

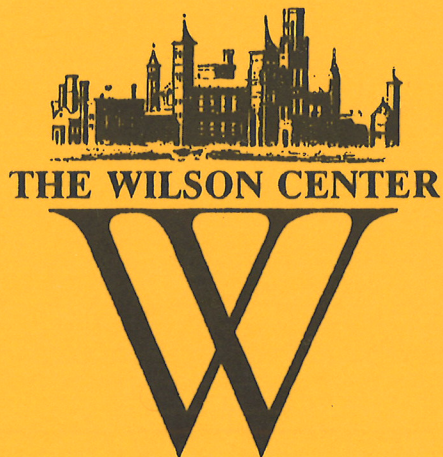
WORKING PAPERS

Number 183

**United States-Paraguay Relations:
The Eisenhower Years**

Anibal Miranda
Universidad Católica--Asunción

LATIN AMERICAN PROGRAM



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UNITED STATES-PARAGUAY RELATIONS: THE EISENHOWER YEARS

Antecedents¹

President Carlos Antonio López of Paraguay was not easy to deal with. Having succeeded most austere Supreme Dictator José Gaspar de Francia, who until 1840 had ruled the country with an iron fist and unwavering integrity, López implemented a policy of (1) nonintervention in the affairs of the other Plata Basin states while seeking to have them recognize Paraguay's independence, (2) expanding foreign trade, and (3) building up the domestic infrastructure as fast as possible with help from technicians hired abroad. Not one loan was taken abroad. By the mid-1850s Paraguay was modern enough with telegraph lines, railroad and river transportation, and a substantial production of iron ore with which guns, munitions, and various artifacts were manufactured. Above all, a healthy economy provided the surplus to push up investment without incurring any obligations to foreign creditors, something the leadership in Argentina and Brazil could not quite emulate and eyed with some degree of apprehension. Paraguay was growing rapidly, strengthening its armed forces and following no one's command.

March 1853 marks the coming of age of the first Paraguayan Republic. Identical treaties of amity, commerce, and navigation were signed in Asunción with the envoys of France, the United States, Great Britain, and Sardinia. President López, thereupon, had in his hands the recognition of independence he and his predecessor had sought so hard to achieve.

With international intercourse came a challenge: how to keep colonial forces and filibusters from encroaching upon the wealth of the country. Edward Augustus Hopkins, who acted both as U.S. Consul and as representative in Paraguay for the United States and Paraguay Navigation Company, was one of the early filibusters. He showed a little too much contempt, arrogance, and greed for López's taste, after having obtained a loan of ten thousand dollars from the Paraguayan treasury to keep his modest enterprise running near Asunción. Hopkins's adventure was cut short after López revoked his exequatur.

The gunboat he boarded, the USS Water Witch, carelessly sailed into the fortified Itapiru battery on the Paraná River. The order to back

¹ Miranda was a Fellow at the Wilson Center from September 1-December 31, 1986.

out was disobeyed by the ship commander and shells started to fall onboard. The incident resulted in a dead sailor, minor damage to the gunboat, and the U.S. government's decision to send an armed expedition against Paraguay.

The U.S. expeditionary force of 1858 consisted of fifteen armored ships and vessels, 1,630 crew and marines, seventy-seven guns, and a commissioner and a commodore who were instructed to obtain indemnification for the failed company and the dead sailor's family and appropriate apologies from the government of Paraguay. It was the largest U.S. armada on a foreign mission thus far. Once in Asunción, commissioner James Butler Bowlin found a touch negotiator in President López, who had visibly displayed his troops, armed vessels, and coast armaments to make his position clear. President Justo José de Urquiza of the Argentina Confederation mediated. Bowlin received a carefully worded official explanation for the incident at Itapiru, a sum to cover the loss for the sailor's family, a treaty of free navigation on the Paraná-Paraguay River, and, as for compensation for the United States and Paraguay Navigation company, the agreement to set up a commission in Washington, with representatives of both governments, to resolve the case. The verdict of August 1860 delivered by Judge Cave Johnson, who had been designated by President James Buchanan, stated that the government of Paraguay had done no damage to the company and hence owed no compensation.²

Thus ended a chapter, a turbulent one at that, of United States-Paraguay relations. The United States of America and the Republic of Paraguay had reached an honorable accommodation. A century later, President Dwight Eisenhower dealt with General Alfredo Stroessner's military regime on a different basis. In Paraguay, two decimating wars, numerous coups and civil conflicts, corruption, and a series of caudillos less enlightened than either Francia or López compared unfavorably with the military-economic might and superpower status that a combination of ingenuity, massive migration, and an able leadership had gained for the United States.

² See William R. Manning, Diplomatic Correspondence of the United States: Inter-American Affairs 1831-1860 (Washington, DC: Carnegie Endowment for International Peace, 1938): vol. 10, pp. 38-46. Pablo Max Ynsfran, La expedición norteamericana contra el Paraguay 1858-1859, 1ª y 2ª parte (México: Ed. Guaranía, 1954/1958).

Superpower Rivalry

Eximbank Board approved May 5 [1955] establishment US\$ 7 million credit favor Asuncion Sanitary Works Corporation assist financing purchase U.S. equipment supplies services for construction and initial operation water supply system. Repayment 20 years beginning June 1959. . . . Eximbank requests Ambassador inform President Bank's action.

Dulles³

U.S. ambassador Arthur Ageton promptly informed General Alfredo Stroessner of the good news, as instructed by Secretary of State John Foster Dulles. Eximbank had decided to loan the government of Paraguay up to \$7.2 million as early as September 1954, four months after the coup that ousted President Federico Chaves and just a few weeks after Stroessner's sweeping victory--in a single-candidate election whose outcome had been prearranged between the army's high command and the leadership of the Colorado party then in power.⁴ In cash-strapped Paraguay, withholding or granting a relatively large package--\$7 million was a lot of money in those days--amounted to either toppling or effectively propping up a beleaguered government. As it turned out, there was much more in the kitty than what the faction-ridden Paraguayan government could realistically expect from the U.S., if recent history was at all a reference for future action.

The first U.S. loan to Paraguay, \$3 million from Eximbank for road construction and monetary stabilization, was signed by General José

³ U.S. Department of State, Telegram to AmEmbassy, Asuncion, 6 May 1955.

⁴ The Governing Board of the Colorado party met 5-8 May 1954, after the coup that deposed President Federico Chaves. Leading officers of the military high command were invited to attend the long meeting. The minutes of the session read in part:

"The Governing Board Resolves:

- I.a. To name as Provisional President a member of the Governing Board (of the Colorado party) with a Cabinet composed of seven civilian members and three representatives of the Armed Forces;
- b. To launch the candidature of Gen. Alfredo Stroessner for Constitutional President of the Republic at the next Party Convention. . . . That Convention will be called thirty days after the inauguration of the Provisional President."

Provisional president designate was Tomás Romero Pereira. The three military representatives were Gen. Higinio Morínigo (defense), Gen. Marcial Samaniego (public works), and Col. César Barrientos (industry and commerce), all Stroessner cronies. The Parliament (Chamber of Representatives) duly approved the decision of the Governing Board that same 8 May. El País (Asunción), 10 May 1954, p. 1.

Félix Estigarribia, Chaco war hero, while he was serving as Paraguay chief of mission in Washington in June 1939. He subsequently returned to Paraguay to win the presidency as standard bearer of the Liberal party, in the usual indigenous style with no opposition candidate. The loan was to have very quick results. It helped counter Nazi infiltration and influence that was spreading fast among the military and civilian elite. Estigarribia saw to it that German propaganda and proselytizing in the barracks, schools, and streets were curbed. Shortly afterwards, on 7 September 1940, he died in what was officially termed a "plane accident." Evidence of poison in the pilot's body was never investigated.

