

The Dreamboat That Ran Aground: U.S. Policy Towards Venezuela 1955-1960

Written by Christy Quinn

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CHRISTY QUINN, OCT 30 2011

By 1960 Venezuela had become a Cold War battleground for the United States. One of the wealthiest countries in Latin America and the world's leading exporter of oil, Venezuela was fuelled by American capital. By 1959 years of military dominance and dictatorship had been formally replaced with the election of President Rómulo Betancourt, an anti-Communist democrat sympathetic to the United States. Yet what should have been by all expectations a dependable ally in the hemisphere instead fostered a violent anti-Americanism, threatening to fuel a Communist insurgency in the Americas. That threat exploded in spectacular fashion during US Vice President Nixon's tour of the Americas in May 1958, when his motorcade was attacked by a mob in Caracas. The trip ended with the spectacle of Nixon imprisoned in the American embassy and the White House dispatching a military taskforce to come to his rescue. In the aftermath, Nixon reported to the White House that despite Venezuela acting as a bastion of free enterprise and economic development in the hemisphere, it posed one of the greatest threats of a Communist takeover in the region.[1] In essence the relationship with Venezuela posed a major problem for US policymakers, forcing a rethink of several aspects of foreign policy towards Latin America as a whole.

This dissertation explores the Eisenhower administration's view of Venezuela as integral, both politically and economically, to the global strategic competition with Communism. It will demonstrate that this view resulted in a high level of political collaboration with the Jiménez dictatorship and repeated intervention into Venezuelan economic policy-making. The overthrow of Jiménez in January 1958 and the Caracas Incident in May 1958 changed the perception of the threat posed by Communism and influenced major changes in policy, both within the Venezuelan and wider Latin American context. Finally, it demonstrates how these changes resulted in the endorsement of Rómulo Betancourt; the renewal of democracy in Venezuela; and how the growing importance of the political alliance between Betancourt and the United States, irrespective of differences in ideology, led to the relaxing of US intervention in Venezuelan economic policy.

To support these arguments, I draw on 'Foreign Relations of the United States', the official record of US foreign policy. This is supplemented by the Declassified Document Reference System (DDRS), an online collection of US government documents obtained from the US presidential libraries, plus the archives of the New York Times, Time Magazine and several other media publications. I will also refer to the memoirs of Richard Nixon, Dwight Eisenhower's Vice President, and correspondence between Venezuelan statesman Rómulo Betancourt and his biographer Robert Alexander.

While my dissertation aims to provide an accurate representation of how the US executive's policy towards Venezuela and Latin America changed between 1955 and 1960, it does not attempt to provide a full study of the influence of the legislature (the United States Congress). In particular, the role of the Senate Foreign Relations Committee (of which John F. Kennedy was a prominent member) in influencing change in the administration's policy towards Latin America between 1958 and 1960 deserves attention, but is beyond the ambition of this study. Similarly, the classified record of activities of the CIA in Venezuela is likely to have informed US policy and covertly influenced Venezuelan affairs to a greater extent than can ever be known. The lack of access to English-language Venezuelan government records also means we lack a full picture of the Venezuelan government's perception of US policy during this period. Nevertheless, we can discern important and significant change in US policy towards Latin

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America through the microcosm of Venezuelan affairs during this period in history.

An important area of debate within the historiography on the Eisenhower administration's relations with Latin America is to what extent the administration's economic policy towards Latin America was dictated by the requirements of strategic competition with the Soviet Union. Stephen Rabe, whose histories of the Eisenhower administration's relationship with Latin America and of US-Venezuelan relations in the 20th century form the benchmark for research in this area, argues that the United States was driven to suppress Venezuelan nationalism primarily to secure access to essential raw materials, primarily oil, in order to maintain its global strategic position.[2] Bevan Sewell suggests that in addition to these strategic imperatives the administration sought to advance the agenda of free trade and unfettered private markets in order to advance the US economic system and create additional opportunities for private investment.[3] This study demonstrates that while strategic imperatives were dominant in US policy towards Venezuela, there is strong evidence of active lobbying by State Department officials to advance liberal economic policies for their own sake. This economic agenda was ultimately sidelined in 1958 after wider strategic concerns about US influence in Venezuela assumed priority.

The Caracas Incident of 1958 has been a popular topic of debate within the historiography of US relations with Latin America as a whole. Of key concern is whether the event triggered a 'jolt out of complacency'[4] for the United States and a subsequent re-evaluation and re-engagement in Inter-American relations, or whether substantial change did not occur until after the 'loss' of Cuba to Fidel Castro's revolutionary Marxism in 1959. The rise of Fidel Castro and the internationalisation of Cuban-style anti-imperialism has often been portrayed by historians of the Cold War as evidence of a new threat to US political hegemony in Latin America that signalled the beginning of a new period in Pan-American relations, one marked by outright political and military warfare between the United States and Communist and Cuban-aligned forces in Latin America.[5] This study argues that the Caracas Incident gave the Eisenhower administration an early warning of the renewed threat of Communism to US political hegemony in Latin America, which provided an impetus for developing ties with Venezuela's new leftist government under Rómulo Betancourt.

The first chapter concerns relations between the United States and the Jiménez dictatorship from 1955 to 1957. The second covers the overthrow of Jiménez in January 1958 and the immediate aftermath of Nixon's visit to Caracas in May 1958. The final chapter primarily covers the Venezuelan Presidential elections of 1958 and US relations with the Betancourt government up until the last months of President Eisenhower's administration at the end of 1960.

