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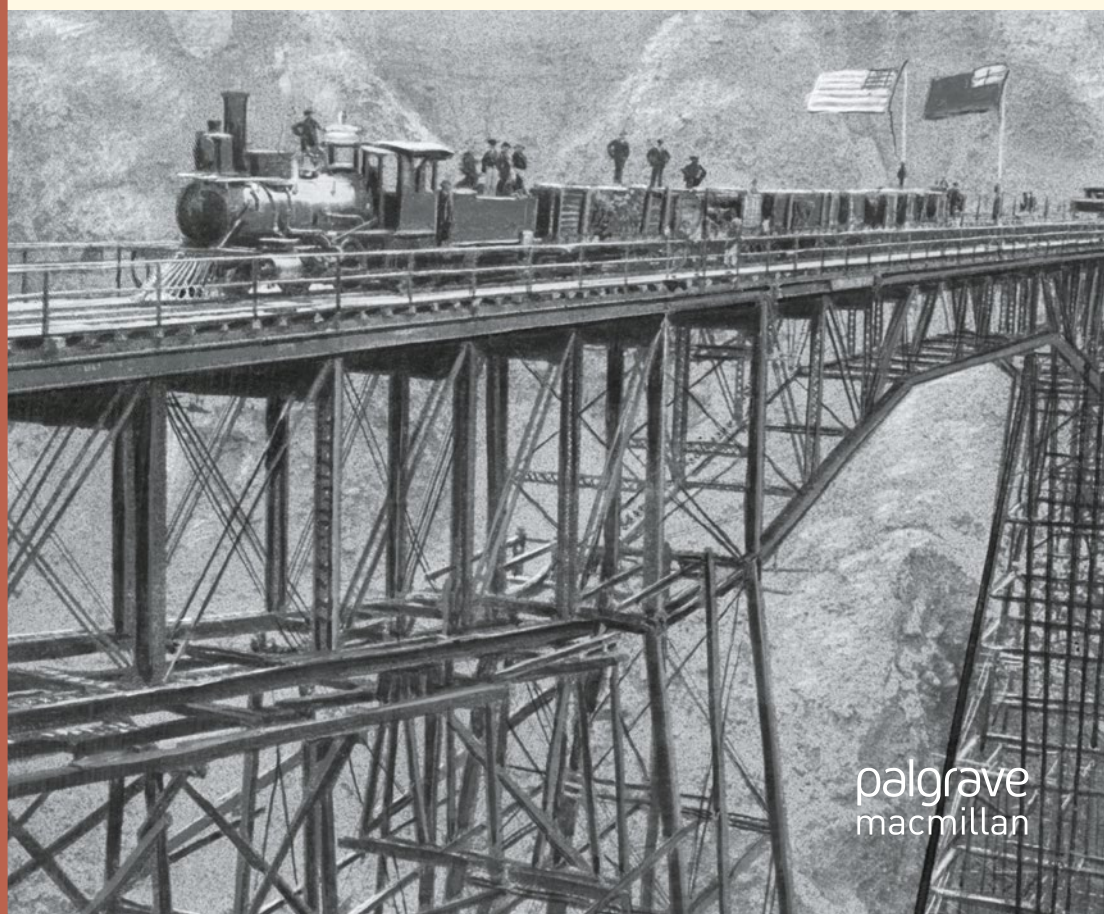


Britain and the Growth of US Hegemony in Twentieth- Century Latin America

Competition, Cooperation and Coexistence

EDITED BY

Thomas C. Mills · Rory M. Miller



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Britain and the World

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For Esme and Joseph—TCM
For Sarah, Aidan, Harry, and Noah—RMM

PREFACE

This book stems primarily from our shared conviction that Great Britain's role in twentieth-century Latin America has been neglected in the existing historical literature. In stark contrast, the part that the United States played in the region during this period has been the subject of many books and hundreds of articles. While these studies have increasingly acknowledged the agency of Latin American governments, they have rarely paid much attention to Britain, or indeed any other European country. This was certainly the case when, in 1993, one of the editors of this book published a survey of British relations with Latin America during the nineteenth and twentieth centuries. As he noted at that time, research on Britain's relations with Latin America since the First World War was still sparse, with the exception of some studies of the British relationship with Argentina, despite the opening of British government archives under the 30-year rule. Since then, a number of significant works have been published exploring various aspects of Britain's role in different Latin American countries at various points of the twentieth century.

Observing this trend, we felt that a volume bringing together a group of scholars that have led research into Britain's role in twentieth-century Latin America, in the broader context of growing US hegemony in the region, could make a significant contribution to the literature, and reawaken the attention of scholars elsewhere to the continuing role that Britain played after the First World War and the reluctance with which the country ceded political and economic hegemony to the United States, especially in South America. We therefore invited chapters from those whom we knew to be working in this area, and were delighted to find that

others shared our belief in the need for such a volume. The contributors to this book represent a diverse range of scholars, from those at the outset of their careers to emeritus professors. They have drawn on archives in Britain, the United States, as well as various Latin American countries to inform their studies, and they have frequently departed from the focus on State Department and Foreign Office archives on which earlier publications were normally based in order to incorporate records from other government departments and from the private sector. What results is a collection of chapters that together demonstrate Britain's ongoing role in twentieth-century Latin America, alongside that of the United States'. We emphasise that the decline of Britain's role was gradual and contested, rather than abrupt and voluntary.

The book is organised into three thematic sections: war and conflict, trade and commerce, and revolution and political change. Collectively, these represent the major global forces that shaped Latin America throughout the twentieth century. By integrating the role of Britain into the international politics of Latin America during this period, this book reflects the challenge to the existing historiography that has emerged over recent decades.