The pro-Axis officers in the Frente de Guerra (War Front), operating secretly and anxiously waiting for the right chance, acted swiftly. General Higinio Morínigo, Estigarribia's minister of defense, was sworn in immediately as provisional president. In May 1942 the original Eximbank loan was raised to \$6 million, deftly used by Morínigo to remain in power and by Franklin Delano Roosevelt to win an ally. Far from becoming a U.S. puppet and although unaligned with the Axis bloc, Morínigo imposed a tight dictatorship following Getúlio Vargas's Estado Novo as a model. In June 1942 he received another credit, the very first from Brazil, for 100 million cruzeiros, to proceed with road construction in eastern Paraguay.⁵

U.S. foreign assistance coupled with veiled threats weaved Morínigo out of the pro-German network in the cabinet and the army. He waited too long, though, before declaring war on the Axis countries. Once the war was over, Washington made good on its warning by cutting off aid and simultaneously pressing Morínigo to liberalize his regime. Political activism turned bitter and eventually erupted into full-scale civil war in early 1947. Between Morínigo's ouster in 1948 and Stroessner's inauguration, six unstable Colorado governments succeeded themselves over a period of six years. Hardly any of them qualified, risk-wise, to receive credit. Nevertheless, \$5 million was successfully negotiated by President Chaves's representatives with the International Bank for Reconstruction and Development (IBRD).

President Harry Truman and the State Department were again acting on the premise that when you need to fight the enemy--this time communism and the Soviets--you do not go about asking what kind of

⁵ Naciones Unidas, Las inversiones extranjeras en América Latina (New York: UN, 1955): 144. U.S. Department of Commerce, Investment in Paraguay (Washington, DC: U.S. Government Printing Office, 1954): 78-79.

friend comes to help. The Korean war was still unresolved, and a United Nations Peacekeeping Force, mainly U.S. troops, was deployed to check the North Korean advance after a General Assembly resolution that overrode the Soviet veto in the Security Council. President Chaves sided with the U.S. and even went so far as to offer a contingent of Paraguayan troops to fight alongside the Americans in that remote outpost of the Cold War. They took note of the offer. In December 1959 Chaves was awarded the \$5 million IBRD credit for agriculture and public works. This credit was only in part disbursed by mid-1954, when Stroessner decided to move against his Colorado benefactor; Chaves had promoted him to commander in chief of the armed forces only three years earlier. The remaining portion of the 1951 loan--more than one-third the total--soon found its way into the Paraguayan treasury to purchase machinery, equipment, the loyalty of key military officers, as well as to pay for various contracts with U.S. firms.

Between 1954 and 1960, the period of greatest challenge to Stroessner from his domestic rivals, the Eisenhower administration handed him another \$45 million in foreign assistance, of which half was loans and the rest outright grants.⁶ Transfers in the form of economic and military aid, including arms, munitions, communications gear, trucks and aircraft, spare parts, security and police training, helped consolidate the increasingly repressive regime in Paraguay--which ruthlessly crushed a growing opposition, including the majority of the Colorado party Junta de Gobierno (Governing Board) that favored reform. They all found that peaceful competition and participation were blocked.

U.S. motives for extending support to the Stroessner dictatorship are manifold. To understand them one must go back to the origins and evolution of the Cold War, which had long-term implications not only in terms of the bipolar order that emerged out of World War II but also in the way the superpowers each tried to align as many states as possible. And this they did through various means, ranging from armed intervention to support for domestic groups that could deliver loyalty and oppose either "Soviet communism: or "American imperialism."

The postwar years were punctuated by faltering, deteriorating American-Soviet relations. After having cooperated to defeat Germany and its allies, both the Americans and the Soviets got busy trying to

⁶ U.S. House of Representatives, Committee on Foreign Affairs, Report of the Special Study Mission to the Dominican Republic, Guyana, Brazil and Paraguay (Washington, DC: U.S. Government Printing Office, 1967).

preempt the strategic positions in Europe--a huge vacuum left by the defeated nations--and elsewhere. In the process all sorts of maneuvers and confrontations took place, with zero point in Berlin, despite the general guidelines agreed upon among the Big Three at the Yalta and Potsdam meetings. Spheres of influence that were in principle recognized at those meetings became subject to dispute shortly after the war.

In that climate of mutual hostility--which was perhaps fueled as much by the assertive U.S. stance in trying to contain the USSR within a defense perimeter that ran from West Germany through Turkey to Japan as by the massive deployment of Soviet troops within Eastern Europe and the consequent transition to minority Communist regimes in those countries--Latin America as a whole remained relegated to a position of secondary importance.⁷ As early as 9 February 1946, Stalin reminded his fellow citizens and comrades that they must stand prepared for several more five-year plans (of the type that the Soviet population had endured at great cost to fight the war) in order to meet "all contingencies" arising from the "imperialist threat."⁸ Tension subsided, only to come back with more force months later. Occasional war alarms sounded on both sides during the late 1940s and early 1950s. The Soviet Union detonated its first atomic bomb in August 1949. The nuclear arms race had begun, and with it American-Soviet competition progressed toward a dangerous balance of power based on ever higher levels of destructive capacity.

Prompted by George Kennan's assessment of Soviet behavior, enunciated in a telegram of February 1946 and later in an article titled "The Source of Soviet Conduct," Washington responded by drawing the line against Soviet expansionism, clearly and firmly. Containment thus

⁷ President Truman was already entertaining the idea that "force is the only thing the Russians understand" in early 1946. In a letter to Secretary of State Byrnes dated 5 January 1946, Truman put it very bluntly: "unless Russia is faced with an iron fist and strong language, another war is in the making. . . . I do not think we should play compromise any longer." The U.S. was then the only country to possess nuclear bombs, a gigantic strategic advantage over any rival. See Harry Truman, Memoirs. Years of Decision (New York: Doubleday, 1955).

⁸ Nikita Krushchev himself denounced, in 1956, his predecessor's misguided and costly policies. See Nikita Krushchev, Memorias (Barcelona: Euros, 1975). English version, Krushchev Remembers: The Last Testament (Boston: Little Brown, 1974). A well-researched account is Robert Conquest, The Harvest of Sorrow: Soviet Collectivization and the Terror Famine (New York: Oxford University Press, 1986). The toll of Stalin's experiment with forced collectivization, prior to and after the war, is estimated at 20 million, approximately equal the number of those who perished during World War II.

came to be the rationale for U.S. foreign policy over the next decades of intensive superpower rivalry, whose basic aim was "to confront the Russians with unalterable counterforce at every point where they show signs of encroaching upon the interest of a peaceful and stable world." ⁹ The National Security Council later drew up a document, NSC 68, that called for a massive increase in U.S. forces. Just as Stalin had done before, Truman's objective was to face up to the task of rearmament while trying to arrest the drift toward "appeasement." The military alliances the U.S. had established in separate treaties with Germany and Japan, in the Rio Pact of 1947, and the North Atlantic Treaty Organization of 1949 were conveniently provided with muscle. The Rio Pact, or Inter-American Treaty of Reciprocal Assistance, made explicit that in the event of aggression from either within or outside the Americas, the signatories could by a two-thirds vote require action including economic sanctions, severance of diplomatic relations, and the use of force by the member nations. The concept of collective self-defense was thus formally contained in a treaty that bound together the U.S. and all the Latin American republics. The Rio Pact was a significant precedent for NATO and the other security mechanisms, SEATO and CENTO, all under American influence.