'The Dreamboat': US views of the Jiménez era, 1955-57

United States policy towards Venezuela between 1955 and 1957 can be characterised by four tenets; promoting US business interests, the championing of liberal economic policies, the suppression of communism and a relative lack of interest in democracy. Within this framework, relations with Venezuelan dictator and President Jiménez were warm. Brought to power in a rigged election in 1952, Jiménez had maintained a 50:50 profit balance on oil revenue between government and private producers, whilst overseeing an expansion of US private holdings in the country. By 1957 US direct investment in the country was worth \$2.5 billion, about 1/3rd of US investment in the whole of Latin America.[6] Venezuela boasted a powerful military bolstered by US equipment bought on credit. US military advisors played on Venezuelan dreams of becoming a major force in the Caribbean in return for a commitment to hemispheric security against the Soviet Union.[7] Despite widespread corruption, political suppression and torture, to US State Department officials the Jiménez regime represented an ideal of statehood for Latin America to aspire to, capped by the bestowing of Jiménez by US Ambassador Warren with the Legion of Merit medal in 1954 for his 'spirit of friendship and co-operation' and 'sound foreign investment policies'.[8]

The US National Security Council (NSC) 1954 memorandum NSC 144/1 placed inter-American relations within the strategic framework of global competition with the Soviet Union. The principal concern of Eisenhower's policy was to ensure that the American republics of Latin America remained aligned with the United States in the global struggle against World Communism, supporting it through the provision of vital raw materials and the maintenance of hemispheric security.[9] However, attached to these aims was an emphasis on promoting and expanding the US economic system of free trade and private investment, with the justification that it was in Latin America's own self-

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interest to create a climate friendly to private investment.[10] Government intervention was unhelpful and counter-productive; only private capital investment and unfettered markets could deliver economic development and interference would inevitably restrict them. This viewpoint was restated in NSC 5613/1 (the NSC's 1956 report on US general policy in Latin America) concluding that 'the United States should promote the development by private initiative of sturdy, self-reliant economies in Latin America which do not require continuing grant assistance from the United States.'[11] In effect, the promotion of private investment would eventually remove the requirement for the United States to provide aid to Latin America through economic development. As the most economically developed nation in Latin America, and with a strong commitment to private enterprise and anti-Communism, Jiménez's Venezuela offered US policy-makers a model for success.

A 1955 Time Magazine cover feature on Jiménez's rule of Venezuela, 'Skipper of the Dreamboat', encapsulated much of the administration's thinking. Whilst noting the country's over-dependence on oil, corruption, regional inequality and lack of democracy, it dismissed them as 'short-term problems'; the prosperity generated by oil windfalls would continue driving increasing standards of living for all, with a more pluralistic style of government hopefully arising out of prosperity.[12] A New York Times profile of the country's economic boom suggested that the strong economy could not have been achieved without government suppression of dissent.[13] Meeting with President Eisenhower in 1956, Jiménez boasted of his anti-Communist credentials by arguing his government's policies of oil-fuelled growth and capital spending could offer the working class far more.[14] US Secretary of State John Foster Dulles agreed; in a congressional hearing he stated that if the rest of Latin America would emulate Venezuela's model of private enterprise and authoritarianism, 'the danger of communism, of social disorder would gradually disappear.'[15] The apparent success of the 'Venezuelan model' provided a justification for US policy goals; it vindicated the coupling of free market, liberalised economic policies with national security goals. The values of democracy and political freedom took a back seat in the development of Venezuela as a key US economic and strategic partner.

When considering US policy towards Venezuela, we must not underestimate the significance of American consumption of and private investment in Venezuelan oil. Maintaining unfettered access to this key strategic material was a key requirement of US national security policy.[16] US military advisors instructed Venezuelan officers that protecting the oilfields was their unique responsibility in the global struggle against the Communist bloc.[17] Securing the Venezuelan oilfields from the imagined threats of Communist sabotage and even a surprise Soviet nuclear attack proved to be recurring dilemmas inside the Eisenhower administration.[18][19]

This concern for maintaining access to Venezuelan oil supplies was also demonstrated by the degree of attention paid to any Jiménez regime consideration of intervention in private investment and trade. In June 1955, when the Jiménez regime was launching a new state development initiative, senior State Department officials instructed the US embassy in Caracas to lean on key policy-makers in the government to drop the initiative and instead use government funds to support private investment rather than interfere in the market.[20] Monitoring trends in Venezuelan internal politics was routine but the frequent intervention of senior officials, including Henry Holland, *Assistant Secretary of State for Inter-American Affairs from 1954 to 1956*, demonstrated the State Department's mandate to ensure the survival of liberal economic policies that were favourable to US private interests in Venezuela, prodding the Venezuelans away from "dangerous" policies of interference in the free market.

