile, El Salvador, Honduras, Peru, and Uruguay. In some countries nationalistic sensitivities, heightened by communist influences, tended to obstruct the Inter-American Regional Organization of Workers (commonly known by its Spanish initials ORIT) and AFL-CIO campaign to extend sound, democratic trade unionism throughout the area. This organizing campaign, which has been generally successful over the last 10 years, was largely at a pause during the period under review. The situation was mainly accounted for by internal rivalries,



by the domestic situation in a number of Latin American countries and by a wait required for the results of an appraisal trip taken by the new Director of Organization of the International Confederation of Free Trade Unions (ICFTU), in company with leading ORIT and AFL-CIO officers, to a number of countries. The prospects indicated that a harmonization of relations between leading labor groups within ICFTU and between ORIT and ICFTU would soon permit resumption of CRIT's campaign. Concerted plans by a number of international trade secretariats include an organizing campaign throughout the area. With respect to efforts to stimulate interest among the Latin American universities in establishing courses on management and on labor relations it was not easy to find qualified US professors with a command of the Spanish language and as yet only a small beginning in this direction has been made.

d. Overseas Internal Security Programs. There is a danger that US programs to strengthen the internal security forces of the area, which are often used as political instruments, may provide grounds for a belief that the United States has abandoned the principle of non-intervention and has committed itself to the preservation of the status quo through repression of the political opposition, including non-communist groups. In the development of overseas internal security programs requiring the assignment of police technicians to the field the basic anti-communist objective of the program must be strictly observed. To meet the continuing problem of the repressive actions of many police forces in the area, OISP programs include emphasis on training and reorientation to encourage their use to protect individual rights.

#### 5. Communism and Relations with the Soviet Bloc

a. Soviet-Communist Influence. Although the Soviet Bloc offensive in Latin America has gained no net ground during the period, due in part to Hungarian and Middle Eastern developments, local communist activities and continued Soviet Bloc interest in the area indicate that it may intensify at any time. The over-all estimate of Communist Party membership in Latin America remained fairly constant, downward revisions of estimates in several countries being largely offset by a significant increase in Argentine Party membership from 35,000 two years ago to an estimated 65,000. Capabilities of Latin American communist parties as a rule are greater than actual numbers suggest. In recent months anti-US propaganda has been intensified, particularly on the questions of disarmament and atomic fall-out resulting from nuclear tests. These issues and others prejudicial to US interests are being promoted energetically by Communist fronts throughout the area. Through its 18 resident diplomatic missions and consular posts (17 when Peru finally closes the Czech legation there for subversion) in eight Latin American countries, the Bloc has supported these local activities and has continued its economic and cultural propaganda at a high level. Travel of trade, cultural, and sports groups to and from the Bloc has remained extensive. A significant development was the increased attention given to the area by Communist China





in the form of propaganda, visiting trade and cultural delegations and invitations to Latin Americans to visit Feiping. Several Latin American communist parties have pointed to the Chinese party as a model to be emulated. The possibility still exists that the Bloc may supplement its current offers of markets for non-strategic surplus commodities with offers to sell arms or provide economic and technical assistance, e. g., to Argentine, Brazilian, and Mexican government petroleum monopolies. Bloc efforts to achieve respectability and expanded influence must continue to be countered through a wide range of activities designed to convince the peoples and governments of Latin America that their interests will best be served through continued close relations with the United States.

b. East-West Trade. Because Latin American countries attempted to place trade with the Bloc on a multilateral basis and to use up credits accumulated under earlier trading arrangements, and because export surpluses became less burdensome, the total volume of trade with the Bloc decreased in 1956 as compared with the previous year. Substantially all this trade was conducted by Argentina, Brazil, Chile, Colombia, Cuba, Mexico, Peru, Uruguay, and Venezuela. Preliminary data reveal that Latin American imports from the Bloc were \$126 million, or 1.7 per cent of the total, as compared with \$153 million or 2.2 per cent in 1955. Latin American exports to the Bloc in 1956 amounted to about \$104 million or 1.3 per cent of total exports, as against \$182 million or 2.3 per cent in 1955. Despite decreases in trade with the Bloc in 1956 and declining stocks of surplus products (now largely limited to Argentine hides and Uruguayan wool), Argentina, Brazil and Uruguay continue to work toward developing commercial relationships with Bloc countries as a means to diversify their foreign economic ties. They hope to retain outlets for possible future surpluses and to secure some needed capital equipment. Of importance in these efforts was Uruguay's recent attempt to develop trade with Communist China in negotiations for an Inter-Bank Payments Agreement in Montevideo and the subsequent visit of the Communist Chinese mission to Argentina and Brazil, with possible visits elsewhere in the area.