NSC 68 marked a hardening of U.S. posture toward the USSR. Although retaining the notion of containment, the Eisenhower administration, inaugurated January 1953, decided to respond to the Soviet buildup with a strategy aimed at detering any Soviet aggression "instantly, by means and at places of our own choosing" through massive retaliation, as Dulles put it. ¹⁰ Faced with the prospect of lagging behind the Americans, who were making strides in nuclear weapons and delivery vehicles, General Secretary Nikita Krushchev, who took over after Stalin's death, also in 1953, pushed ahead on two fronts: military technology and heightened support to Communist and insurgent movements in the Third World, wherever entrenched oligarchies, social injustice, and U.S. presence provided an opportunity to foster anti-U.S.

⁹ Article signed "X" in Foreign Affairs (Summer 1947). In "Résumé of the World Situation," a memo to Secretary of State George Marshall (1948), Kennan's concern had a slightly different focus: "The danger of war is exaggerated in many quarters" (in the U.S.), and "to oppose the efforts of indigenous communist elements within foreign countries must generally be considered a risky and profitless undertaking, apt to do more harm than good." The advice went unheeded.

¹⁰ Woodrow Wilson International Center for Scholars, First Conference on the Overall History of Soviet-American Relations, 22-23 September 1986. Notes on presentations by Robert Tucker, Aleksei Filitov, David Holloway, Robert Bowie, Vladimir Pechatnov, William Taubman and Adam Ulam (Washington, DC: The Wilson Center, 1986).

sentiment and insurrection. Despite the fact that Stalinism was repudiated by Krushchev by 1956, the basic tenets of Soviet foreign policy were upheld. As the influence of the USSR rapidly expanded throughout the world, arm in arm with the Communist parties loyal to Moscow, the U.S. sought to check and neutralize it and to pursue in that process her own national interests. The two superpowers thus remained entangled in the web of the Cold War, unable to disengage themselves or to soften their mutual antagonism. Their struggle spilled over into other areas in the periphery, either taking advantage of or trying to stop movements of national liberation as well as contaminating every domestic political friction by turning the Communist vs. anti-Communist theme into a crusade. The consequent price was paid by the populations in Africa, Asia, and Latin America, which had to bear with messianic dictators, rapacious juntas, and military-economic interventions. A few countries in the periphery managed to disalign themselves from the constraints of bipolarity, notably at first Yugoslavia, the People's Republic of China, Egypt, India, and Indonesia, but were confronted with hostile reactions.¹¹ In Latin America, long considered by Washington to be its backyard, similar experiments were dealt with harshly.

Beginning with Guatemala, the Eisenhower administration embarked on a wide-ranging effort to forestall the outbreak of revolution and discourage the nationalist example from spreading to neighboring countries. National Security Council memo 144/1 of 18 March 1953 detailed how far-reaching the effort should be.¹² The general considerations pointed out that there was a trend in Latin America toward nationalistic regimes, maintained in large part by appeals to the masses, and an increasing popular demand for immediate improvement in the low living standards, with the result that most governments faced intense domestic political pressures to increase production and to diversify their economies. U.S. objectives were listed as: hemisphere solidarity in support of U.S. policies; orderly political and economic development; safeguarding of the hemisphere by individual and collective defense measures; reduction and elimination of the menace of internal communism or other anti-U.S. subversion; adequate

¹¹ Tito, Chou En-lai, Nasser, Nehru, and Sukarno, among others, met in Bandung, Indonesia, April 1955, for the Afro-Asian Conference out of which emerged the Non-Aligned Movement.

¹² The National Security Council was upgraded by Eisenhower from its role of coordinating work among the several departments and agencies to advising the president on domestic, military, and foreign affairs issues and dealing with crises through task groups. NSC 144/1, "United States objectives and courses of action with respect to Latin America," 18 March 1953, in Department of State, Foreign Relations of the United States 1952-1954, vol. 4, The American Republics (Washington, DC: U.S. Government Printing Office, 1983): 6.

production in Latin America of, and access by the United States to, raw materials essential to U.S. security; support by Latin America of collective action in defense of other areas of the free world; and standardization of Latin American military organization, doctrine, and equipment along U.S. lines.

To further these goals, Latin American governments should be encouraged to recognize that the bulk of the capital for their economic development could best be supplied by private enterprise and that their own self-interest called for a climate attractive to private investment. With respect to defense, the U.S. was to provide military assistance to Latin America designed to reduce to a minimum the diversion of American forces for the maintenance of hemisphere security. The U.S. was to take political, economic, or military action, as appropriate, to insure continued availability of U.S. bases in Latin America. In addition, the U.S. would establish military missions where appropriate and continue training selected Latin American military personnel.¹³ It was a clever strategy.

On 12 April 1953, President Eisenhower addressed the council of the Organization of American States. He began by acknowledging that "like all peoples, our nations--every one of them, the United States included--have at times been guilty of selfish and thoughtless actions." However, he went on, the "special merit of the Pan American achievement is to have triumphed as well as we have over the temptations of heedless nationalism."¹⁴ Eisenhower's message was seen by Latin American leaders as an unusual departure from the virtual neglect they had endured for almost a decade. A series of goodwill gestures followed.

Throughout Latin America it was conservative political leaders and the military who profited most by the renewed attention from Washington. General Cyro de Esp rito Santo Cardoso, the minister of defense of Brazil, and General Alfredo Stroessner, the commander in chief of the Paraguayan armed forces, among others, were invited to

¹³ Ibid., pp. 7-10.

¹⁴ President Eisenhower's address to the OAS and Milton Eisenhower's subsequent tour of South America preceded the stepped-up U.S. effort to bolster the Latin American armed forces by providing them more than \$102 million in grant for fiscal year 1953-54. The sum was spent in part on officers' training (over 2,700 of them took courses in the Canal Zone and continental U.S. during that fiscal year). The successive progress reports prepared for the NSC between July and September 1954 trace in detail the coordinated policies and measures implemented under NSC 144/1. The main issue was Guatemala. Ibid., pp. 10-80.

visit the U.S. Stroessner toured the Canal Zone and several bases in the continental U.S. in June 1953. The chiefs of staff of the United States Army and Air Force also made separate trips to Central and South America. But it was in Guatemala that the Eisenhower administration faced its first real regional test. Washington's moves to cordon off the Jacobo Arbenz government and to defuse rising social pressure for change in Central America were fine-tuned, ranging from military assistance for client regimes to training elite corps in police methods and counterinsurgency.¹⁵ Labor leaders were trained in Puerto Rico and the U.S. on how to organize and expand their constituencies while cooperating to detect anti-U.S. elements in their unions. Washington encouraged private U.S. investment in the region, lobbied several governments to stop trading with Guatemala, signed pacts and extended U.S. shipping and aviation interests, and provided loans through the international banks to alleviate the balance-of-payments disequilibria and to finance infrastructure projects. It also augmented technical cooperation in Latin America and vastly increased the capacity of U.S. missions and friendly governments to collect sensitive information on local Communist parties and other anti-U.S. activities.