Henry Holland was on record as a strong supporter of the Venezuelan economic model, extolling it as 'a showcase of private enterprise' with a standard of living far outweighing the rest of Latin America.[21] However, in private meetings with the regime he was quick to voice concerns about rumours of the Venezuelan government potentially straying from the path of unfettered private enterprise, and warned that such moves made restrictions on Venezuelan oil exports to the US more likely.[22] This approach was also reflected by the State Department vetoing US Export-Import Bank (Exim) lending to Venezuelan development projects, on the basis of unnecessary state involvement in financing.[23] While Venezuela demonstrated to the administration the success of placing free enterprise at the centre of developing economies in Latin America, it was still quick to lecture Venezuelans on the perils of state economic intervention with 'subtle signals' to keep them on the right track.[24]

The main political concern of the United States in Venezuela was maintaining the stability of relations with the

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Jiménez government. This meant a policy of keeping Jiménez and his administration close to the United States whilst assuming apparent neutrality. Meanwhile, maintaining relations with key opposition leaders including Rómulo Betancourt provided contact with Jiménez's political rivals, and proved useful in providing intelligence about the underground opposition.[25] However, there are several examples during the Jiménez era of Eisenhower administration officials failing to maintain a balance between comity and neutrality, with consequences both for bilateral relations and for the perception of US Latin American policy as a whole. A key source of tension was Pedro Estrada, chief of Venezuela's brutally effective secret police. Henry Holland had advised against any association with him, yet he was formally invited to the United States in January 1957, where he was received by the State Department.[26] [27] After the fall of Jiménez's regime, the publishing of personal letters between the former US ambassador Fletcher Warren and Pedro Estrada brought fresh embarrassment, with Warren complimenting Estrada for being 'very on the job as usual' and wishing Jiménez that 1958 'will bring him his heart's desires'.[28] If there had been any policy suggesting a separation between the United States and the Jiménez regime, it was clearly unsuccessful.

Jiménez's decision in 1957 to forgo the full presidential election required by the Venezuelan constitution and instead validate an extended term with a national plebiscite was a particularly brazen assertion of power. While previous dictatorships had at least given the appearance of allowing opposition, Jiménez had prevented any political party from standing against him. While the Eisenhower administration was well aware of discontent with the Jiménez regime, it did not expect any serious opposition. The US ambassador McIntosh dismissed rumours of discontent amongst military officers as speculation without factual basis. Despite his 'authoritarian short-comings', McIntosh predicted the continued survival of the Jiménez regime in the face of no obvious public opposition.[29] When the results of the plebiscite were announced on 15th December 1957, the embassy reported a still apathetic public with no evidence of any trouble or demonstrations of any kind, noting that the apparently high margin of victory for Jiménez (82% yes) suggested they were safe.[30]

In reality, there had been several large demonstrations by students across the country which had ended in violence, and the opposition underground was abuzz with the expectation of a coup.[31] The American embassy's reports were so out of touch with the reality on the ground that it posed the question of whether information detrimental to the standing of the regime with the United States government had been knowingly suppressed. Unbeknownst to the Eisenhower administration, Jiménez was sailing into a storm, with serious consequences for US interests in Venezuela.

The Dreamboat Runs Aground: Nixon meets Democracy in Caracas, 1958

The sudden overthrow of Jiménez in January 1958 by a military junta in the wake of nation-wide unrest by the 'apathetic' public following a failed military revolt was clearly unanticipated by the Eisenhower administration. That the military had been the force that ultimately toppled Jiménez's presidency reflected its dominant role in Venezuelan politics throughout the twentieth century. The State Department did not hesitate to recommend immediate recognition of the provisional junta after receiving assurances from its leaders of their commitment to anti-communism and protecting foreign investment.[32] Not only did the junta unequivocally hold power, but it also commanded wide popular support and had pledged free elections.[33] The first public statement by the Eisenhower administration on the matter in late February noted that they 'do feel satisfaction and pleasure when the people of any country determinedly choose the road to democracy and freedom'.[34] However, the pattern of US support for Jiménez suggested that the US would have willingly supported any stable government, even one more repressive and unrepresentative, provided it did not challenge the status quo of liberal economic investment, trade policies and alignment with the United States in the Cold War. The administration had previously proved itself willing to directly interfere in Latin American internal politics with the CIA-sponsored overthrow of the democratic government of Guatemala in 1954 and had repeatedly undermined popular revolutions if there was evidence of a political threat to US private and strategic interests in Latin America.[35] Initial US support for the Venezuelan transition to democracy was conditional upon the protection of its own interests and its tacit approval of the overthrow of Jiménez entirely expedient.

In contrast, Venezuelans were not at all convinced of the United States' support for a popular replacement for

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Jiménez. The admission of deposed Jiménez and Pablo Estrada to the United States triggered fury on the streets of Caracas. The US government defended the move as customary for exiled Latin American politicians with the added justification that former Venezuelan President Rómulo Betancourt, now leader of the re-legalised AD party in Venezuela, had also been accommodated during his exile.[36] By April, the US chargé d'affaires at the US embassy in Venezuela wrote that he could not 'emphasise too much the strength of the feeling here' on the Jiménez and Estrada's continued residence in Florida, warning of the potential for demonstrations 'and perhaps other unpleasant events' for US Vice President Nixon's impending visit to Caracas.[37]

A key source of Venezuelan disgruntlement with US policy was the threat of import quotas being placed on Venezuelan oil exports to the United States. By the late fifties the country had become 'a petroleum factory'; oil constituted 92.4% of national exports by value, with much of the private sector dependent upon petrodollars for financing.[38] By 1957, revenue from oil alone constituted 52.8% of government income.[39] In effect Venezuela, in common with much of Latin America, was a one crop economy entirely dependent upon oil exports. In the meantime several attempts had been made in the United States legislature during the mid 1950s to limit the import of foreign oil and protect domestic oil producers. By 1958, global oil prices had slumped and the pressure from domestic producers on the legislature grew stronger. On March 25th 1958 President Eisenhower ordered additional restrictions on oil imports to the United States.[40] Though State Department officials had frequently warned about the damaging impact oil quotas would have upon US-Venezuelan relations and the threat to the stability of the government they posed, these concerns were ultimately overruled.[41] The imposition of quotas on Venezuelan oil imports to the United States was widely viewed in Venezuela as a 'punishment' for overthrowing Jiménez.[42]