In working towards the publication of this book, we were very fortunate to have received consistent encouragement and support from our publishers, Palgrave Macmillan. In particular, we would like to thank Martin Farr, General Series Editor for the Britain and the World book series, and Molly Beck, Series Editor for History at Palgrave Macmillan, as well as the anonymous reviewers who provided valuable comments on the manuscript. Our thanks, of course, go also to all the contributors to this volume and to those who have commented on individual chapters, as well as to our families, who have lived with this project, in some cases, since they were born.

Lancaster/Tynemouth, March 2020

Thomas C. Mills
Rory M. Miller

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CHAPTER 1

Introduction

Thomas C. Mills and Rory M. Miller

*Just as the last century in Latin America was a “British Century”, the
next would be an American Century*
—Eric Johnston, President of the US Chamber of Commerce, 1944
(*South American Journal*, 11 March 1944, 150.)

INTRODUCTION

A commonly held view of Latin American countries’ international economic and political relations would emphasise that the region was subject to British hegemony during the nineteenth century, and US hegemony in the twentieth. Even though they might differ about precise dating,

We are grateful to David Rock and to the referees for this book for comments on earlier drafts.

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historians would normally explain this shift in terms of British failures and US successes, in the context of the two world wars and the Great Depression, all of which weakened Britain and strengthened the United States. In one of the best-known texts on US-Latin American relations, for example, Brian Loveman comments that the impact of the First World War was such that 'the United States replaced European and British investors in much of Latin America, substituting its products for those of European origin', having already obtained British recognition of US political hegemony throughout the hemisphere.¹ Alan Knight ends his survey of British informal empire in Latin America in 1945, commenting that 'the Second World War and its aftermath ... brought to an end the long cycle of British "imperialism" in Latin America', and that 'after 1945 there was no British trade offensive as there had been after 1918'.² Similarly, in an essay on the historical relationship between Britain and Latin America, Leslie Bethell concludes that, in the years following the Second World War, 'Britain finally abandoned its role as a significant actor in the economic and political affairs of Latin America'.³

On the British side, explanations for its loss of hegemony might include, in terms of geopolitics, the government's growing focus on strengthening ties with the Empire following the adoption of Imperial Preference in the early 1930s, and then, from the 1950s, on the process of decolonisation and the rethinking of Britain's global role. The British government thus focused primarily on its relationship with continental Europe, resulting in three attempts to join the Common Market, which eventually succeeded in 1973, and the country's role in NATO and the Cold War struggle with the Soviet Union. These priorities marginalised Latin America. The failure of British politicians to develop any coherent policy towards the region subsequently became evident in the near-coincidence of the Falklands/Malvinas War and the Latin American debt crisis in 1982, both of which took officials by surprise. Like Loveman, economic historians would stress the impact of the First World War on Britain's financial capacity, which

¹ Brian Loveman, *No Higher Law: American Foreign Policy and the Western Hemisphere since 1776*. Chapel Hill NC: University of North Carolina Press, 2010, 196.

² Alan Knight, 'Latin America', in Judith M. Brown & Wm. Roger Louis (eds.), *Oxford History of the British Empire. Vol. IV: The Twentieth Century*. Oxford: Oxford University Press, 1999, 623 and 641.

³ Leslie Bethell, 'Britain and Latin America in Historical Perspective', in Victor Bulmer-Thomas (ed.), *Britain and Latin America: A Changing Relationship*. Cambridge: Cambridge University Press, 1989, 2.

limited its ability to invest further in Latin America, and the country's long-term industrial decline, as the United States, Germany and Japan developed new technologies and products, challenging Britain's nineteenth-century commercial pre-eminence.⁴

In explaining the growing dominance of the United States, in contrast, economic historians point to the rapid expansion of US industrial capacity from the late nineteenth century, its capture of markets in Latin America during the First World War when European exports declined sharply, and the growth in US foreign investment that accelerated in the 1920s.⁵ Diplomatic historians emphasise the more aggressive foreign policy that the United States pursued from the 1890s, when it began to strengthen its naval capacity. This resulted in more persistent attempts to implement the Monroe Doctrine of 1823 and exclude other powers from the western hemisphere. The decade saw the US capture of Cuba and Puerto Rico during the Spanish–American War of 1898, followed by the period of ‘Dollar Diplomacy’ and several military interventions in Central America and the Caribbean in the early twentieth century. The ‘Good Neighbor’ policy of the 1930s then introduced a sustained attempt by Washington to create a more positive image of its role in the region in order to counter perceived threats first from European fascism and then from Soviet communism.⁶ Political historians would then emphasise the importance of the Cuban Revolution and the Soviet threat during the Cold War in pushing successive US administrations towards a policy of backing right-wing

⁴ Bethell, ‘Britain and Latin America’, 1–24; Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries*. London: Longman, 1993, especially 236–8.

⁵ See, for example, Mira Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914*. Cambridge MA: Harvard University Press, 1970; and *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*. Cambridge MA: Harvard University Press, 1974; Thomas F. O’Brien, *The Revolutionary Mission: American Enterprise in Latin America, 1900–1945*. Cambridge: Cambridge University Press, 1996, especially 32–6; on US portfolio investment, Carlos Marichal, *A Century of Debt Crises in Latin America: From Independence to the Great Depression, 1820–1930*. Princeton NJ: Princeton University Press, 1989, chapters 7 and 8.