Pressure on Guatemala grew on several fronts. At the tenth Inter-American Conference of Foreign Ministers in Caracas, March 1953, the U.S. delegation headed by Secretary of State Dulles herded most of the Latin American representatives to pass a resolution condemning implicitly the Arbenz government. Seventeen delegations voted for the resolution, Argentina and Mexico abstained, and Guatemala voted against.¹⁶ The OAS machinery, dormant since its inception, was activated despite the reservations of two leading members. The intergovernmental coordinating team in Washington was effective in preventing other malleable governments to side with Guatemala, although the unconvinced and the wavering kept Dulles from taking a tougher diplomatic course. To tie over Latin clients in need and, just in case, to dispel any criticism down the road, Washington increased appropriations and the flow of economic and military assistance from Honduras to Brazil.

In Guatemala Communist activity and Soviet-bloc support for the government accelerated events. April and May proved decisive, with the Pentagon, CIA, and Treasury and State departments collaborating to

¹⁵ Ibid., pp. 45-65. Third progress report on NSC 144/1, 25 May 1954.

¹⁶ Department of State. The Secretary of State to Diplomatic Offices in the American Republics, 5 June 1954.

isolate and discredit the beleaguered Arbenz. Reverberations were felt as far as Asunción, where President Chaves, in his second term and over seventy years old, was caught in a furious power struggle. A sector of the Colorados loyal to pro-Perón Epifanio Méndez Fleitas tried to clear the way to the top, too fast and too hard, by circumventing the established procedure of a dominant electoral base in the Junta de Gobierno. Méndez Fleitas was charming and possessed the political savvy that many in his party envied. He was also corrupt and ambitious. However, he lacked the necessary support among the military--Stroessner's turf--and the U.S. embassy's reports about him were not altogether positive, stressing his alleged association with Communists and his pro-Perón stance. While Mendez Fleitas was still grooming himself to succeed Chaves, the 4 May 1954 coup took place. Stroessner had elegantly outmaneuvered Méndez Fleitas.

Paraguay would not drift, by U.S. inaction, to the kind of "irresponsible behavior" à la Guatemala. For Washington, it was "our general in Asunción," better known and more trusted to them than any of the Colorado leaders and, for sure, less contentious than Méndez Fleitas. Also in Washington, major decisions had to be made in an atmosphere of urgency generated by the outbreak of a strike against U.S. companies by banana workers in Honduras and delivery to Guatemala of a cargo of arms from Poland estimated at \$10 million, far larger than the country's annual military budget.¹⁷

A State Department summary of events is revealing: "The revolution in Guatemala caused the communist-controlled Arbenz government to appeal to the United Nations Security Council and to the Inter-American Peace Committee of the OAS alleging aggression on the part of Honduras and Nicaragua, supported by other foreign nations. The United States took the position that the OAS was ready, willing and competent to respond to the appeal. The Security Council voted (Soviet Union against), in effect, to leave the matter to the OAS. The Inter-American Peace Committee prepared to investigate, but before the Committee arrived in Guatemala, the new government of that country (Lt. Col. Castillo Armas) indicated that the controversy requiring the investigation had ceased to exist. . . . A communist-dominated government in Guatemala was overthrown and a government favorable to

¹⁷ National Security Council, "U.S. policy in the event of Guatemalan aggression in Latin America," 24 May 1954. Also memo by Louis Halle, Jr., to the director of the Policy Planning Staff, "Our Guatemala Policy," 28 May 1954.

the U.S. came into power. The U.S. is supporting this new government with relatively substantial military and economic assistance."¹⁸

Not a revolution but a U.S.-induced invasion, despite the repercussions it caused, had effectively stemmed the nationalist, anti-U.S. tide in Central America...for a while.¹⁹ Two years later, on 4 November 1956, the Red Army brutally crushed the Hungarian uprising. Instead of acting through a proxy army, the Kremlin dispatched two hundred thousand troops and four thousand tanks to invade Hungary.²⁰ Reciprocating for Soviet hands-off policy in Guatemala in the military area, the US. did not attempt to move into Budapest with troops. Spheres of influence were, to a large extent, observed.

From the vantage point of the U.S., it was evident that Paraguay in and of itself had little strategic importance in world affairs. It was not a player that would turn the tables nor, individually, make much of a difference in the superpowers' correlation of forces. However, the global U.S.-Soviet rivalry made all the pieces on the chessboard precious if not equally important. For one major player to lose a piece meant the other player's gain in a fast-moving "zero sum" game that, over time, could result in checkmate. At least this was the perception in the corridors of power, particularly among Dulles and his crew and certainly shared by many of their opposites in the Kremlin. Whatever the form of competition--peaceful coexistence being just one of them--minor states were for the most part treated as pawns. Consequently, such factors as national sovereignty, self-determination, or independence had no priority over the long-term objectives of the dominant powers. The dominant power in Latin America after World War II was clearly the U.S., and Washington acted only within that purview.

A General in Charge

In the context of American geopolitical interests, how important was Paraguay? Not very, in fact. In 1954 the GNP was a mere \$80

¹⁸ National Security Council. Progress Report on NSC 5432/1, "United States Objectives and Courses of Action with Respect to Latin America, 19 January 1955.

¹⁹ See radio and TV address by Secretary of State Dulles, 30 June 1954.

²⁰ The Hungarian uprising took place when Washington was airing, mainly by means of radio broadcasts in Europe, the notion that Communist regimes would be "rolled back" out of power wherever they had gained control, even in the heart of the Soviet sphere of influence. Such broadcasts helped fuel anti-Soviet sentiments in the East European nations. The Hungarians went so far as to rebel en masse, but help from the U.S.--apart from verbal support--never materialized.

million, while the population was less than 1.5 million, with one of the lowest per-capita incomes in the hemisphere--\$116, according to the U.S. Department of Commerce. That was close to Bolivia and Haiti. Illiteracy stood at 35 to 40 percent of the adult population; infant mortality rate was roughly 93/1000. The domestic business community was small, dependent to a large extent on government contracts, and, aside from a dozen foreign firms, weak.²¹

By all standards, Paraguay was a poor country. It lacked even running water and sanitation. It was landlocked in the heart of South America and so undeveloped that to venture not far outside Asunción by road was considered a risky business. To cross Paraguay overland was a major undertaking. The only paved highway stretched sixty miles south from the capital toward Argentina. Paraguay perhaps resembled Tibet or Nepal in isolation and backwardness. How it was that such a faraway and deserted nation deserved attention from Washington is something that only unconventional wisdom, and the Cold War, can explain.

U.S. investment in Paraguay was not large in comparison with U.S. interests in Argentina, Brazil, or even Bolivia. The total for Paraguay was on the order of \$12 to 15 million, mainly in quebracho extract and meat packing, with other investment in cotton grading, ginning, and export; petroleum exploration and distribution; cattle raising; Mennonite colonization; and coffee.²² The quebracho extract and meat-packing operations of the International Products Corporation (IPC) represented the largest U.S. private interest in Paraguay. IPC began to operate there in 1925. Its combined output in the late 1950s made it the largest exporter to the dollar area. Its two plants, one in Puerto Pinasco and the other in San Antonio, both on the Paraguay River, also made it the largest industrial organization in the country. IPC reopened its meat-packing house in 1956, with a credit of 60 million guaranies approved by the Central Bank. The U.S. embassy comment read: "the advancement of this credit demonstrates a willingness by the Paraguayan Government to aid foreign investors. This is a result of the attitude which Mr. Gustavo Storm brought into the Bank when he became President."²³ IPC exerted considerable influence on the Stroessner regime owing to the number of people it employed in the two plants, with spinoff in cattle raising around the country, and also to the amount of revenue it brought in for

²¹ New York Times, 30 May 1954, p. 17; 25 August 1958, p. 6.

²² Department of State, Foreign Service Dispatch. AmEmbassy Asunción, 4 March 1955.