While the Eisenhower administration had been optimistic about the renewal of Venezuelan democracy, the emergence of the Communists as a legitimate and powerful force in Venezuelan politics within the power vacuum caused by the collapse of the regime triggered concern. The Junta decision to legalise the Communist Party (PCV) in February earned a warning from US ambassador Burrows of the 'inherit danger' posed by the Communists to the state.[43] The advice fell on deaf ears; the reintegration of the Communists into Venezuelan political life was seen as essential in rolling back the state of repression under Jiménez, and the Communists were given posts in the new provisional government. In the same month a report received by the State Department noted the resurgence of the Communists in Venezuela following Jiménez's overthrow, with many leaders returning from exile.[44] By March 1958 Vice President Nixon had added Venezuela to his planned tour of South America, noting the 'rather shaky and inexperienced' provisional government, and that an official visit by the United States government could offer them encouragement and a 'well done' for restoring democratic rule. [45] In reality, Nixon could have hardly have picked a worse time to visit the country; Anti-Americanism was rampant, and his visit to Caracas on May 1958 provided a visceral demonstration of how the tacit support for dictatorships and inflexible insistence upon free trade had alienated the US from its supposed allies.

While Richard Nixon had privately briefed reporters before leaving Washington that his tour of South America would be routine and uneventful, it proved to be anything but.[46] A visit to a university in Peru ending in him and his entourage being stoned by student protesters. On May 13th 1958 his reception at Caracas provided a climactic and violent demonstration of the deep resentment towards US foreign policy. Descending from the Vice-Presidential plane, Richard Nixon, his wife Pat Nixon and his accompanying advisors (including Assistant Secretary of State Richard Rubottom) were met with a storm of abuse and spit from two hundred Venezuelan student demonstrators.[47] Abandoning the customary speeches, Nixon's party and the Venezuelan foreign minister Oscar Garcia Velutini made straight for Caracas. On the highway and within the city limits, their motorcade was repeatedly ambushed by protesters, smashing the car's windows with rocks and steel pipes and at one point nearly turning Nixon's limousine over, with their Venezuelan police escorts unwilling and unable to contain the crowds. With several injured by broken glass, Nixon and Velutini included, the motorcade escaped the highway and made straight for the American Embassy.[48] With Communist-led crowds still roaming the city's streets and preparing to march on the embassy, the US mission in Venezuela was in a state of panic. Reinforced by a local US army mission but with no Venezuelan security forces in sight, at 2pm Rubottom instructed Washington via telephone that 'the Vice President's situation is critical', and to inform the 'highest authorities' that the embassy was at risk of attack by an uncontrolled mob.[49] After this message communications between Washington and Caracas were cut.[50]

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What followed was a public relations disaster for the United States in Latin America. With little information about a threat to the Vice President's life, the order was given by Washington to dispatch five hundred airborne marines directly to Venezuela. This order was vetoed by Secretary Dulles, sensing the implication that Venezuelans could not police their own country, and instead endorsing a deployment to US Caribbean bases to demonstrate 'the will and capacity to intervene' if the Venezuelan security forces failed to guarantee Nixon's safety.[51] [52]. By the evening the situation had calmed down and a column of Venezuelan tanks stood guard outside the embassy but the US military deployment had escalated the political ramifications of the incident, humiliating the Venezuelan provisional government and raising the spectre of US armed intervention on the continent. The Caracas-based newspaper *El Mundo* encapsulated the public reaction in Venezuela, suggesting the deployment signalled the return of American gunboat diplomacy, when 'battleships and marines sealed the lips of national independence'.[53] In Rubottom's words later that night, the situation 'would take a little undoing'.[54]

The Caracas visit proved to be one of the most widely-covered news stories of the year by the American media and provoked a variety of responses. While the *New York Herald Tribune* urged Congress to strike a special medal in honour of Nixon's courage in the face of the America-dishonouring mob, influential syndicated columnist Walter Lippman damned the incompetence of the administration in misconceiving the public perception of US policies in Latin America, resulting in nothing less than a 'Diplomatic Peal Habor.' The decision to send troops on a potential rescue operation was particularly controversial; both the *Chicago Tribune* and the *New York Times* denounced the act as doing nothing but harm to American security by evoking the image of American imperialism in Latin America.[55] The renewed public debate on US policy in Latin America placed a significant pressure upon the Eisenhower administration to reconsider its policy towards Latin America.