⁶ The Monroe Doctrine of 1823 expressed US opposition to European intervention in the western hemisphere, especially any attempt to re-establish monarchical regimes. ‘Dollar Diplomacy’ defines the period of US banks’ lending to Central American and Caribbean governments in the early twentieth century, frequently accompanied by US administration of revenues and military/naval intervention. Franklin D. Roosevelt announced his Good Neighbor policy in his inaugural address in 1933, promising an end to US military intervention in the hemisphere.

dictatorships in Latin America that would protect US business interests and its geopolitical power against the threat of socialism.⁷

With the perspective of hindsight, this all appears very neat and inevitable. On the surface it seems fair to assume that the British would eventually recognise that they could never compete with US power in its own ‘backyard’, once Washington had begun to assert its naval, diplomatic, and economic muscle in Latin America from the 1890s, and that they would therefore withdraw gracefully in order to exploit greater opportunities elsewhere, initially in the Empire/Commonwealth and later in continental Europe.⁸

It did not appear this way to many contemporary observers and commentators. Joseph Tulchin emphasises how concerned US officials were at the end of the First World War about the possibility that Britain might exploit its control of transatlantic cables, shipping, merchant networks, and banks to recover its commercial position, especially south of Panama.⁹ In 1931, after a decade when US commercial and financial interests had expanded rapidly, the *New York Times* could still warn of the ‘unprecedented efforts’ Britain was making in order to ‘regain ... the Latin-American trade leadership wrested from her by the United States’.¹⁰ Three years later, after the signing of the Roca-Runciman agreement between Britain and Argentina, the same newspaper pointed to the success of British diplomats in persuading Argentina to follow a policy of ‘Buy from those who buy from us’, and the threat that this would reverse the advance

⁷ For US diplomatic relations with Latin America in the nineteenth and twentieth centuries, see Jay Sexton, *The Monroe Doctrine: Empire and Nation in Nineteenth Century America*. New York: Hill & Wang, 2012; Walter LaFeber, *Inevitable Revolutions: The United States in Central America*. 2nd edition, New York: Norton, 1993; Irwin F. Gellman, *Good Neighbor Diplomacy: United States Policies in Latin America, 1933–1945*. Baltimore MD: Johns Hopkins University Press, 1979; Hal Brands, *Latin America’s Cold War*. Cambridge MA: Harvard University Press, 2010.

⁸ This is the thesis of D.C.M. Platt, *Latin America and British Trade, 1806–1914*. London: Adam & Charles Black, 1972, especially 305–13.

⁹ Joseph S. Tulchin, *The Aftermath of War: World War I and US Policy Toward Latin America*. New York: New York University Press, 1971.

¹⁰ *New York Times*, 15 Feb. 1931. The United States had been the primary source for Latin American government borrowing and foreign direct investment during the 1920s: see Marichal, *A Century of Debt Crises*, chapter 7, and Wilkins, *The Maturing of Multinational Enterprise*, especially chapter 6.

of US business in its most important South American market.¹¹ At much the same time, a US historian of Brazil, Alan K. Manchester, pronounced Britain to be ‘still a decisive factor in the life of Portuguese America’.¹²

An awareness of a lingering British presence in Latin America, especially in Argentina, in fact encouraged a strong US push between 1938 and 1941 to enhance the strength of the Pan-American movement. US investment and subsidies, especially through the Export-Import Bank, encouraged most Latin American countries first to join a hemispheric alliance to preserve their neutrality, and then, after Pearl Harbor, to declare war on Germany and Japan. However, both Chile, for a time, and Argentina (until 1945) held out against US pressure. One of the main reasons for Argentina to do so was precisely to escape entanglement with the United States, which might have disrupted its commercial ties with Britain.¹³ Although US goods now dominated Latin American markets, Britain still had 10 per cent of Argentina’s import market in 1945, more than in other countries, and the souring of relations between Washington and the Peronist regime, together with the continued sale of Argentine foodstuffs to Britain, helped this figure to recover to almost 16 per cent in 1949.¹⁴

After the Second World War, the British liquidated many of their older investments in Latin America, but as part of a deliberate policy intended to improve commercial relations by removing ‘bones of contention’.¹⁵ They did not simply leave the field to US business. They sold arms to Argentina in the late 1940s in defiance of Washington, and continually

¹¹ *New York Times*, 15 April 1934. Knight, ‘Latin America’, 633, argues that Argentina was an exception to the general trend of declining British influence in the 1930s.

¹² Alan K. Manchester, *British Pre-Eminence in Brazil: Its Rise and Decline*. Chapel Hill NC: University of North Carolina Press, 1933, 341.

¹³ See David Rock (ed.), *Latin America in the 1940s: War and Postwar Transitions*. Berkeley CA: University of California Press, 1994.

¹⁴ Calculated from International Monetary Fund, *Direction of Trade Statistics*.

¹⁵ The change in priorities was first enunciated fully in a memorandum written by Victor Perowne, head of the South American department in the Foreign Office, in 1942: Perowne to S. David Waley (under-secretary, Treasury), 21 Dec. 1942, annexed to Eden to HM Representatives in Latin America, 22 April 1943, FO 371/33929/A3479, United Kingdom National Archives (hereafter UKNA). Subsequent copies of the circular can be found in various files in the National Archives in Kew; see, for example, Perowne to Robert Hadow (commercial counsellor in Washington), 8 March 1946 and minute by James Murray on Hadow to Perowne, 2 April 1946, FO 371/52078/AS945 and AS2005, UKNA. See Rory Miller’s chapter in this volume on the shift in policy, and David Rock’s for evidence that one of Perowne’s predecessors, Sir Robert Craigie, had begun to think in this direction in the 1930s.