²³ Department of State, Foreign Service Dispatch. AmEmbassy Asunción, 19 March 1956.

meat sales. Taxes collected on export and cattle slaughter were also important for the treasury.

Americans, of course, were out to explore, deliver the poor from ignorance with that peculiar brand of mission civilizatrice not uncharacteristic of their European mentors, and fight "reds" wherever they happened to be. They did it all with the zeal of the unrepentant, having taken upon themselves the not easy chores of international banker, policeman, and keeper of liberty combined. Apart from the visionary pragmatism that led some to imagine the Chaco as a gigantic oil well--Union Oil had been exploring and drilling there since 1945, to no avail--another factor loomed large. A tiny but hard-core Communist party was gingerly printing and handing out anti-U.S., anti-Stroessner leaflets, instigating wildcat strikes, and keeping the police on the alert. No matter how disorganized they came out of the 1947 civil strife, having chosen the losing side, the few Communists that survived preserved the unenviable ability to attract attention from Washington. More so after Guatemala became a hemispheric issue and a source of major concern for the U.S.

Paraguay was reported to and viewed in Washington as something of a historical irony. One very perceptive though not perfectly worded U.S. embassy summary on general economic conditions went as follows:

The fundamental impediments with which Paraguay is faced in economic growth are related to such things as its immense vastness and few people. It is approximately the size of California with only a million and a half people, a number equal to about half the size of the city of Los Angeles. Its natural resources, while considerable, are all agricultural and forestal. Its general level of education is low, its Government has been unstable since the day of founding, its currency has been notoriously unstable for years and the social drags in this sleepy subsistence culture are great but never have been adequately measured. In addition, it must be remembered that Paraguay is hemmed in on the east by an undeveloped forest wilderness, on the west by an uninviting Chaco and the Andes, and on the south by the relatively undeveloped provinces of northern Argentina. This island in the central part of southern South America has, in addition to air connections with the outside world, only one real outlet to the markets of the world--down the Paraguay river through Buenos Aires and Montevideo. Isolation combined with cultural drags, unstable government, and these other fundamental impediments make it difficult for the U.S.

representatives in this country to show much progress in a short period of time.

There are a number of impediments derived from these fundamental impediments. First and foremost is, of course, the lack of internal communication. The people and the Government here do not know how to build roads nor do they have the money to build them, yet we feel that the communications programs (road, air and water) are essential to the economic growth of the country. In addition to all of the standard arguments for roads that could be repeated for country after country, it should be kept in mind that roads become significantly important to Paraguay for two additional reasons: (a) roads properly located can tap centers of new human energy that are not held back by the social mores so significant in the colonial culture of the central zone; (b) the second great contribution of a road network in Paraguay is that it will open areas which have the potential for large-scale commercial development as contrasted with subsistence development. Bear in mind that only 4% of the area in Paraguay is now in farms and that probably 40-50% of the area could be developed.

Other derived impediments which should be mentioned are, of course, such things as lack of good public administration, low level of public ethics, lack of social responsibility and interest in the people generally, no developed credit institutions, the absence of any great centers of learning, no organized program of production, a long history of government intervention in private affairs, the absence of a skilled labor force, very little capital formation, extensive flight capital, all capped by excessive nationalistic pride.²⁴

In order to attack such problems, the same report mentioned that there had been four attempts at self-help. Three turned out to be "excursions into frustration": the Council of Economic Coordination, a planning commission organized under the supervision of a United Nations expert, and a joint commission sponsored by the government with the U.S. Institute of Inter-American Affairs. The fourth try was a law to set up a development corporation, "one of the most unrealistic approaches to

²⁴ Department of State, Foreign Service Dispatch. "Impediments to the Growth of Paraguayan Economy and Possibilities for the Removal of Such Impediments," AmEmbassy Asunción, 24 September 1956.

economic planning yet proposed." "One Government official was so unrealistic as to suggest that a good Development Corporation could perhaps increase the gross national product of Paraguay by about 1000% a year."²⁵

The U.S. mission in Paraguay was a little less ambitious. It provided technical assistance in the areas of vocational and elementary education, public administration, agricultural programs, livestock development, and health. As far as credit, "the only good road in the country resulted from an Eximbank loan and the road which taps a number of centers of human energy in southern Paraguay has resulted from an IBRD loan." The main problem, though, was still present: the people themselves. For American diplomats and experts, "the cultural drags in this subsistence economy are tremendous. It is not overdrawing the picture of the culture of the central zone to say that it consists of a lot of Guarani-talking, barefooted mestizos walking around with their shirt tails hanging out, selling feather dusters to each other. This mestizo culture represents a sixteen-century Spanish colonialism, overlaid on an extremely primitive and poorly developed Indian culture that goes back thousands of years. . . . These very characteristics are why we are so interested in immigration and in tapping the centers of human energy with our road program." The stated solution was pathetic: bring in immigrants more apt to work and build stable institutions, help them with roads and other infrastructure projects, and "go around the existing and primitive culture with our programs," recognizing that "the process will be slow and would be needlessly frustrating if we try to accomplish the impossible in a year or two."²⁶

As for high government officials, they were seen in general as either venal, incompetent, or both. "Military figures and Colorado party politicians [manipulate] the exchange and licensing controls system currently in force."²⁷ The Central Bank, where reserves were held and which authorized import licenses and foreign exchange transactions, was a favorite place for officialdom to conduct lucrative business. Corruption was so rampant when aspiring Epifanio Méndez Fleitas was head of the Central Bank, that by necessity the books showed constant

²⁵ Ibid. The theme is repeated in several other dispatches from the AmEmbassy in Asunción throughout those years. The public discourse, particularly before government officials, was much more subtle.

²⁶ Ibid.

²⁷ Department of State, Foreign Service Dispatch. "Weekly Economic Review," AmEmbassy Asunción, 12 July 1957, p. 2.

deficit. It got better after Gustavo Storm took over, but still there was not much he could do when ministers, heads of official agencies, and pistol-packing generals came to demand their share. The prevalent scene was recreated in dispatch number 488 from AmEmbassy Asuncion:

There is nothing the matter with the pronounced policies of the Bank, they are good. The only trouble is that the Bank never sticks to its policies and is absolutely unable to resist pressures from the Colorado Party and the Army. As the central financial authority in the country it is a failure. Conditions are such that they are almost beyond belief, and the readers are respectfully urged to secure from the International Cooperation Administration various reports prepared by the two Federal Reserve experts now working in the Bank. The reporting officers are not trying to be funny in describing the conditions which prevail in the institution, but here are some of the things one sees in the Central Bank. a. in the corridors outside of officials' doors one will encounter from 50 to 200 people, all waiting to be received and each with his own particular little problem. No competent administrator can see so many people and still do his job. These favor seekers are known locally as "hormigas" (ants). b. the Bank of Paraguay and the Central Bank are housed in the same building and, in many of the offices, employees of the two institutions are mixed. Some employees work for the Central Bank in the morning and the Bank of Paraguay in the afternoon, and vice versa. The result has been that sometimes the reports get slightly mixed up. c. in the export-import section, which does the licensing, requests are piled up in bundles to chest height and are stored in any convenient corner. Desks are used as storage cabinets and there is no flow control maintained. A search for an individual license will often mean a week or two weeks delay. On one famous occasion an officer of the embassy had to crawl over bundles of applications which had been piled in front of a doorway. It is common knowledge in Asunción that an import license costs from 10 to 20% of its value, and there are many people earning a living by doing nothing more than obtaining licenses. In other words, Asunción doesn't have 5 percenters--ours are 10 and 20 percenters. So long as these conditions exist there is little that can be expected from the Central Bank.²⁸

²⁸ Department of State, Foreign Service Dispatch. "Central Bank of Paraguay," AmEmbassy Asunción, 17 January 1956.