## 6. Economic Development

a. General. Essential to the achievement of long-range US objectives for the area is sustained economic development. Some of the obstacles to such development are:

(1) The slow rate of progress in creating conditions conducive to private capital investment in many sectors. For example, excessive nationalism in Brazil and Argentina continues to cause them to pay half a billion dollars a year for foreign oil while their own remains grossly underdeveloped, keeping them economically insecure and thus politically and socially vulnerable. Political instability, graft and corruption short-circuit the possible development of countries such as Haiti and Honduras.



(2) Insufficient managerial talent and technical skills limit the amount of capital that can be efficiently used.



(3) The political difficulties confronting governments attempting to undertake sound economic reform. For example, efforts at stabilization in Bolivia and Chile have been opposed by vocal and influential worker groups which believe their interests endangered, at least in the short run.

(\*) Para. 21, NSC 5613/1, requires that the United States take the lead in achieving a high level of inter-American trade by reducing our trade restrictions. However, declining prices of lead and zinc and rising supplies of petroleum and tung oil have led producers to seek restrictions on US imports of these products. The Administration has recommended the imposition of excise taxes on imports of lead and zinc at prices lower than specified domestic price objectives, has recommended a system of voluntary restrictions on petroleum imports, and has issued a proclamation imposing restrictions on tung oil. These measures, if taken, will reduce the level of inter-American commerce and will adversely affect the economies of the producing countries (Mexico, Peru, Bolivia, Guatemala, Venezuela, Paraguay, and Argentina). Pressure for retaliatory action is to be expected.

b. Latin American Pressure for More US Assistance. There is a feeling throughout the Latin American countries that they are receiving a disproportionately small share of the total economic assistance effort of the United States. Latin Americans want some type of Latin American development fund or bank while the United States view is that no new international institution is required. Under the world-wide economic Development Loan Fund which has been authorized by the Congress and for which limited funds have been appropriated, the Latin American countries will be eligible for long term loans with an option to repay in local currencies. Also while Congress again authorized a special regional fund (Smathers Amendment to the Mutual Security Act of 1954) to provide an additional source for similar loans, no appropriation was made for such a regional fund although Congress earmarked \$10 million from the \$225 million world-wide Special Assistance appropriation to be used for Guatemala and also expressed the intention that not less than \$20 million from that appropriation be used in Latin America. Present policy (Para. 24, NSC 5613/1) restricts soft loans to Latin America to meeting temporary conditions of emergency and requires that principal reliance be placed on private capital and on Ex-Im Bank, IBRD, IFC and PL 480 loans. It may be expected that the establishment of the Development Loan Fund will increase pressure from Latin America for long-term, low interest loans repayable in local currencies. It is not expected that the Development Loan Fund will be an important source of additional financing for Latin America for two reasons: (a) higher priority needs of other areas; (b) in accordance with Para. 24, NSC 5613/1, the requirements of Latin America will continue to be met largely from private capital, Ex-Im Bank, IBRD and IFC sources, as well as from PL 480 assistance. To avoid misunderstandings and to overcome possibly heightened feelings of discrimination against Latin America, it is essential that the United States explain its policy to Latin American countries in a full and convincing manner. The financing of economic development was discussed at the OAS Buenos Aires Economic Conference which was held August 15-September 4, 1957.



7. Curtailment of USIA Information Activities. The budget request of \$12.7 million for FY 1958 was the basis on which USIA projected its participation in advance interagency planning for Latin America. This was reduced to a tentative \$7.8 million as compared with \$9.4 million available in FY 1957 and \$6.8 million in FY 1956. Rising costs in several countries, and the decision to protect long-term "assets" such as public relations contacts and Bi-National Centers, means a correspondingly greater shrinkage in funds available for other activities. An effort is being made to distribute the limited funds in such a way as to sustain strong efforts in a special priority group of about one-third of the countries. Of the remaining two-thirds, about one-half will be limited to concentrating on one or two special projects (such as counteracting successful communist penetration of a key labor organization) in addition to standard public relations contacts. In the remaining countries, USIA will carry out little more than a limited public relations function.