attempted to rebuild Britain's trade in the region, supported by the British business communities which remained in countries like Argentina and Brazil.¹⁶ Foreign Office archives from the 1950s and 1960s contain streams of correspondence on attempts to secure large infrastructure projects for British firms, using the resources of the City of London to finance bids. It was not just that the commercial interests of Britain and the United States did not coincide. The Foreign Office explicitly hoped to benefit from increasing Latin American dislike of US arrogance, which became most evident in the riots provoked by Vice-President Nixon's visit to Caracas and Lima in 1958 and then the catastrophic US response to Castro's victory in Cuba.¹⁷ Like other European countries, the British never broke off diplomatic relations with Cuba after 1959, and indeed continued to trade with the island. Britain followed an independent policy in response to the Argentine invasion of the Falklands/Malvinas in 1982, undermining US attempts to mediate between its two allies.¹⁸ Political differences between Britain and the United States with regard to Latin America were especially marked when the Labour Party was in power in Britain (1945–51, 1964–70, 1973–79, 1997–2010), for example over policy towards the Pinochet regime in Chile and his later arrest in London.¹⁹

¹⁶John Knappe, 'Anglo-American Rivalry in Post-War Latin America: The Question of Arms Sales', *Ibero-Amerikanisches Archiv*, 15: 3 (1989), 319–50; Thomas C. Mills, 'Anglo-American Economic Diplomacy During the Second World War and the Electrification of the Central Brazilian Railway', *Diplomacy and Statecraft*, 20: 1 (2009), 69–85.

¹⁷Foreign Office memo for Treasury Economic Steering Committee, 19 May 1960; P.H. Gore-Booth (deputy under-secretary, Foreign Office) to Sir Frank Lee (permanent under-secretary, Treasury), 18 Aug. 1960, T 236/6379, UKNA. On the British rethinking of their position in Latin America in the early 1960s, see Bevan Sewell, "We Need Not be Ashamed of Our Own Economic Profit Motive": Britain, Latin America, and the Alliance for Progress, 1959–63', *International History Review*, 37: 3 (2015), 607–30.

¹⁸On Cuba, see Christopher Hull, *British Diplomacy and U.S. Hegemony in Cuba, 1898–1964*. London: Palgrave Macmillan, 2013. There is a massive literature on the Falklands/Malvinas conflict: the official British view appears in Lawrence Freedman, *The Official History of the Falklands Campaign: War and Diplomacy*. London: Routledge, 2007. See also Andreas Chaimpan, 'Running with the Hare, Hunting with the Hounds: The Special Relationship, Reagan's Cold War and the Falklands Conflict', *Diplomacy and Statecraft*, 24: 4 (2013), 640–60.

¹⁹On the shifts in policy between Labour and Conservative governments, see Mark Phythian, *The Politics of British Arms Sales since 1964*. Manchester: Manchester University Press, 2000, 105–45; Grace Livingstone, *Britain and the Dictatorships of Argentina and*

The transition from British to US dominance in Latin America was not, therefore, as neat and unchallenged as is commonly portrayed. Britain did not acquiesce passively in US hegemony. Even in the 1960s, government officials bemoaned the loss of British influence, noted how frequently Latin Americans commented on the need for a British counterweight to the United States, and made plans to rebuild their links with the region.²⁰ It was not simply a linear process of Britain withdrawing gracefully as US ambitions and hegemony grew. With this in mind, there are several reasons to justify a new look at the ‘entangled’ history of Britain and the United States in twentieth-century Latin America.

First, historians should consider the perceptions of contemporaries as well as long-term outcomes. It was the observation and analysis of what was happening and might occur in the future that determined how government officials and business executives developed international strategies. On neither side of the Atlantic did they fully understand changes which may appear inevitable in hindsight: whether in Britain, the United States, or Latin America, no-one could accurately foresee the momentous long-term economic and political consequences of the two world wars and the Great Depression. Diplomats and businessmen acted upon partial information and their own assumptions and interpretations of events. It took most of the twentieth century for it to become clear that Britain would become less important to Latin America than Germany, France, Italy, or Japan, let alone the United States. Second, the literature is unbalanced. There are relatively few studies of British business and diplomatic activity in Latin America after the First World War. Those that do exist cannot, of course, ignore the growth of the US presence in the region. The reverse is not true. With few exceptions, histories of the US role in twentieth-century Latin America pay little, if any, attention to the activities of the British (or indeed any other Europeans).²¹ Third, the

Chile, 1973–82: Foreign Policy, Corporations and Social Movements. London: Palgrave Macmillan, 2018.

²⁰ These attempts included the promotion of academic research on Latin America: see Rory M. Miller, ‘Academic Entrepreneurs, Public Policy, and the Growth of Latin American Studies in Britain during the Cold War’, *Latin American Perspectives*, 45: 4 (2018), 46–68; Gabriel Paquette, ‘The “Parry Report” (1965) and the Establishment of Latin American Studies in the United Kingdom’, *Historical Journal*, 62: 1 (2019), 219–40.

²¹ Loveman, *No Higher Law*, has very few references to the British after discussing the Venezuela-British Guiana dispute of 1895–96, in which the US government intervened. The same is true of Lars Schoultz, *Beneath the United States: A History of U.S. Policy toward Latin*

appearance of new archives, whether from governments or the private sector, is encouraging historians to reappraise the activities of politicians, diplomats and business leaders, especially for the period since the Second World War. It is becoming clear that British diplomats did not always blithely follow where Washington led, even if they had fewer resources to support an autonomous approach. Increasingly, they saw their primary role as promoting British commercial interests, something they had not needed to do during the previous century. At times, this meant challenging US assumptions of superiority and exclusivity. Moreover, in several important episodes—policy towards Cuba during the Cold War, the concern of left-wing politicians and pressure groups in Britain with human rights under Latin American military dictatorships, greater sympathy for reformist or revolutionary movements attempting to address problems of poverty and inequality in Latin America—political and public opinion in Britain differed markedly from the mainstream in the United States.