At a jubilant reception for Richard Nixon's return to Washington DC on May 15th, President Eisenhower downplayed the significance of the Caracas Incident.[56] In private discussions however, the administration's reaction to the incidents was nothing like as positive. Interim-Assistant Secretary William Snow's report on the Vice President's trip concluded that while it had been successful as a means of demonstrating US interest in Inter-American issues and increasing goodwill, it was not clear that the Venezuelan visit had achieved any of these objectives. Instead, the visit had demonstrated how the fall of the dictatorship and popular opposition to the political and economic policies of the United States were fuelling an 'internal Communist menace' that threatened 'the preponderance of US influence in Latin America'. While the report concluded in expressing support for existing US general policy towards Latin America, the Nixon trip would do much to encourage its review and changing the emphasis and implementation of US policy towards Latin America.[57]

Nixon's analysis was even bleaker. Presenting his findings to the National Security Council (NSC), he declared that 'the threat of Communism in Latin America is greater today than ever in history.' While dictatorships across the southern hemisphere were falling and being replaced by democracies, many of the democrats who were replacing them were naïve about the 'true nature' of Communism in their own countries. This reflected Nixon's poor impression of Venezuela's provisional president Rear Admiral Wolfgang Larrazabal for the delusion of allowing the Communists to enter the government and refusing to suppress them.[58] That Venezuela, despite its support for liberal economic policies and relatively high level of development was as much threatened by Communism as Latin America's most democratic state, Uruguay, suggested to Nixon that 'neither the democratic system nor the system of private enterprise is necessarily a safeguard against Communism'. This constituted a major challenge to the US orthodoxy that opening up markets in the developing world provided the best means of combating the growth of Communism.

The NSC meeting on May 22nd 1958 symbolised the beginning of both an intellectual and practical re-engagement by the Eisenhower administration with the underlying issues in Inter-American relations which had prompted the Caracas Incident. The Cold War dynamic of US Latin American policy, that Latin America was just another battleground with International Communism, remained unchanged. However, there was now recognition that friendly relations with authoritarian regimes and an inflexible insistence upon free market policies had been counter-productive, encouraging support for Anti-American radicalism.[59] Richard Nixon in particular saw an increased role for foreign aid, a relaxation of American opposition to the stabilisation of commodity prices and a clearer distinction between Latin American states; merely a formal handshake for autocrats and an 'embrazo' for democrats.[60] [61] The rattling received by Eisenhower's administration in Caracas now made it especially sensitive to the surge in

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power of Communist revolutionaries in Venezuela and the need to re-engage with newly-emerging democracies like Venezuela and guide them away from the path to Communism.

'Our Best Bet': President Rómulo Betancourt and a new understanding, 1958-1960

The Caracas incident had publicly exposed the vulnerability of the provisional junta to political unrest. However, in contrast to Nixon's impression of the Communist threat in Caracas, a State Department study concluded the military posed a much greater threat to the transitional government. The July Crisis, when military commanders led by the turbulent defence minister Castro Leon threatened to revolt, ably demonstrated the new dynamics of post-Jiménez Venezuela when a volatile crowd of thirty thousand leftists marched on the national palace in support of the government, denouncing Castro Leon and prepared to battle the armed forces on the streets.[62]

The force that would shape Venezuelan politics in 1958, however, was not the very public power politics of the Communists and the military, but the leftist Acción Democrática (AD) party. Nationalistic and democratic socialist in ideology, it was its strength relative to the Communists that was seen by the State Department as preventing a 'Guatemala 1954-style' Communist takeover. However, AD risked a military intervention by officers still stung by an apparent attempt by the AD-led government in 1947 to replace the military with a 'people's militia'. For this reason, the State Department report effectively endorsed the need for a unity candidate with the military's support in the upcoming December elections.[63] What Venezuela got instead was a two-horse race between AD's Betancourt and the provisional junta leader Rear Admiral Wolfgang Larrazábal, who had not only the support of the leftist URD party but also the Communists. In the midst of the turmoil of a fragile new democracy and a damaged relationship with the United States, Venezuela was swinging to the left and a once prized US ally was threatening to swing out of its orbit.

Despite his commitment to left-wing nationalism, Rómulo Betancourt had long been seen as a man the United States could work with. Calm and pragmatic, Betancourt had kept up discussions with State Department officials about the activities of the Venezuelan opposition.[64] A vehement critic of the United States' policy in Latin America, particularly for its support of dictatorships and unbending commitment to liberal economic policies, he nevertheless saw the United States as Venezuela's natural ally in the Western Hemisphere.[65] A one-time supporter of the Communists, he now disavowed them for their 'international commitments' and refused to consider admitting them to the government.[66] However his commitment to state-led economic restructuring and increased control of the oil industry conflicted with US economic interests and liberal investment policies in Venezuela.

By comparison, Wolfgang Larrazábal had not impressed as head of Venezuela's provisional government. While he had assured the United States of his government's anti-Communist credentials and commitment to safeguarding foreign investment, his ability to resist public pressure had been limited.[67] The decision to legalise the Communist Party and include it in his government was looked upon gravely in Washington.[68] He made a poor impression upon Richard Nixon during his Caracas visit in May 1958, who barracked him for his inability and unwillingness to control the Communists and keep public order.[69] His decision in November 1958 to seek the support of the Communists in the elections confirmed his strategy of co-opting rather than suppressing the growing radicalism in Venezuelan politics.[70]

By September Washington had already conceded that any new government elected in December would advance a nationalist economic agenda and seek a greater share of profits from the oil industry.[71] It was the apparent resurgence of Communism in Venezuela that defined the US response. Faced with the choice between a pro-Communist leftist and an anti-Communist leftist, the United States government chose the latter, and tried to intervene by supporting Rómulo Betancourt's candidacy. Betancourt rejected the offer and went on to win 49% of the vote in December.[72] The US endorsement of Betancourt, despite his commitment to reform the laissez faire economic policies of the Jiménez years, saw Eisenhower's ideological commitment to liberal economic policies in Venezuela become gradually sidelined.