8. Military. Implementation of the changes in US military policy accomplished by NSC 5613/1 has been undertaken but will require continuing efforts to achieve general acceptance.

a. Obtaining Base and Related Rights. Current negotiations with Brazil for an Army communications station and three LORAN stations, and the military discussions stemming from the Fernando de Noronha agreement, are complicated by unjustifiable Brazilian requests for excessive military aid totalling an estimated \$600 million to strengthen the defense of Northeastern Brazil based on Brazilian claims that they have assumed greater responsibilities for hemispheric defense. Panama must be persuaded to honor the treaty obligations under which the United States seeks radar sites for defense of the Canal. Despite lack of success to date, efforts must be continued through the Joint Mexico-United States Defense Commission to revise the Emergency Defense Plan as a basis for seeking agreement with Mexico on possible future extension of US air defense operations over her territory.

b. Limiting LA Military Objectives and Equipment Purchases

(1) More emphasis must be placed by all US officials in a position to do so on action to discourage Latin American governments from purchasing equipment in excess of their military requirements and thus wasting resources which might better be devoted to economic development. This will be especially difficult in view of the increased availability of British, French and US obsolete military equipment no longer useful in accordance with new defense concepts. Some success was attained in this respect during the period, most notably by Admiral Radford during his South American visit. However, a major setback was the purchase by Brazil from the United Kingdom, despite US advice to the contrary, of an obsolete aircraft carrier at a cost of some \$9 million which, when equipped with aircraft and refitted, could cost as much as \$60 million. Brazil has requested such aircraft and refitting from the United States, and US refusal of the request which is contemplated may seriously affect the willingness of the Brazilian military to cooperate with

the United States and may further complicate the base negotiations referred to above. In addition, Brazil's purchase of an aircraft carrier may stimulate other Latin American countries to make similar excessive military purchases.

(2) Questions have been raised by interested agencies concerning the extent to which certain portions of NSC 5613/1 (specifically paras. 31, 32(a) and (b), 33 and 34) are subject to varying interpretations, creating operating problems in the course of implementation of military assistance programs. Such implementation has been delayed from time to time in an attempt to reach agreed positions concerning the consistency of proposed military assistance programs with the stated policy. The interested agencies will, through the OCB structure, in the light of these operating problems (a) seek to agree on an interpretation of the policy for future guidance of the operating agencies and (b) provide therein, in the event of disagreement among the interested agencies in particular cases under such interpretation, that a cooperative agreement would be sought.

c. Inter-American Military Relations. Close relations with the Latin American military must be maintained for political as well as military reasons. Continued purchases by Latin American countries from European sources have tended to reduce the influence of US missions in the area. Efforts must be continued to discourage such purchases, and to provide on a competitive basis those items deemed necessary for military or political reasons. Recent Congressional authorization for a revolving fund to finance credit sales of needed military equipment should help resolve this problem.

NOTE: The following area or regional NIEs are applicable to Latin America:

NIE 80/90-55, Conditions and Trends in Latin America,  
December 6, 1955

NIE 80-57, Political Stability in Central America and the Caribbean  
through 1958, April 23, 1957



ATTACHMENTS: (3)

1. Annex A
2. Financial Annex
3. Annex B: Significance to US Policy of the Assassination of the President of Guatemala



## OPERATIONS COORDINATING BOARD

September 11, 1957

ANNEX A

## ADDITIONAL MAJOR DEVELOPMENTS NOT COVERED IN THE REPORT

1. Progress in Carrying Out Commitments for Funds, Goods or Services, and Other Programs. On the whole, US commitments to Latin America are being met. However, although legislation implementing those portions of the 1955 Treaty with Panama providing for construction of a bridge and for the return to Panama of certain land areas no longer required by the United States, has been passed by Congress at this session and signed by the President, the United States will still be in default on the third item of implementation: establishment by Act of Congress of a uniform wage scale in the Canal Zone, the Senate-passed bill having however prospects of House passage at the next session. The difference between Ex-Im Bank loan authorizations and loan disbursements to Argentina, Brazil, and Chile as shown in the Financial Annex is due to slow progress by those countries in meeting technical conditions of the loan agreements. The cumulative total of funds programmed for grant military assistance to Latin America through FY 1957 was \$270 million, divided among the twelve countries listed in the Financial Appendix to NSC 5613/1, and \$217 million of this total is estimated to have been delivered through FY 1957. The cumulative total of funds programmed and obligated for economic assistance through FY 1957 was \$118.0 million, of which \$77.1 million is estimated to have been expended by the end of FY 1957. The cumulative total of funds programmed and obligated for technical assistance through FY 1957 (covering all countries except Argentina, with which an "umbrella" agreement was signed in June) was \$234.9 million, of which \$207.4 million is estimated to have been expended by the end of FY 1957. A PL 480 summary, listing countries, is contained in the Financial Annex. Fulbright agreements totalling \$1.85 million with six countries (Argentina, Chile, Colombia, Ecuador, Paraguay, Peru) are being carried out on schedule. Four of these were concluded during the period, and an agreement is being negotiated with Brazil. Investment guaranty agreements have now been concluded with ten countries and negotiations are under way with Brazil. Over \$500,000 in guaranties have been provided to US investors in two countries and some 23 guaranty applications are pending for investments in 7 countries, totalling approximately \$38 million.