The relationship between Britain and the United States in Latin America during the twentieth century is thus one marked by spells of competition and cooperation in both the political and economic spheres, with some significant differences of opinion and policy on the two sides of the Atlantic. The dominant narrative in existing accounts of twentieth-century Latin America largely fails to reflect the role played by Britain in the region after 1914. This volume seeks to redress this omission.

THE ‘ENTANGLED HISTORY’ OF BRITAIN AND THE UNITED STATES IN LATIN AMERICA

Even at the time of independence in the early nineteenth century, Britain and the United States vied for influence, following the opening of ports on the Atlantic and Pacific to competing traders and ships from Europe and North America. The Monroe Doctrine of 1823 was a deliberate attempt by the president of the United States to obtain credit for

America. Cambridge MA: Harvard University Press, 1998. The British do not appear in the index in either Gilbert M. Joseph and Daniela Spenser (eds.), *In from the Cold: Latin America's New Encounter with the Cold War*. Durham NC: Duke University Press, 2008, or Virginia Garrard-Burnett et al. (eds.), *Beyond the Eagle's Shadow: New Histories of Latin America's Cold War*. Albuquerque NM: University of New Mexico Press, 2013. Britain is mentioned only occasionally, as a point of colonial comparison, in Gilbert M. Joseph et al. (eds.), *Close Encounters of Empire: Writing the Cultural History of U.S.-Latin American Relations*. Durham NC: Duke University Press, 1998.

recognition of the new governments at a time when the British, despite providing substantial informal help for Spanish American insurgents and allowing the new republics (and the Brazilian imperial government) to issue loans in London, did not wish to antagonise other European monarchies.²² British recognition of Spanish American independence came only when the European situation altered, in the mid-1820s; the British government then appointed consuls in the principal ports and capital cities, and began to negotiate treaties of trade and navigation.²³ Britain also acquiesced in the relatively peaceful transition of Brazil into an independent monarchy in 1822, although it opposed the continuation of the transatlantic slave trade. Immediately after independence, British foreign secretaries tended to formulate policy in Latin America with regard to France, which they regarded as the real rival for political and commercial influence, rather than the United States, but French capacity to intervene politically and commercially soon declined.²⁴

Competition between the United States and Great Britain increased in the mid-nineteenth century. The US annexation of large areas of Mexican territory in 1848, followed immediately by the Californian Gold Rush (which enhanced the need for better communication between the Atlantic and Pacific coasts of the United States), stimulated a more intense rivalry in Central America, a region where the British still possessed some colonial settlements and territorial claims.²⁵ Britain joined France in sending forces to Mexico in 1861–62 (although it soon withdrew), in part because both governments feared further US pressure on a weak Mexican administration.²⁶ South of Panama, though, the United States still offered little

²²For a brief history of the Monroe Doctrine, see Mark T. Gilderhus, 'The Monroe Doctrine: Meanings and Implications', *Presidential Studies Quarterly*, 36: 1 (2006), 5–16.

²³Miller, *Britain and Latin America*, 34–44; on the changes in the intellectual climate in Britain that led to recognition, see Gabriel Paquette, 'The Intellectual Context of British Diplomatic Recognition of the South American Republics, c.1800–1830', *Journal of Transatlantic Studies*, 2: 1 (2004), 75–95.

²⁴Leslie Bethell, 'The Independence of Brazil and the Abolition of the Brazilian Slave Trade: Anglo-Brazilian Relations, 1822–1826', *Journal of Latin American Studies*, 1: 2 (1969), 115–47; Thomas Schoonover, 'France in Central America, 1820s–1929: An Overview', *Revue Française d'Histoire d'Outre-Mer*, 79: 1 (1992), 161–207; Iwan Morgan, 'French Policy in Spanish America, 1830–1848', *Journal of Latin American Studies*, 10: 2 (1978), 309–28.

²⁵Schoultz, *Beneath the United States*, 66–70.

²⁶The British government also cooperated with France in blockading the River Plate in 1845–48. On the background to the Mexican intervention, see Nancy N. Barker, 'Monarchy

challenge to British commercial and political influence. Its naval forces were too weak to challenge British power, its military was engaged in eradicating indigenous populations, and a bloody civil war between 1861 and 1865 diverted attention from foreign affairs. Moreover, the United States was still primarily an agricultural country in need of foreign capital rather than an industrial exporter and foreign investor, in contrast to Britain.

This began to change around 1880, initially with some cack-handed attempts at intervention in favour of Peru by James G. Blaine, the US secretary of state, during its war with Chile (1879–83). Blaine returned to the State Department at the end of the decade and convened a first Pan-American Conference in 1889 in an attempt to draw Latin American republics into the US sphere of influence. This resulted in the formation of what became the Pan-American Union (later the Organization of American States).²⁷ Blunders could still occur, for example with the ‘Baltimore’ incident during the Chilean civil war of 1891, when the US almost went to war with Chile.²⁸ However, the intervention of the US government and private interests against the rebels during the Brazilian naval revolt of 1893–94 showed the limits to British power when confronted with a more aggressive US policy. Steven Topik comments that the arrival of US warships to support the Brazilian government against the rebels was ‘an important first step in asserting American supremacy over the British in Latin America’.²⁹ While British influence in Brazil did remain strong, partly because of Brazil’s need for foreign investment, it soon became apparent that Britain would not risk war with an expansionist United States over Latin America. First, London acquiesced to US

in Mexico: Harebrained Scheme or Well-Considered Prospect?’, *Journal of Modern History*, 48: 1 (1976), 51–68. Both countries opposed further US expansion into Mexican territory after 1848.

²⁷ Gordon Connell-Smith, *The United States and Latin America: An Historical Analysis of Inter-American Relations*. London: Heinemann, 1974, 107–13; Mike Sewell, ‘Political Rhetoric and Policy-Making: James G. Blaine and Britain’, *Journal of American Studies*, 24: 1 (1990), 61–84.