Betancourt's economic agenda as President-elect was in stark contrast to the oil-export fuelled, Caracas-centred model of the Jiménez presidency, so popular with Eisenhower administration officials. The collapse of global oil prices and the political turmoil of 1958 had brought buoyant economic growth to a shuddering halt. Moreover, the

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'dreamboat' of lavish capital spending projects and rising living standards during the Jiménez years was a façade. Poverty was endemic. In the cities squalid shantytowns, referred to as *Ranchos*, housed millions of migrant workers. In the countryside underdevelopment and poverty was endemic. Nearly half of adult Venezuelans were illiterate, with much of the rural-dwelling populace living on incomes below \$100 a year.[73] On May Day 1957 Archbishop Arias, Venezuela's most senior cleric, issued a pastoral letter complaining that the vast majority of Venezuelans lived in "sub-human conditions".[74] Even the military suffered; though the officer class had benefited from Jiménez's largesse, barracks for conscripts were dilapidated with one air force base housing a nine hundred strong garrison with no running water or toilets.[75] It was only after the fall of Jiménez that the Eisenhower administration began to entertain the notion that Jiménez's economic policies had not benefited all of its people.

Betancourt's new economic program was economic diversification, state-led development and agrarian reform to break Venezuela's dependency on oil exports and imported food.[76] By October 1959 the United States had partially endorsed these policies and assisting Venezuela's efforts to industrialise as a means of ending dependency on oil became a stated objective of US policy.[77] This marked a reversal of the State Department's previous opposition to government-led development during the Jiménez regime.

Betancourt's approach to the oil industry also saw a major shift towards government involvement and control over exports. This ultimately resulted in Venezuela's participation in the creation of the intergovernmental organisation 'Organization of the Petroleum Exporting Countries' (OPEC) in September 1960, which sought to increase the control of exporting countries over the production of oil. The Minister for Mines and Hydrocarbons Juan Pablo Pérez Alfonso, a veteran Betancourt ally and architect of the '50-50' policy, was keen to increase the state's role in oil production and established a new national oil company in April 1960. However Betancourt was careful to court the consent of the Eisenhower administration and oil companies before attempting reform. He was furious when, in December 1958, the outgoing transitional government scrapped the '50-50' policy and hiked taxes on oil producers, not because Betancourt disapproved of the policy but because neither the United States nor oil companies had been consulted beforehand.[78] [79]

The Eisenhower administration pointedly did not go out of their way to oppose Betancourt's nationalistic oil policies. The issue of Venezuelan oil reforms was subsumed into a separate and long-running row over tightening US oil import quotas which excluded Venezuelan oil from US markets. In a memorandum to President Eisenhower in September 1959, Acting Secretary of State Christian Herter presented Betancourt and Alfonso's reforms as economically counter-productive and at risk of stoking nationalism, with Alfonso's agenda of increasing government control over production and creating alliances with Middle Eastern oil exporters detrimental to both US business interests and the maintenance of access to global oil markets. However, Herter explicitly recommended against the linking of the oil quota issue with Venezuela's nationalist agenda, confirming a willingness to recognise the validity of Venezuelan nationalist oil policies without appearing to endorse them.[80]. The same passive attitude was taken to the establishment of OPEC in September 1960.[81] In a meeting with the British Prime Minister Sir Alec Douglas-Home, Under Secretary of State Douglas Dillon stated that though OPEC was bad for US security little could be done to persuade Venezuela to change course.[82]

The willingness of the Eisenhower administration to relax its economic agenda in relations with Venezuela can be put down to two factors. Firstly, the United States' policy of advocating free trade and private investment in Latin America was being challenged externally by Latin American leaders like Betancourt and Brazil's President Kubitschek, who were promoting a bigger state role in development. Secondly, the emphasis of US relations with Venezuela between 1958 and 1960 had changed, away from advancing US economic interests and towards supporting the fragile Venezuelan government as a vital ally in a continent-wide struggle with the forces of socialist revolutionaryism.

By the end of 1958, the position on the Eisenhower administration on trade and investment in the Americas as a whole had been substantively revised. Signs of a review of economic policy could be seen as early as January, when a collapse in commodity and raw material export prices led to economic slowdowns in developing countries across the Americas. Secretary of State Dulles stated that US economic policies towards Latin America were 'too negative', and suggested a review of US opposition to commodity price stabilisation agreements.[83] Assistant Secretary of State Roy Rubottom recommended an expansion of direct aid through the existing Development Loan Fund and the

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dropping of opposition towards the creation of an Inter-American Development Bank (IADB), funded partially by US direct aid. [84]

Following Richard Nixon's visit to South America in May 1958, pressure for a change of policy from outside the United States had increased. In a letter addressed to President Eisenhower, Brazil's President Juscelino Kubitschek called for a renewal of the relationship between the United States and Latin America, proposing a massive new US aid commitment to the continent. Dubbed 'Operation Pan America', the plan gained support across the continent and offered an alternative to the Eisenhower administration's previous insistences on private capital and investment.[85] In July, President Eisenhower sent Congress a request to create a new development fund, dubbed 'Operation Pan America (Non Brazilian)'. [86] By September 1960 the OAS had drawn up the Act of Bogota, promoting agrarian reform, industrial development and improvements in housing and healthcare. Its explicit endorsement of "additional public... financial assistance" was matched by a US commitment of \$500 million to the IADB, and another \$500 million for the new development fund.[87] Betancourt had personally lobbied President Eisenhower for the Inter-American Development Bank to be based in Caracas.[88] Through 1958 to 1960, the Eisenhower administration was moving closer to the position of Betancourt and Kubitschek in supporting development through state intervention.