2. New Commitments for Funds, Goods or Services. The only formal determination in accordance with NSC Action 1550 during the period under review related to commitments requiring US funding arising out of proposals made by the US representative to the Inter-American Committee of Presidential Representatives. Fourteen proposals made to the Committee by the





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US representative in connection with the formulation of the agenda would result in an eventual annual increase in regular budgets of OAS of about \$5.6 million of which the US share would be limited to approximately \$3.8 million. In addition, there would be non-recurring costs to the United States of up to \$40.5 million extending over a five-year period. The determination included special provisions differing from those applying to regular contributions to OAS agencies for three proposals involving special non-recurring activities, namely, malaria eradication, atomic energy, and a building fund for the Inter-American Institute of Agricultural Sciences. Under the Special Regional Fund (Smathers Amendment) loan agreements totalling \$12.85 million in the fields of health, sanitation, education and resettlement were signed with seven countries during this period.



3. Overseas Internal Security Programs are in the process of active implementation in Bolivia, Brazil, Chile, Guatemala and Venezuela. Civil police missions have been assigned to Bolivia and Guatemala and have begun their preliminary work of training and orientation of the local internal security forces. A survey of security measures to protect oil-producing facilities of Venezuela has been completed under this program, and the only other recommendation in the Venezuelan program, namely, anti-communist intelligence training for the military, is in process of implementation by the Department of Defense. The Director General of the Chilean carabineros paid a highly successful visit to this country in compliance with the principal recommendation of the Chilean program.

EO 12958  
3.4(b)(1)-25Yrs  
(C)

Implementation of the Costa Rican internal security program has been suspended in view of the Embassy's evaluation that the political situation would not permit such a program until after the elections scheduled for 1958. On the Embassy's recommendation, implementation of the militia portion of the Bolivia program has been suspended as politically counter-productive. A limited program of assistance to the Salvadoran police is being carried out and a preliminary survey of the civil police of Peru was completed even though there are no formal overseas internal security programs for these countries. It is estimated that some 24 participants from Chile, Colombia, Guatemala, and Paraguay received training in FY 1957.

4. Additional Developments during the period were:

- a. President Rojas Pinilla of Colombia was overthrown by a five-man military junta on May 10.
- b. President Paul Magloire of Haiti was overthrown in December. Since then the Haitian scene has been marked by a series of political crises and outbreaks of violence.

[REDACTED]

c. The Honduran Chief of State Julio Lozano was overthrown in October 1956 and replaced by a military junta.

d. Venezuela and Argentina interrupted diplomatic relations in July as a result of the continued asylum offered the former Argentine dictator Peron by Venezuela. July 28 elections in Argentina to a constitutional convention resulted in majority control of the convention by parties supporting the present Government. Blank vote, largely Peronist in nature, totalled 25%, which together with the vote of the principal opposition parties about equalled the vote of the pro-Government parties.

e. Luis Somoza was elected and inaugurated in May as constitutional president of Nicaragua, succeeding without disorders to the position held by his father, Anastasio Somoza, who was assassinated.

f. The Secretary General of the Organization of Central American States (ODECA), Guillermo Trabaino, added greatly to his own and ODECA's prestige when he played a major role in December in bringing about a sharp improvement in the relations between Nicaragua and Costa Rica, between which serious trouble was only narrowly averted.

g. Towards the end of 1956 President Meany of the AFL-CIO with a party of other important US labor leaders visited Brazil, Uruguay, Argentina, Peru and Panama to meet labor leaders and government officials. The trip was everywhere a success from a public relations point of view and attracted considerable sympathetic notice for the US labor movement and ORIT in all the countries visited.

h. The Inter-American Federation of Mineworkers was created by a founding congress that met in Lima in April of this year. Its headquarters will be in Mexico City. The new organization was created largely through the efforts of the United Mine Workers of America assisted by ORIT.

i. Stabilization programs were initiated in Bolivia, Colombia and Paraguay. The United States provided technical and financial support to these as well as the continuing Chilean program.

j. The benefits accruing to Latin America from US direct private investment were highlighted during the period through the publication by the Department of Commerce of a survey, "The Role of Private Investments in the Latin American Economy," covering the year 1955, and its subsequent exploitation by the United States in the area.

k. A Department of Commerce trade mission, including private business members, visited numerous cities in Argentina and Peru. The mission spent about three weeks in each country and received extensive and favorable press coverage.