²⁸ Mark Rice, ‘Transnational Business and US Diplomacy in Late Nineteenth-Century South America: W.R. Grace & Co. and the Chilean Crises of 1891’, *Journal of Latin American Studies*, 44: 4 (2012), 765–92; Joyce S. Goldberg, *The Baltimore Affair*. Lincoln NE: University of Nebraska Press, 1986.

²⁹ Steven C. Topik, *Trade and Gunboats: The United States and Brazil in the Age of Empire*. Stanford CA: Stanford University Press, 1996, 153; see also Joseph Smith, ‘Britain and the Brazilian Naval Revolt of 1893–94’, *Journal of Latin American Studies*, 2: 2 (1970), 175–98.

arbitration in the Venezuela-British Guiana boundary dispute in 1895–96, at a point when much more pressing imperial issues demanded British military resources. Second, politicians in London tended to support US intervention in Cuba, where British business interests remained important, during the Spanish-American war of 1898. Third, in the Hay-Pauncefote Treaty of 1901 Britain agreed to US control over the unfinished interoceanic canal in Panama, reversing a policy it had followed since the signing of the Clayton-Bulwer Treaty in 1850.³⁰

With the exception of Cuba, which signed a trade reciprocity treaty with the United States in 1903 that provided tariff concessions on US goods in return for access to the US market for sugar, neither Britain nor the United States took measures to promote exclusive economic interests in any of the major Latin American republics before the First World War.³¹ During the half-century before 1914 business interests paid little attention to nationality. Trade took place under ‘most-favoured nation’ conditions, and Latin American ports were open to shipping from all countries.³² While US capitalists grew in influence in Mexico under Porfirio Díaz (president 1876–80 and 1884–1911), British investors also participated in loans, public works contracts, railways and, at the very end of Díaz’s presidency, oil exploration.³³ Much of the Brazilian coffee (and rubber) consumed in the United States arrived in British ships, to the order of British (and German) trading houses. Immediately before the First World War, US-owned meat companies in Argentina dominated supplies to the British market, using British refrigerated shipping.³⁴ In Peru, as a result of a debt

³⁰ Joseph Smith, *Illusions of Conflict: Anglo-American Diplomacy Towards Latin America, 1865–1896*. Pittsburgh PA: University of Pittsburgh Press, 1979; Loveman, *No Higher Law*, 154–7; Schoultz, *Beneath the United States*, 112–6.

³¹ The 1891 reciprocity treaty between Brazil and the United States was short-lived: Topik, *Trade and Gunboats*, 177.

³² Under the ‘most-favoured nation’ clauses in commercial treaties, any tariff concessions made to one trading partner had to be offered to all. On this period in Latin America, see Steven C. Topik and Allen Wells, *Global Markets Transformed, 1870–1945*. Cambridge MA: Harvard University Press, 2014; Emily S. Rosenberg, *Transnational Currents in a Shrinking World, 1870–1945*. Cambridge MA: Harvard University Press, 2014.

³³ Paul Garner, *British Lions and Mexican Eagles: Business, Politics and Empire in the Career of Weetman Pearson in Mexico, 1889–1919*. Stanford CA: Stanford University Press, 2011. Garner argues that Limantour, Díaz’s influential finance minister, encouraged British investment as a counterweight to the United States.

³⁴ Peter H. Smith, *Politics and Beef in Argentina: Patterns of Conflict and Change*. New York: Columbia University Press, 1969.

settlement negotiated by an Irish-American entrepreneur, a British company replaced US interests in railways in 1890. US entrepreneurs like Percival Farquhar who attempted to build rail networks in the interior of South America in the decade before the First World War largely failed, partly because they could not raise the finance they needed in the City of London.³⁵ The investment boom that the leading Latin American countries enjoyed in the decade before the First World War frequently involved international syndicates of British, French, German and US bankers. US-owned mining companies issued shares to investors on the London Stock Exchange.³⁶ Moreover, much US trade with Latin America was financed by sterling bills of exchange drawn on London merchants and bankers, and US firms in the region used the facilities offered by British overseas banks, since US commercial banks were not yet permitted to open branches elsewhere.³⁷ US and British business interests in Latin America, therefore, were often entangled, and few successful attempts were made to carve out exclusive zones of influence until the 1930s.

During the First World War, US exporters and merchants benefited from a shortage of European products and shipping, and succeeded in significantly increasing their share of South American trade. However, once the United States entered the conflict in 1917, the British, French and US governments cooperated over the procurement of strategic resources (foodstuffs and nitrate), as well as jointly using the 'Black List' to attack German business interests in Latin America.³⁸ The most significant commercial rivalries involving governments arose over Latin American petroleum resources, especially as the First World War underlined the

³⁵ Rory Miller, 'The Making of the Grace Contract: British Bondholders and the Peruvian Government, 1885–1890', *Journal of Latin American Studies*, 8: 1 (1976), 73–100; Charles A. Gauld, *The Last Titan: Percival Farquhar, American Entrepreneur in Latin America*. Stanford CA: Stanford University Press, 1964.

³⁶ On the international nature of investment networks before the First World War, see Rory Miller, 'British Investment in Latin America, 1850–1950: A Reappraisal', *Itinerario*, 19: 3 (1995), 21–52.

³⁷ This changed with the Federal Reserve Act of December 1913. National City Bank opened its first South American branch in Argentina in November 1914: Barbara Stallings, *Banker to the Third World: U.S. Portfolio Investment in Latin America, 1900–1986*. Berkeley CA: University of California Press, 1987, 64–6.