The Central Bank was the hub around which the economy of the country revolved, a powerful institution in Paraguay. The others were infinitely more dismal in how they ran their trade, i.e., Bank of Paraguay, National Administration of Electricity, Agricultural Credit Agency, etc. About the Bank of Paraguay this much the U.S. embassy had to report: it "has been a favor-dispensing institution more concerned with politics than with economy. Until such time as this situation is corrected little can be expected of it as a serious aid to the nation's economy."²⁹ It was never corrected, it just dragged along.

It was understandable that any attempt to clean up or at least restrain bribery encountered strong opposition. Upon taking office as president of the Central Bank, Gustavo Storm publicly declared his and Mrs. Storm's personal assets. It was an unprecedented move that the Paraguayan mafia in power deplored deeply.³⁰ They waited only because Storm was highly regarded in Washington, particularly at Eximbank and the IMF, and Stroessner kept using him to bring in needed loans from those institutions. Storm tried very hard to stop the constant assault on Central Bank holdings, but did not always succeed. He was made to resign 29 August 1959, after push and shove from members of the cabinet and high-ranking military officers who never understood the principles of sound monetary management. They were more knowledgeable on personal finances. One of them, sinister Minister of Interior Edgar L. Ynsfran, "needed an easier credit polity in order to keep his political henchmen happy."³¹ New Central Bank president César Romeo Acosta proved more amenable to "friendly" requests for money. As soon as he stepped in the bank was raided by way of overdraft from the central government and credits not backed by collateral from the Bank of Paraguay. The latter's capital came mostly from the Central Bank. A payments crises ensued, and the Central Bank edged close to collapse until it was bailed out by the U.S. Treasury.

The main conduit for graft was the military itself. G. A. Costanzo, head of the January 1959 IMF mission to Paraguay, estimated that defense and police expenditures totaled at least 40 percent of the state budget. That was for 1959. The 1958 figures were not much different. The armed forces budget alone was estimated by the U.S. embassy to be

²⁹ Ibid.

³⁰ Complete declaración de bienes (asset disclosure) in La Tribuna, 16 enero 1956, p. 1. He didn't own much after having worked hard as a professional and as Major of Asunción.

³¹ Department of State, Foreign Service Dispatch. "Mr. Storm's return and the present financial position of Paraguay," AmEmbassy Asunción, 21 April 1959.

31 percent of the total budget, and together with allocations for the police amounted to approximately 45 percent of the total. Military labor was mentioned as an important element for the economy, but enlisted men did not earn a salary, and pay for junior officers was so low that some form of second income was often sought.³² The report noted that there was no sign "the armed forces plan to decrease any of the conspicuous consumption," and that pressure from the Ministry of Finance for Central Bank credit to provide for the army was substantial.

The insatiable thirst and hunger of the military establishment were supplied from two sources. The first was the population that had to pay indirect taxes via, among others, export and import and other miscellaneous commissions plus surcharges on several food items. These were complemented by chunks taken from foreign assistance received for infrastructure and agricultural projects, food grants, monetary stabilization, and so forth. Each loan and grant was skimmed, sometimes extensively. Even powdered milk presumably destined for school children through the Ministry of Public Health, with cartons labeled "not for sale or exchange" and "donated by the people of the United States," found its way to commercial distribution in the public market.³³ Corruption was everywhere and anywhere in the government, and it was not the intention of the generals to get rid of it: their survival and profit depended on it. Some form of political control was derived from corruption.

An average of one-third the total budget was financed with foreign savings. Out of \$21.6 million (equivalent, 2.6 billion guaranies), the 1959 budget, some \$7.5 million was obtained abroad. Roughly the same percentage held for the period 1954-60. Then the Alliance for Progress was rolled out and with it a larger flow of money to feed the parasitic Paraguayan nomenklatura. Those were exciting and prosperous years for the enterprising few in power, anticommunism and smuggling being the two lines of business with the highest return.

There were true public servants like Tomás Romero Pereira, Colorado party leader, former provisional president, and later minister of public works; Hipólito Sánchez Quell, minister of foreign relations, who lasted only a year in that capacity; Gustavo Storm, who performed remarkably under pressure as president of the Central Bank; and General

³² New York Times, 20 February 1960: 1. Department of State, Foreign Service Dispatch. "Informal report of results of IMF Mission," AmEmbassy Asunción, 15 January 1959.

³³ Department of State, Foreign Service Dispatch. "Distribution of powdered milk under PL 480I title 3," AmEmbassy Asunción, 30 September 1958.

Carlos Montanaro, who served on the Inter-American Defense Board and as ambassador to Venezuela until he resigned in disgust over a decoration he was ordered to place on the chest of Leonidas Trujillo in the Dominican Republic. The reputation of those officials was never tainted by wheeling-dealing. In the difficult political game they also compromised, made and broke alliances, were shoved around and deceived like everybody else. But they came out of office as did presidents Eligio Ayala, Eusebio Ayala, Rafael Franco, and several accompanying cabinet members in the past, with clean hands. Honesty and the pattern of good conduct, though, not carrying a reward and quite often challenged by unchecked ruffianism, were totally swept away as Stroessner and his clique tightened their hold on the political machinery. Most everybody in the regime tried to get into anything that would yield a few guaranies, or American dollars. Corruption did not start with Stroessner, but it certainly grew exponentially after his inauguration. In a country like Paraguay, where the elite was so minuscule that everybody knew everybody else, lax public ethics had a strong bearing on foreign affairs. Washington knew the weakness and exploited it.

Epifanio Méndez Fleitas, one of the notorious Colorado chieftains, had served since November 1952 as president of the Central Bank. He never mended while climbing the party ladder, his aim set on the Palacio de López. A charismatic and eloquent speaker, he was seen by his followers as President Chaves's heir. Méndez was honored at Colorado mass rallies and by President Juan Perón of Argentina, with whom he developed a close working relationship. They both set out to arrange a binational deal, later written into an economic-financial agreement signed by Méndez Fleitas for Paraguay and Minister of Foreign Affairs Jerónimo Remorino of Argentina. It was August 1953. Méndez's stature as a politician-diplomat grew taller.

Stroessner bided his time while Méndez was being feted and at the same time attacked within the Colorado party. Both men kept a cordial animosity toward one another. Before Stroessner engineered the 1954 coup, Méndez was left on the sidelines and without his job, but his popularity did not wane completely. With strong backing from Provisional President Tomás Romero Pereira he was subsequently reappointed to head the Central Bank. In a not so infrequent disclosure, Lt. Col. Esteban López Martínez, chief of the Paraguayan military intelligence, confided to U.S. Army mission chief Colonel Edwin Sutherland that Méndez continued to cater to young officers with "favors and import permits."³⁴

³⁴ Department of State, Foreign Service Dispatch No. 70, 22 September 1954.