Jiménez's residence in Florida remained a central issue in rebuilding relations with Venezuela. Betancourt had warned the American delegation to his Presidential inauguration in February 1959 that US relations with the Venezuelan people would remain "below-zero" as long as he resided within the United States.[89] While the State Department had opposed attempts to expel Jiménez, his arrest in compliance with a Venezuelan extradition request in September 1959 earned the surprised gratitude of Venezuelan officials and press.[90] [91] Now, after years of supporting Venezuela's dictatorship, the Eisenhower administration was going out of its way to impress on Venezuelans its support for the new democracy. According to Richard Rubottom, the new focus of US diplomacy with Venezuela was trying to find ways to accommodate the Venezuelan government, despite their numerous differences on economic policy, in order to rebuild trust in the United States' Latin American policy.[92]

Underpinning this new relationship with Betancourt's Venezuela was the perception that the United States needed his support. By 1960 Inter-American relations in the hemisphere were under threat from both the forces of dictatorship and revolution. A month prior to Betancourt's inauguration, Cuba's New Years Revolution of 1959 sent shock-waves around the hemisphere. After initially welcoming the transfer of power from the dictator Batista to the July 26th Movement led by Fidel Castro, the Eisenhower administration quickly became worried by Fidel's condemnation of US foreign policy and aggressiveness in consolidating power.[93] From January 1959 onwards, Cuba dominated US foreign policy in Latin America.

Betancourt was initially uninterested by the developments in Cuba. Of far greater concern was Rafael Trujillo, the long-ruling dictator of the Dominican Republic who initially provided Jiménez sanctuary and now threatened to subvert the Venezuelan government. Betancourt's deep hostility towards Trujillo was driven by what became known as the 'Betancourt doctrine'; a refusal to 'do business' with any dictatorship and to exclude them from international relations. In his inaugural address to the Venezuelan congress on the 12th February 1959, he declared that "regimes which do not respect human rights... should be submitted to a rigorous *cordon sanitaire* and eradicated through the pacific collective action of the Inter-American juridical community".[94] From the outset, Betancourt sought to expel the Dominican Republic from the OAS and introduce a resolution stipulating that membership be dependent upon the observance of democracy.[95] Trujillo quickly became a magnet for conspiracy against the Betancourt government, with Dominican secret agents planting bombs in Caracas.[96] By February 1960 tensions were so high that Betancourt requested an emergency meeting of the OAS to consider the Dominican situation.[97] The feud climaxed in July in an unsuccessful assassination attempt by Dominican agents, the bomb attack on Betancourt's car killing two people and seriously injuring him.[98]

Venezuela's budding relationship with Fidel Castro's Cuba had also quickly soured following Betancourt's inauguration. After meeting Castro in March 1959, Betancourt confided in the American ambassador that he had been disturbed by Castro's naiveté when he requested a \$300 million dollar loan and subsidised oil, despite Venezuela's chronic lack of cash. He later recalled Castro's words- 'Between us, we will play a masterful game with these gringos'. [99] [100] It became clear very quickly that the two statesmen had very different perceptions of the

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direction for Latin America. In April Betancourt publicly sided with his friend and former Puerto Rico president José Figueres in a feud with Fidel over the role of the Soviet Union in Latin America.[101] In October leading Cuban Communists Raul Castro and Ernesto Che Guevara were barred from visiting Venezuela to celebrate the anniversary of the Bolshevik 1917 October Revolution.[102] When the Cuban government signed a trade agreement with the Soviet Union in February 1960, an outraged President Eisenhower began to accelerate plans to take the issue to the OAS. In April, Betancourt informed the US ambassador that Venezuela was willing to take the lead on the issue of Cuba at the OAS; but only if the US acted against Trujillo.[103]

The dual crises posed by Fidel Castro and Rafael Trujillo in the Caribbean provide clear evidence of the synthesis between the policy goals of the Eisenhower administration and Betancourt's foreign policies but also how they differed. Both Betancourt and the United States were eager to suppress the threat of revolutionary socialism and curb the influence of the Soviet Union in Latin America. Betancourt's model of progressive democracy provided a useful contrast with Cuba's revolutionary zeal and absolutism. To Rubottom, the Venezuelan position represented the 'strong tide of pro-democratic and anti-dictator sentiment' in Latin America; a force that if harnessed offered the Eisenhower administration a powerful weapon in the ideological battle against Communism in the hemisphere.[104] That Betancourt volunteered himself to lead the opposition to Fidel Castro demonstrated his continuing value as an ally to the United States.[105]

However, the Eisenhower administration's hesitancy to sanction Trujillo demonstrated its fickle relationship with democracy. They were quick to break relations following the July assassination attempt but reluctant to hasten Trujillo's overthrow less the resultant power vacuum was filled either by Cubans or Communists. The United States' call for OAS-supervised elections in the Dominican Republic was impossible to enforce and only when all other options were exhausted did Secretary Herter back economic sanctions in December 1960.[106] [107] This position stood in stark contrast to the democratic evangelism exhibited by Betancourt, who had consistently argued that dictatorships and oppression were a root cause of revolutionaryism and Communism. For the United States, supporting democracy in Latin America was but a means of waging the global struggle with Communism.