³⁸ Bill Albert, *South America and the First World War*. Cambridge: Cambridge University Press, 1988; Phillip Dehne, *On the Far Western Front: Britain's First World War in South America*. Manchester: Manchester University Press, 2010; Stefan Rinke, *Latin America and the First World War*. Cambridge: Cambridge University Press, 2017.

strategic importance of controlling oil deposits in order to provide fuel for land and maritime transport (tanks, trucks, warships). Partly because of oil, the British and US governments supported different sides at times during the Mexican Revolution, especially between 1913 and 1915.³⁹ Following the war, both governments backed their own firms, Royal Dutch Shell and Standard Oil of New Jersey, in a competition for petroleum resources in Colombia, Peru and, most importantly, Venezuela, at least until new discoveries in the United States relieved fears of a global shortage of oil after 1922.⁴⁰ Except for this rivalry, inter-governmental conflict between the wars was rare, in part because both London and Washington took a realistic view of their own interests and capabilities in the region, and Britain and the United States prioritised different areas of Latin America, the River Plate region and Mexico, Central America, and the Caribbean respectively. There was no clear hegemonic power in Brazil, Venezuela, Colombia, the central Andean republics, or Chile.

Certainly, Washington resented and feared British attempts to carve out privileges in Argentina, especially over the allocation of scarce foreign exchange in the 1930s, but it could do little when the United States offered only a small market for Argentine exports.⁴¹ The British might bemoan the increasing dependence of Latin American republics on Wall Street rather than the City of London in the 1920s, but their diminished

³⁹ Peter Calvert, *The Mexican Revolution, 1910–1914: The Diplomacy of the Anglo-American Conflict*. Cambridge: Cambridge University Press, 1968; see also Lorenzo Meyer, ‘El ocaño británico en México: de las causas profundas a los errores políticos’, *Estudios Mexicanos—Mexican Studies*, 11: 1 (1995), 25–43.

⁴⁰ George Philip, *Oil and Politics in Latin America: Nationalist Movements and State Companies*. Cambridge: Cambridge University Press, 1982; Jonathan Brown, ‘Why Foreign Oil Companies Shifted their Production from Mexico to Venezuela in the 1920s’, *American Historical Review*, 90: 2 (1985), 362–85; Marcelo Bucheli, ‘Negotiating under the Monroe Doctrine: Weetman Pearson and the Origins of U.S. Control of Colombian Oil’, *Business History Review*, 82: 3 (2008), 529–53; Fiona Venn, *The Anglo-American Oil War: International Politics and the Struggle for Foreign Petroleum, 1912–1945*. London: I.B. Tauris, 2014.

⁴¹ US protection on sanitary grounds curtailed the possibility of meat imports from Argentina. On the Argentina-US-UK triangle, see Jorge Fodor & Arturo A. O’Connell, ‘La Argentina y la economía atlántica en la primera mitad del siglo XX’, *Desarrollo Económico*, 13: 49 (1973), 3–65; Joseph S. Tulchin, ‘Decolonizing an Informal Empire: Argentina, Great Britain and the United States, 1930–1943’, *International Interactions*, 1: 3 (1974), 123–40.

ability to offer new capital constrained investment.⁴² Similarly, while diplomats and businessmen in Latin America might express regret about the sale of British assets in public utilities to US business, the government in London made little attempt to impede this.⁴³ Although the United States supplied financial missions, led by Professor Edwin Kemmerer of Princeton, to several republics on the west coast in the 1920s, the two most important South American countries, Argentina and Brazil, still continued to call upon British financial expertise in the 1930s, since much of their sovereign debt had been issued in London.⁴⁴ As the threats posed by economic nationalism within Latin America and by Nazi Germany grew, cooperation between the British and US governments became closer, although they might differ over details. Both boycotted Mexican oil after the nationalisation of foreign companies in 1938 (although Washington pressurised US oil firms into settling the dispute earlier than Shell, precisely because of the fear of growing Nazi influence); both then ensured that they protected the vital supplies from Venezuela (although persuading the companies to pay for defence and to offer concessions to nationalist sentiments was not always easy).⁴⁵ They cooperated over

⁴² New issues of sovereign debt and shares in companies operating in Latin America were possible only between 1925 and 1931: see Miller, *Britain and Latin America*, 186–9.

⁴³ On the sales of British-owned power companies in Latin America, see William J. Hausman, Peter Hertner and Mira Wilkins, *Global Electrification: Multinational Enterprise and International Finance in the History of Light and Power, 1878–2007*. Cambridge: Cambridge University Press, 2008, 165 and 184–6.

⁴⁴ Marcelo de Paiva Abreu and Pedro Carvalho Loureiro, “Palatable Foreign Control”: British Money Doctors and Central Banking in South America, 1924–1935’, working paper #597, Department of Economics, PUC-Rio, 2011; on the US financial missions to South America, see Paul Drake, *The Money Doctor in the Andes: The Kemmerer Missions, 1923–1933*. Durham NC: Duke University Press, 1989.