1. In June the IFC announced its first loan authorization, which was in the amount of \$2 million to a Brazilian subsidiary of a West German electrical equipment manufacturing company.

m. After ten years or more of negotiations in each case, bilateral Civil Aviation Agreements were signed with Mexico and Colombia.

n. The Inter-American Atomic Energy Symposium held at Brookhaven in the middle of May was most successful and augured well for future cooperation at the scientific level within the Americas. Agreements for Cooperation in the Peaceful Uses of Atomic Energy were signed with Brazil (Power, 7/31/57), Ecuador (Research, 5/31/57), Nicaragua (Research, 6/11/57), and Peru (Power, 7/19/57), and will become effective on completion of certain legal or formal steps in this country and in the cooperating countries.

o. January 21 a long-sought agreement was signed with Brazil permitting the United States to establish a guided missile tracking facility on Fernando de Noronha Island.

p. A military understanding concerning the defense of strategic areas in Venezuela and the military forces required for this purpose, signed March 13, 1956, entered into force February 5, 1957. This involves, subject to annual review, potential credits totalling \$180 million over a ten-year period.

q. The effort to draft a general economic agreement at the Buenos Aires Economic Conference was not successful, but there was issued a Declaration of the Conference which contains a series of general economic principles. Among the resolutions approved was one supporting the idea of a common market for Latin America and another authorizing a continued study of the Latin American desire for an inter-American development bank.





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September 11, 1957

FINANCIAL ANNEX TO PROGRESS REPORT ON Latin America  
(In millions of dollars over \$5 million. Up to  
\$5 million shown in nearest tenth million.)

(Period Covered by Progress Report: September 25, 1956 through Sept. 11, 1957)  
EXPENDITURES AND DELIVERIES - CERTAIN U. S. ACTIVITIES

Activity	FY 1956	FY 1957		FY 1953 (Est. as of 7/24/57)
		Est. Through 5/30/57	Est. Total	
Military Assistance (Inc. construction & consumables (Direct Forces Support); excess stocks rehabilitation; packing, crating, handling, transportation; excess stocks supplied.)	27	39	39	31
Economic Assistance (Defense support or Development assistance.)	28	40	40	30
Technical Assistance (1)	27	29	29	33
Information Services	6.8	9.4	9.4	7.3
Educational Exchange	1.3(2)	2.4(2)	2.4(2)	3.15(2)
Total	90.6	119.8	119.8	112.95
MAP Sales of Military Equipment & Services	3	14	14	--(3)
MAP Offshore Procurement Payments (Defense expenditures entering into int'l balance of payments.)		N O N E		
Other U.S. Govt. Payments (affecting int'l bal. of payments - mil. & civ. pay, construction, procurement of U.S. mil. supplies & equipment.)	38	91.6	91.6	96.0

## LOANS

LOANS BY	During Period 7/1/55 to 6/30/57			As of 6/30/57	
	Disbursements	Repayments	New Loans Authorized	Undisbursed Commitments	Outstanding Debt
IBRD	95	13	50	142	454
EX-IM BANK	95	110	301	702	850
	See Attached page 4				

## PUBLIC LAW 480 AGREEMENTS

Date	Title	Amount	Est. % Dels.	Major Commodities	Use of Local Currency or Other Comment
	I	See Attached page 5			
	II	See Attached page 6			

All Notes and Comments relating to the above figures are shown on a separate page.

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FINANCIAL ANNEX TO PROGRESS REPORT ON LATIN AMERICA

PIPELINE ANALYSIS, MUTUAL SECURITY PROGRAM  
(In Millions of Dollars)

AREA-WIDE

September 11, 1957

MILITARY ASSISTANCE

	<u>Obligations</u>	<u>Expenditures</u>	<u>Carryover</u> (at end of period)
Prior to FY 1956	212	151	61
FY 1956	13	27	47
FY 1957	45	39	53
FY 1958	27	31	49

ECONOMIC ASSISTANCE

Prior to FY 1956	22.6	8.9	13.7
FY 1956	44.2	28.3	29.6
FY 1957	51.2 *	39.9	40.9
FY 1958	32.0(4)	38.4(4)	34.5

TECHNICAL ASSISTANCE

Prior to FY 1956	175.0	151.7	23.3
FY 1956	28.0	26.8	24.5
FY 1957	31.9(5)	28.9	27.5
FY 1958	36.5	33.3	30.7



\* Includes \$12.65 million Smathers Amendment loans.