Meanwhile, at home Betancourt's government was repeatedly hit by political and economic crises. Economic stagnation, increased restrictions on the oil industry and a large budget deficit led to a balance of payments crisis in late 1960 as the value of Venezuelan currency eroded. The most significant was the formation of the Revolutionary Left Movement (MIR) from the expelled membership of AD's youth faction. As unrest rose and Betancourt's relations with Cuba deteriorated, the Cuban government became increasingly involved in fermenting domestic opposition to Betancourt, leading to Betancourt expelling Castro-friendly factions from his own government.[108] From the AD itself arose the Revolutionary Left Movement (MIR), which claimed direct inspiration from the Cuban Revolution and dedicated itself to overthrowing the Betancourt government through armed struggle.[109] Faced with the prospect of a government collapse, US State Department officials tried to support Betancourt by extending credit agreements for US military equipment and increasing the amount of technical and financial aid.[110] In November the United States' chargé d'affaires in Venezuela summed up the investment the Eisenhower administration had placed in Betancourt. "Betancourt is our best bet to achieve (the) kind of government in Venezuela that would best promote and protect US national interests...he stands for what we stand for. With battle lines formed between anti-democratic extremism and constitutional democracy we must...support Betancourt to (the) limit." [111] Through the turbulence of revolution and the rise of popular left-wing radicalism, the Eisenhower administration had come to identify Rómulo Betancourt's brand of liberal democracy as their best hope of resisting international Communism's attack upon Venezuela and the western hemisphere.

Conclusion

The United States experience of Venezuelan politics between 1955 and 1960 have proved to be hugely influential in shaping US policy towards Latin America as a whole throughout the 1960s and beyond. The prevailing view during the years of dictatorship was that expanding the capitalist system of free trade and private capital offered the best means of increasing prosperity across the western hemisphere, and thus offered the best protection against the growth of Anti-American nationalism or Communism. In this analysis, democracy was merely a secondary goal.

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The Venezuelan experience put this view to the sword. The revolution and subsequent Caracas Incident confirmed this approach was ineffective in addressing chronic economic instability, poverty and underdevelopment; it fuelled resentment at the United States' disinterest in democracy, which in turn inspired Communist subversion. The 1958 Venezuelan revolution reminded US policy-makers that the region they had deemed crucial to their security, part of their sphere of influence since 1823's Monroe Doctrine, could easily fall away if the masses felt exploited or neglected. This reminder proved to be prescient when Fidel Castro turned Cuba into an exporter of anti-Imperialist Marxism, lighting a fire of unrest and rebellion across the hemisphere.

Romulo Betancourt's presidency offered the Eisenhower administration an alternative; the left-leaning democrat, who despite sharing little in economic ideology, offered a politically powerful alternative to Communism and a powerful advocate for the orthodoxies of Pan-American unity and democracy the United States had always been comfortable in voicing support for. However, the hesitancy to endorse regime change in the Dominican Republic exposed vocal US support for democracy as less ingenuous than the ideological doctrine espoused by Betancourt. Eisenhower's successor President Kennedy voiced similar qualifications for support for democracy in the Dominican Republic; "There are three possibilities in descending order of preference, a decent democratic regime, a continuation of the Trujillo regime or a Castro regime. We ought to aim at the first, but we really can't renounce the second until we are sure that we can avoid the third." [112] This same attitude prevailed when in 1964, faced with a socialist government in Brazil intent on radically changing the national economy, the Johnson administration covertly supported a military coup that overthrew democracy. [113] The decision to actively support the cause of democracy in Venezuela was self serving and driven by the central aim of suppressing Communism in Latin America.

It is clear the Eisenhower administration's change of policy towards Venezuela laid the foundations for the close relationship that emerged between Betancourt and President Kennedy. It evidences the view that Kennedy's 'Alliance for Progress' initiative was an evolutionary step, re-engaging with the American Republics bi-laterally and on the Pan-American level with the Act of Bogota. As unrest in Venezuela became more severe in late 1960, the State Department established Betancourt as an essential ally in the struggle to contain Cuba and Communism and could ill afford his overthrow. Kennedy's presidential transition team agreed, earmarking \$100 million of emergency aid to shore up Betancourt's floundering administration. [114] It was differences in economic ideology, characterised by an enthusiasm for unprecedented direct development aid that defined the goals of the Kennedy administration, making progressive democrats like Betancourt leaders of a transformative 'New Deal' movement in Latin America. [115] Kennedy's influential advisor Arthur Schlesinger described Betancourt as 'the most impressive' leader in Latin America, with much in common with liberal democrat thought of Kennedy's Democratic Party. [116] The willingness to move well beyond the orthodoxy of free trade, influenced by Modernization theorists like Walt Whitman Rostow who advocated massive transfusions of government aid to wean republics like Venezuela off the 'international dole' of foreign private capital and loans, broke down many of the ideological barriers that were never reconciled between Betancourt and Eisenhower. [117]

In conclusion, the US experience in Venezuela between 1955 and 1960 helped nuance its wider policy towards Latin America by challenging the previous reliance on free market economics. While the Eisenhower administration chose to re-emphasise democratic values in order to combat rising Communist radicalism, practical support for advancing democracy in Latin America proved to be limited at best.

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Written by Christy Quinn

Written at: London School of Economics

Written for: Tanya Harmer

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