⁴⁵ Catherine E. Jayne, *Oil, War, and Anglo-American Relations: American and British Reactions to Mexico’s Expropriation of Foreign Oil Properties, 1937–1941*. Westport CT: Greenwood Press, 2000; Philip, *Oil and Politics*, 201–26; Lorenzo Meyer, *Mexico and the United States in the Oil Controversy, 1917–1942*. Austin TX: University of Texas Press, 1977; Noel Maurer, ‘The Empire Struck Back: Sanctions and Compensation in the Mexican Oil Expropriation of 1938’, *Journal of Economic History*, 71: 3 (2011), 590–614; Kelvin Singh, ‘Oil Politics in Venezuela during the López Contreras Administration, 1936–41’, *Journal of Latin American Studies*, 21: 1 (1989), 89–104. See also Mark Seddon’s chapter in this volume and by the same author: ‘Incorporating Corporations: Anglo-US Oil Diplomacy and Conflict over Venezuela, 1941–1943’, *Journal of Transatlantic Studies*, 10: 2 (2012), 134–49.

supplies of tin from Bolivia, another important strategic resource.⁴⁶ As in the First World War, they worked together in anti-German propaganda, ‘special’ operations, and the implementation of a Black List to undermine German business, although each had an eye on the potential renewal of their commercial rivalry following the war.⁴⁷

What did differ during the interwar period was the extent to which the two countries were prepared to resource their commercial diplomacy, reflecting the position that Latin America occupied in their global priorities. After the opening of the Panama Canal in 1914 the United States appointed commercial attachés throughout Latin America; the Bureau of Foreign and Domestic Commerce subsequently published a lengthy series of reports from them and from special agents analysing markets for different products. In 1928 President-elect Herbert Hoover, a former secretary of commerce, visited ten Latin American countries to promote US business and assure governments that the era of US military interventions would end, a prelude to Franklin Roosevelt’s formal announcement of the Good Neighbor policy at his inauguration in 1933.⁴⁸ In 1934 Roosevelt established an Export-Import Bank explicitly to underpin US trade with Latin America, in the first instance with Cuba, although its remit soon widened.⁴⁹ American Chambers of Commerce and business clubs appeared in the main commercial centres of Latin America, especially as US multinationals such as the leading automobile companies, as well as providers of business services like advertising agencies and banks, invested in new subsidiaries in markets like Mexico, Argentina and Brazil.⁵⁰

⁴⁶ John Hillman, ‘Bolivia and British Tin Policy, 1939–1945’, *Journal of Latin American Studies*, 22: 2 (1990), 289–315; Olivia Saunders, ‘Preserving the *Status Quo*: Britain, the United States, and Bolivian Tin, 1946–1956’, *International History Review*, 38: 3 (2016), 551–72.

⁴⁷ R.A. Humphreys, *Latin America and the Second World War, vol. 2: 1942–1945*. London: Athlone Press, 1982. See also Thomas Mills’ chapter in this volume and an earlier work by the same author: *Post-War Planning on the Periphery: Anglo-American Economic Diplomacy in South America, 1939–1945*. Edinburgh: Edinburgh University Press, 2012.

⁴⁸ Schoultz, *Beneath the United States*, 290–315.

⁴⁹ William H. Becker & William M. McClenahan, *The Market, the State, and the Export-Import Bank of the United States, 1934–2000*. Cambridge: Cambridge University Press, 2003, 15–38.

⁵⁰ James P. Woodard, ‘Marketing Modernity: J. Walter Thompson and North American Advertising in Brazil, 1929–1939’, *Hispanic American Historical Review*, 82: 2 (2002), 257–90; Julio E. Moreno, ‘J. Walter Thompson, the Good Neighbor Policy, and Lessons in Mexican Business Culture, 1920–1950’, *Enterprise and Society*, 5: 2 (2004), 254–80.

British official efforts, in contrast, appear meagre, even though many leading multinational companies, such as British American Tobacco, J. & P. Coats, Glaxo, ICI, Pilkington, and Unilever, were establishing subsidiaries in Latin America, especially in Argentina and Brazil. The government did establish a Department of Overseas Trade (DOT) towards the end of the war.⁵¹ However, it sent only a small number of commercial attachés to South America, and their reports were published more sporadically than those that British consuls had produced before 1914. The Prince of Wales visited Argentina in 1925 and 1931, but British efforts to establish a special trading relationship with Argentina following the D'Abernon Mission of 1929 proved fruitless; it was only the adoption of Imperial Preference in the early 1930s that gave Britain the bargaining power to wring concessions from Argentina, and they had less leverage elsewhere.⁵² The Export Credits Guarantee Department (ECGD), founded in 1919 to promote British trade, focused on credit insurance, whereas the later US Export-Import Bank also provided development finance. Moreover, both the DOT and ECGD concerned themselves more with continental Europe than with Latin America.⁵³ British chambers of commerce, with the possible exception of São Paulo, generally appear to have been relatively weak talking-shops rather than active promoters of British trade capable of influencing government officials in Latin America.⁵⁴ Probably the most significant intermediaries of British interests in the interwar period were not government departments or business associations, but merchant banks like Barings, Rothschilds, and Schrodgers, which had long-standing relationships with the major countries of South America.

A further source of divergence between the two countries emerged over their different approaches towards economic nationalism in Latin

⁵¹ Ephraim Maisel, 'The Formation of the Department of Overseas Trade, 1919–1926', *Journal of Contemporary History*, 24: 1 (1989), 169–90, emphasises how inter-departmental rivalries made the new department somewhat dysfunctional from the beginning.

⁵² For the D'Abernon mission and the Roca-Runciman agreement, see the chapters in this volume by Gaynor Johnson and David Rock. For a discussion of British efforts to obtain concessions in Peru in the same period, see Bill Albert, 'Sugar and Anglo-Peruvian Trade Negotiations in the 1930s', *Journal of Latin American Studies*, 14: 1 (1982), 121–42.

⁵³ D.H. Aldcroft, 'The Early History and Development of Export Credit Insurance in Great Britain, 1914–1939', *Manchester School*, 30: 1 (1962), 69–85; Maisel, 'The Formation of the Department of Overseas Trade'.

⁵⁴ On British Chambers of Commerce, see Paul B. Goodwin, 'Anglo-Argentine Commercial Relations: A Private-Sector View', *Hispanic American Historical Review*, 61: 1 (1981), 29–51; Jonathan Barton, 'Struggling against Decline: British Business in Chile, 1919–33', *Journal of Latin American Studies*, 32: 1 (2000), 235–64.