## FINANCIAL ANNEX TO PROGRESS REPORT ON LATIN AMERICA

NOTES TO PAGES 1 and 2

September 11, 1957

- (1) Includes technical cooperation program of OAS as well as bilateral programs.
- (2) Funds received from the Agricultural Trade Development and Assistance Act of 1954 not included: they are \$ .1 million for FY 1956, estimated \$ .6 million for FY 1957, estimated \$1.4 million for FY 1958.
- (3) No reasonable basis for estimate.
- (4) Based on FY 1958 program presented to the Congress.
- (5) Excludes reprogramming of prior year funds.





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FINANCIAL ANNEX TO PROGRESS REPORT ON LATIN AMERICA  
IBRD AND EX-IM BANK LOANS TO LATIN AMERICA BY COUNTRY  
 (\$Million)

September 11, 1957

Country	A. Loans by IBRD					B. Loans by Ex-Im Bank				
	7/1/56-6/30/57			As of 6/30/57		7/1/56-6/30/57			As of 6/30/57	
	D	R	N	U	O	D	R	N	U	O
Argentina	-	-	-	-	-	-	10.9	100.0	160.0	65.2
Bolivia	-	-	-	-	-	1.0	1.1	-	*	34.6
Brazil	9.2	3.6	-	4.0	151.1	38.5	64.7	193.4	259.3	416.4
Chile	8.2	1.2	15.0	20.1	25.1	1.1	8.0	43.7	46.8	58.4
Colombia	21.3	4.6	-	29.7	62.5	1.1	4.8	-0.4	*	20.5
Costa Rica	0.8	0.4	3.0	2.2	0.4	2.2	0.6	0.3	7.5	11.6
Cuba	-	-	-	-	-	4.8	*	-3.8 a/	1.4	20.8
Dom. Rep.	-	-	-	-	-	-	-	-	-	-
Ecuador	2.0	0.2	-	9.6	3.7	2.1	1.8	1.1	2.4	25.9
El Salvador	3.3	*	-	4.0	18.3	0.1	*	*	*	0.1
Guatemala	5.0	-	-	8.3	9.3	1.6	0.3	-0.3 b/	0.2	1.8
Haiti	0.1	0.4	-	2.5	-0.3 a/	1.4	0.3	-	3.1	27.1
Honduras	1.6	-	-	2.5	0.8	*	*	1.7	1.7	*
Mexico	20.4	2.9	-	7.7	115.1	13.7	18.6	28.4	100.3	114.4
Nicaragua	4.2	1.2	1.6	10.8	7.8	*	0.1	2.0	2.3	0.3
Panama	1.3	0.2	-	3.4	1.4	-	0.1	12.8	12.9	0.9
Paraguay	1.3	0.6	-	1.0	2.9	3.4	0.2	0.1	4.3	3.7
Peru	11.0	1.5	5.0	12.9	22.4	23.6	0.6	3.6	89.9	37.8
Uruguay	5.5	1.6	25.5	23.7	33.7	-	1.1	-2.6 b/	0.1	7.1
Venezuela	-	-	-	-	-	0.2	4.6	1.0	4.9	3.5
Misc. LA	-	-	-	-	-	0.1	*	*	4.4	0.1
<b>TOTAL</b>	<b>95.2</b>	<b>18.4</b>	<b>50.1</b>	<b>142.4</b>	<b>454.2</b>	<b>94.9</b>	<b>117.8</b>	<b>381.0</b>	<b>701.5</b>	<b>850.2</b>

\* Less than \$50,000

a/ Represents replacement of Eximbank authorizations by advances by participants or net sales of securities by IBRD.

b/ Represents cancellations

Key: D - Disbursements U - Undisbursed  
 R - Repayments Commitment  
 N - New Loans O - Outstanding  
 Authorized and Debt  
 Increased Authorizations

~~UNCLASSIFIED~~

## FINANCIAL ANNEX TO PROGRESS REPORT ON LATIN AMERICA

September 11, 1957

## Public Law 480 Agreements - Title I

Cumulative - millions of dollars - from beginning of Program thru June 30, 1957)