Once elected, Stroessner moved cautiously in order not to alienate leaders of the different Colorado groups. He played one against the other while retiring his harshest competitors to remote embassies, awaiting the proper time to fire them. Méndez was not a man who would be upstaged indefinitely. He frantically greased his clientele and siphoned off public funds abroad, a preventive move not totally irrational. In September 1955 his friend Juan Perón was sacked from the presidency and made to leave Argentina--having sought refuge in a Paraguayan gunboat that took him directly to Asunción, where he was permitted to stay only a few weeks. Stroessner seized the opportunity to move against so ambitious a rival as Méndez, and in December 1955 the aspirant who had worked so hard to become president was stripped of all his privileges and sent packing on a "cultural mission" to Europe, never to return to Paraguay. He simply lost the power game to a tougher contender. In a postscript to Méndez's political prominence, chief of police Edgar L. Ynsfran--another bird of prey who collected money, jewels, coins, antiques, and even church relics in his brutal raids--requested ambassador Arthur Ageton's assistance to trace a Méndez bank account in the United States. Méndez had apparently deposited abroad the funds he stole while presiding over the Central Bank. Other assets he kept in Montevideo, Uruguay.³⁵

One figure with not so much clout those days, Alberto Nogues, embarked on several ventures from his post as director general in the Ministry of Foreign Relations and as director of the Bank of Paraguay. Concurrent with his official position, he accepted to represent in Paraguay a private group formed by Pure Oil Co., Hancock Oil Co., Signal Oil of California, Standard Oil of Ohio, and Williams Brothers of Oklahoma, whose aim it was to explore the Chaco region. The concession of over six million hectares in the northwest Chaco was granted by the government of Paraguay in September 1957. The attorney for Pure Oil was former Assistant Secretary of State for Inter-American Affairs Henry Holland, who personally visited Asunción to pay his respects and conclude the deal with Stroessner. It was no coincidence that one of Stroessner's men, Nogues, represented the oil group in Paraguay. To them, oil had an unusual attraction as far as the profit it could generate.

³⁵ Department of State, Foreign Service Dispatch. "Memorandum of Conversation with Asunción Police Chief," AmEmbassy Asunción, 10 April 1956. Edgar L. Ynsfran was promoted to the post of minister of interior shortly after he demonstrated his allegiance to Stroessner, bloodily crushing opposition and dissident Colorado gatherings.

Although Pure and associates invested more than \$7 million in oil exploration and drilling over the next couple of years, nothing marketable came of it. A few samples of gas and porous rocks were about all that could be found. Meanwhile, Nogues opened and closed some other businesses--one the Paraguayan Airline Services that moved contraband from the U.S. to Brazil and Argentina via Paraguay, mostly lightweight articles such as nylon stockings and other synthetic fabrics. After one of the carriers crashed in Brazil and the other was detained in Miami by its owner for overdue lease payments, the outfit collapsed. Nogues was luckier. General Stroessner kept him doing official and family errands, and twenty years later promoted him to the post of minister of foreign relations.

As for General Stroessner, he had a taciturn, reserved personality. Mild-mannered and above all astute, his collaborators referred to him in private as el rubio (the blond one); his detractors as "Herr Stroessner," after his prickly Prussian disposition, or some stronger adjectives. His qualifications in the barracks and later as undisputed ruler were those associated with the traditional Latin caudillo: toughness, courage, boldness, and cunning. He was discipline personified, rising at dawn every day, taking a few hours siesta after lunch, and resuming his many duties until late at night. It should be noted that the official propaganda biography (films, photo serials, books, newspapers, magazines, TV and radio broadcasts, press releases) put out by the Undersecretariat of Information and Culture of the president's office, has been conveniently polished, adorned, and edited. The other side is told by former officials and opposition leaders who managed to survive severe punishment, including crippling torture in Stroessner's chamber of horrors, the infamous Department of Investigations in Asunción. Some semblance of fact emerges once both extremes are sorted out. Further details come from field observations and archival search.

Stroessner was the product of a strict household dominated by the father, Hugo Stroessner, a German émigré known for his fondness for alcohol (he was a beer brewer). He died in poverty after his children abandoned him completely. Early in life, Alfredo Stroessner chose a military career. Before he graduated from the military school in Asunción, he was sent to the front to fight in the Chaco War (1932-35). Those were tough years for a young lieutenant, as well as for everybody else who survived enemy fire and lack of water and food in the hot, barren Chaco. His closest friends, those who later helped him stage the coup, win the elections, and run the bureaucracy, came from the war. Paraguay won, and the officers returned home to reap the fruit of

victory, only to find that they could barely make a living on their miserable pay. The fight was not over. Civilian President Eusebio Ayala, who with extraordinary dedication and talent rallied the nation to defense against Bolivia, was deposed in humiliation. The government changed hands several times as the military became more assertive and politics more militarized. Stroessner managed not to get too involved with any faction and was thus spared the purges that accompanied each barrack revolt. In 1936 he became captain, in 1940 major. The same year he was sent for advanced artillery training in Brazil.

With General Higinio Morínigo in power, Stroessner's star continued to shine. He entered the Superior War College and received an important assignment: to command the largest artillery unit in the country, in Paraguari. The political climate clouded over again in 1947 and the whole country was rocked by an uprising of Febreristas, Liberals, and Communists against Morínigo. The Colorados and part of the army, among them the General Brúñez artillery unit with Stroessner in charge, sided with Morínigo, by then totally discredited. The president did not survive the civil conflict. Nor did the many military officers who chose the rebel cause. The extensive purge that followed left only a handful of men to run the armed forces. Stroessner was one of them. Unhindered, he kept escalating in the ranks. Coups and plots became the norm, presidents came and went, the country plunged deeper into politico-economic crisis. In that fast school Stroessner rose to brigadier general in 1949.

Epifanio Méndez Fleitas, then chief of police and a shrewd manipulator, Emilio Díaz de Vivar, commander in chief of the armed forces, and Stroessner cast their dice for Federico Chaves, leader of one of the Colorado factions. With that powerful backing, Chaves made it to the top in the internal elections of the ruling Colorado party and won the presidency in 1950. Gracefully, he quickly promoted the chess-playing and already seasoned plotter Stroessner through the senior ranks and in November 1951 gave him the all-powerful post of commander in chief of the armed forces. General Emilio Díaz de Vivar was quietly removed to become ambassador to Brazil.

Patience, calculation, and discipline were paying off. Stroessner was respected among his men in the military establishment. All the while, he kept wide open the channels to the leaders of the Colorado party. His most important contact of those years, though, was with the American commanders. He had been a student at Fort Leavenworth, Kansas, where he completed a brief general staff course. He inspected several military centers in New York and was entertained by Lt. Gen.

Withers A. Burress, head of the I Army with headquarters on Governor's Island. He was received by Robert Stevens, secretary of the army.³⁶ During that same trip, in June 1953, Stroessner toured the Panama Canal Zone, where he met with the general staff of the U.S. Caribbean and Southern Defense Command. He invited them to attend President Chaves's second inauguration, scheduled for 15 August 1953. Stroessner was already playing the statesman, without consulting his government, and making very useful contacts that he would in due time call upon. In Asunción meanwhile, President Chaves and Minister of Foreign Relations José A. Moreno González were pledging allegiance to the U.S. as "the leader of the free world." But president of the Central Bank Méndez Fleitas leaned heavily toward Argentina. Diplomatic activity picked up. The comprehensive Argentine-Paraguayan agreements of mid-1953 not only made explicit Perón's gamble in Paraguay but also Méndez Fleitas's unbridled ambition as presidential successor.

On 3 October 1953, President of Argentina Juan Perón arrived for a well-publicized state visit. The reception was truly grandiose. Thousands of well-wishers lined the streets to cheer the Argentine leader, accompanied by Chaves.³⁷ It was not the kind of sight the Americans were trained to enjoy. In response, at the request of ambassador George P. Shaw, the U.S. increased the volume of technical aid and the number of advisers in several ministries and public agencies in Paraguay. The U.S. military mission moved to more spacious quarters, upgraded local training of Paraguayan officers, selected the most promising among them for courses in the U.S. Army School of the Americas in Panama where they were informed on the urgencies of hemispheric security and counterinsurgency, and handed out surplus equipment to Paraguayan generals to insure their loyalty. Stroessner was the ideal intermediary, always polite, effective, never late for meetings.