Date	Country	Amt.	Est. % Dels.	Major Commodities	Planned Use of Local Currency or Other Comment (a)
3/21/55	Argentina	25.3		Fats & oils	\$ 17.7
4/25/55	"	5.8		" "	2.3
		<u>31.1</u>	90%		<u>20.0</u>
6/ 7/57	Bolivia	6.8	0%	Wheat & rice	5.4
2/31/56	Brazil	138.7		Wheat, Fats & oils,	117.9
1/16/55	"	41.5		& Tobacco	31.3
		<u>180.2</u>	29%		<u>149.2</u>
3/13/56	Chile	35.1		Wheat, Fats & oils,	27.7
1/27/55	"	5.0		Cotton, & Dairy	4.0
		<u>40.1</u>	90%	Products	<u>31.7</u>
4/16/57	Colombia	13.1		Wheat, Cotton, &	12.2
2/20/55	"	11.6		Fats & oils	7.0
3/23/55	"	4.5			3.0
		<u>29.2</u>			<u>22.2</u>
2/15/57	Ecuador	4.1		Wheat, Fats & oils	3.2
7/ 7/55	"	4.0			3.1
		<u>8.1</u>	50%		<u>6.3</u>
5/ 2/56	Paraguay	3.0	85%	Wheat, Fats & oils,	2.2
				Dairy Products	
5/ 5/57	Peru	3.9		Wheat	2.8
5/ 7/56	"	2.8			2.0
2/ 7/55	"	8.6			6.2
		<u>15.3</u>	54%		<u>11.0</u>
Totals, Title I		<u>313.8</u>	<u>47%(b)</u>		<u>248.0</u>

NOTES: (a) Planned use of foreign currency from the above contracts for loans for multilateral trade and economic development under Section 104g. Other planned use from the above contracts:

Sect. 104a - market development (all eight countries)	\$ 6.7
Sect. 104b - purchase of strategic material (Brazil)	3.2
Sect. 104c - military procurement (Brazil, Chile, Colombia, Peru)	2.3
Sect. 104f - payment of US obligations (all eight countries)	45.5
Sect. 104h - international educational exchange (all eight countries)	5.1
Sect. 104i - translation and publication (Brazil)	0.6
Sect. 104j - information and education (Bolivia, Brazil, Colombia, Ecuador, Peru)	2.4

(b) Roughly \$148.8

- 5 -

\$ 65.8





## FINANCIAL ANNEX TO PROGRESS REPORT ON LATIN AMERICA

September 11, 1957

Public Law 480 Agreements - Title II

(Cumulative - millions of dollars - from beginning of Program thru June 30, 1957)

<u>Date</u>	<u>Country</u>	<u>Amt.</u>	<u>Est. % Dels.</u>	<u>Major Commodities</u>	<u>Use of Local Cur- rency or Other Comment</u>
12/13/54 1/27/55 3/30/55 4/18/55 6/30/55 9/14/56	Bolivia	\$ 17.9	100%	Bread Grains, Rice, Cotton	For economic de- velopment, espe- cially in drought areas
12/16/55	British Honduras	.3	100%	Miscellaneous	None
11/9/55	Costa Rica	.2	100%	Miscellaneous	None
5/5/55 6/22/55 6/30/55 3/2/55	Guatemala	3.2	100%	Corn	For economic de- velopment, includ- ing highway repair and maintenance
Notes 10/15/55	Haiti	3.6	100%	Beans Rice	None
10/21/54 10/22/54 6/30/55 1/9/57					
Notes 11/6/54	Honduras	.2	100%	Miscellaneous	None
1/21/55					
Pres. Ltr. 10/24/55	Mexico	.2	100%	Corn	None
11/30/56					
5/18/56 1/29/57 6/28/57	Peru	12.4	90%(b)	Bread grains Corn grains Milk	For public works project in drought area for work relief
Totals, Title II		<u>\$ 38.0</u>	<u>96.7%(c)</u>		

- NOTES: (a) Date of Transfer Authorization unless specifically listed as Notes or Presidential letter  
 (b) \$250,000 wheat and \$1,000,000 corn and barley remaining to be shipped  
 (c) Roughly about \$36.76 million

## OPERATIONS COORDINATING BOARD

September 11, 1957

ANNEX BSIGNIFICANCE TO U. S. POLICY OF THE ASSASSINATION OF THE  
PRESIDENT OF GUATEMALA

On the night of July 26, 1957 President Carlos Castillo Armas was shot and killed in his residence in Guatemala City by a palace guard who committed suicide immediately afterward. The Guatemalan Government announced that the assassin was a pro-communist who had somehow managed to enter the Presidential Guards last June 1. The guard's diary has helped to establish him as a communist, but there is no evidence linking the act to any widespread communist or other movement. According to present information, the various Guatemalan exile groups were not directly involved in the assassination. Although investigations are still continuing, it appears that the assassination was committed by a lone communist fanatic.

A state of siege - martial law - was immediately proclaimed (it was lifted on August 22), and the Congress summoned to the Presidency on an interim basis Luis Arturo Gonzales Lopez who under the Constitution was "First Presidential designee". Constitutionally, elections must be called within four months (these have been set for October 20). During the week following the assassination there were many indications that the country faced a period of serious political instability, and for a time it seemed likely that a military junta might assume power. This possibility still exists, but more recent developments suggest that Guatemala may still be able to remain on the precarious constitutional path to a stable civilian government. The Minister of Defense, Colonel Juan Francisco Oliva, remains in apparent control of the Army which is the most important force in Guatemala.

Colonel Oliva has made an emphatic public statement that he will not be a candidate for the Presidency and that his greatest ambition is not to be President but to defend the Constitution. Oliva has told our Ambassador that a committee headed by him met to suggest an acceptable presidential candidate. With Army concurrence this committee decided that the candidate should be a civilian, Lic. Miguel Ortiz Passarelli, President of the Supreme Court, and his candidacy has been announced and supported by the predominating Movimiento Democratico Nacional (MDN) Party.

If Ortiz receives the full backing of the Army he will probably be elected for the six-year term. Although, as a civilian, his freedom of action would be limited by the need for close consultation with the Army and political forces of the country, this arrangement might prove to be the best that could be expected in such a potentially explosive situation.



President Gonzalez, Oliva and other leading public figures have declared their intention of continuing the policies of Castillo Armas and the close and cordial relationships with the U. S. which existed under the previous administration. The Director of USOM has already had an interview with President Gonzalez in which the latter expressed his gratitude for the aid received and appreciation of programs under way. Both the Department and the Embassy have been assured by the Guatemalans that Castillo's policies will be continued. The Guatemalans have also stressed the need for continuing U. S. economic aid.

The most unsettling fact at this time appears to be the reported attempted intervention of the Government of the Dominican Republic in the internal affairs of Guatemala. It is presumed that the Dominicans are interested in promoting an extreme rightist type of regime similar to theirs, which would be a means for Trujillo to avoid becoming isolated as a dictator in the area. The Dominican efforts apparently are directed toward espousing and perhaps helping finance the candidacy of Colonel Enrique Oliva - half-brother of the Minister of Defense - or in his stead another extreme rightist friend of Enrique Oliva. These reports of Dominican involvement have caused us considerable concern because of the unsettling effect they have had or could have on the current tenuous Guatemalan situation. The scene is further complicated by the Presidential aspirations of persons outside of Guatemala, such as the Ambassador to the United States, Colonel Jose Luis Cruz Salazar, the Ambassador to Salvador, Col. Enrique Peralta Azurdia, and Ydigoras Fuentes, the Ambassador to Colombia.

There is no evidence of increased communist influence since the assassination or of a threat from the extreme leftist elements. Apart from the Dominican development, there are no indications at the present time that the successor to President Gonzalez would be a person with whom we could not work for the furtherance of U. S. interests and objectives in Guatemala. If constitutional processes can be followed and the Army and other more important political factions can agree on a candidate, it may be possible to preserve the stability which Guatemala so badly needs and which is threatened by the myriad jealousies and aspirations which have emerged following Castillo's death. Stability and constitutionality would do much to enhance Guatemala's own prestige and do much to remove the "U. S. installed" label which had been given to the Castillo regime. Attempts will, of course, be made to obtain U. S. support for one candidate or another.

Guatemalan relations with neighboring states seem to have remained on an even keel. The assassination has caused several of them to adopt more strict security measures and control of exiles.

[REDACTED]

The statements of ex-Presidents Arbenz and Arevalo of praise for the assassin have not been well received in the Hemisphere and have further pointed up their communist ties.

The OISP program in Guatemala is under way, and we do not anticipate at this time that the change in administration will affect it insofar as U.S. objectives are concerned. Three U.S. advisers (an investigation specialist, a police adviser, and a border patrol expert on temporary detail) are now on duty in Guatemala, and a training specialist is to go down soon. A number of senior Guatemalan security officials have received training in the United States.

The specialists who are now in Guatemala have not been engaged in training activities which would have a bearing on the selection of the members of the Presidential Guard. A specialist had been selected to go to Guatemala early in July 1957 to help establish a presidential security force, but his departure was delayed pending medical clearance which was not granted. A replacement specialist arrived in Guatemala September 9, 1957.