In November 1953, Lt. Gen. Howard Craig (U.S. Air Force), chairman of the Inter-American Defense Board, visited Asunción to discuss with Stroessner ways for closer cooperation in matters of continental security and more active support for the board. During that rendezvous, General Craig also visited Argentina, Bolivia, Brazil, Chile, Peru, and Uruguay. For the Pentagon, the unstated purpose of those meetings at general staff level was to counter the Soviet offensive in the

³⁶ New York Times, 21 June 1953, p. 4.

³⁷ El País, 3 octubre 1953, p. 1; 5/6 octubre 1953, p. 1.

hemisphere, with particular emphasis on what was evolving in Guatemala and on standardization of military equipment along U.S. lines. Shortly after, military pacts were signed between the U.S. and several Latin American republics. In Paraguay, the U.S. Army and Air Force mission agreement, schedule to expire in December 1953, was extended.

Washington gave special attention to preparing and equipping indigenous military forces in each nation to the south, so that when rebel or anti-U.S. movements emerged, they could be eliminated before taking power. Guatemala was so sensitive an issue for U.S. inter-American policy that security, and thus counterinsurgency and support to client armies, became top priority. Stroessner fit the role perfectly: he had impeccable anti-Communist credentials; he was very friendly to the U.S. and proved capable enough to work with them; he was effective as both military officer and political operator. Moreover, he was willing to lean toward Brazil, not Argentina. Brazil had maintained the status of U.S. privileged partner in the Southern Cone since World War II. Just as the Somozas, Trujillo, Batista, and several other army officers were fittingly performing as Washington surrogates in their respective countries, so did Stroessner demonstrate that he could play a similar role in Paraguay given adequate support. Stroessner understood what the Americans wanted, and they in turn came to rely on the diligent general.

In Bolivia, the 1952 revolution had brought to the Palacio Quemado a coalition of left and center forces under the banner of the Movimiento Nacionalista Revolucionario (MNR) led by Victor Paz Estenssoro. The Bolivian government had since moved forward, pressed by the labor unions and an increasingly active militia, in a direction not wholly congenial to Washington. Secretary of State Dean Acheson depicted Minister of Mines and Petroleum Juan Lechín and Minister of Labor German Butrón as extreme radicals who tended to use violent methods. The government nationalized the three largest tin mining companies, leaving American stockholders on the line. It went on to carry out an ambitious program of agrarian reform and decapitated the armed forces, already largely eclipsed by the workers' militias. No less relevant, radical movements and the Communist party, all tolerated in that fluid environment, had made considerable inroads among labor and student organizations. Paraguay was next door, just as economically retarded and politically unstable as Bolivia. The mood in Washington favored preventive measures before another revolution broke out, creating more expenditures on special operations.

Certain interesting details indicate there was careful planning prior to the 1954 military coup in Paraguay. The National Archives in Washington do not have files for the period between mid-March and early May 1954. Those files, kept secret, might have something to tell about the extent of U.S. participation in the coup. Given Stroessner's modus operandi and ulterior U.S. motives, this much can be reasonably stated: the U.S. chargé in Asunción and the U.S. commander in Panama (hence the State Department, the CIA, and the Pentagon) were informed in advance that the looming political crisis demanded some kind of military action. This was probably justified by the Paraguayan generals on the grounds that if events went their own course, some uncontrollable outcome might ensue.

Argentina's influence was on the rise in Asunción. Not only did Perón make his celebrated visit and help nail down an agreement that amounted to virtual integration of the Paraguayan economy with that of her powerful neighbor, but Argentine experts had been training the Paraguayan police force, which became less and less dependent on the army as political events unfolded. Chief of Police Roberto L. Petit, a young civilian who kept cordial contact with Méndez Fleitas, had replaced in that post Colonel Esteban López Martínez. Méndez Fleitas, who already had a somewhat large following in the Colorado party precincts, had distanced himself from President Chaves and presumably favored Tomás Romero Pereira as transitional president. Méndez Fleitas would then be in a better position to become the Colorado candidate for the next elections.

That was a prospect not everybody enjoyed. In January 1954 "General Stroessner informed the President [Chaves] of Méndez's alleged machinations, expressed the Army's discontent with Méndez's political activities, and reportedly made clear the view of the Army that Méndez and his friends should be removed from the Government."³⁸ Colonel Nestor Ferreira, commander of the cavalry division stationed on the outskirts of Asunción, transmitted to Méndez the army's decision that he should resign. Méndez was made to resign within days. Some of his friends, like Minister of Finance Guillermo Enciso, had to leave as well. As a consequence the Argentine connection in Paraguay was debilitated. Stroessner, who had just completed a two-week visit to Brazil as guest of the military, came out strong and clear as the man who made the

³⁸ Department of State, Foreign Service Dispatch No. 315, AmEmbassy Asunción, 8 January 1954.

crucial decisions, but who acted very much in agreement with his peers in the army's high command.

Further changes in the cabinet took place while political debate within the Governing Board of the Colorado party continued. In March that year localized rebellions in the navy and cavalry were reported. A summary evaluation of the American embassy noted that General Stroessner for the moment was the "strong man" of Paraguay and that Méndez Fleitas had not withdrawn from the political scene and was plotting from without. Three other possibilities were mentioned in the report: (1) the Argentines may have their "finger in this pie"; (2) the president still has some confidence in and contact with Méndez Fleitas; and (3) there are definite pro- and anti-Méndez Fleitas factions in the navy and cavalry.³⁹

A classified telegram that, suggestively enough, instructed the State Department to pass the information with priority to disaster relief coordinator (evidently a code) in Panama--headquarters of the U.S. Army SouthCom--read:

At noon General Stroessner full control of city. In gaining control police chief Petit killed and other casualties numbering approximately 25. Loyal units include artillery, infantry, navy, and reportedly air force. Artillery has left base in Paraguari and are now on outskirts of Asunción. Cavalry position remains undetermined but has threatened attack on General Staff Headquarters to release Colonel [Nestor] Ferreira detained by Stroessner. . . .⁴⁰

Another of several telegrams was dispatched the next day, 6 May:

Intermittent firing throughout night in Asunción between Stroessner forces and an element of cavalry but former in firm control of city this morning. Streetcar and bus traffic partially restored. At meeting of leaders Colorado Party last night, Méndez Fleitas was present and Stroessner participated. No (repeat no) announcements or report of results. All sources tend to indicate this clash un-premeditated, arising from personal jealousies

³⁹ Department of State, Foreign Service Dispatch No. 383, AmEmbassy Asunción, 16 March 1954.

⁴⁰ Department of State. AmEmbassy Asunción, Telegram to Secretary of State, 5 May 1954.

within military. However, result may be splitting the Colorado Party. . . .⁴¹

President Chaves was arrested and made to resign, then entered a hospital for treatment of an unknown nature. The whole officer corps of the central police was detained in the navy barracks in Asunción. Faced with the responsibility of selection among several candidates (Alfredo Stroessner and civilians Epifanio Méndez Fleitas, Tomás Romero Pereira, and Ramón Méndez Paiva), the Governing Board of the Colorado party was pressed by the generals to favor Stroessner. The capital city and communications facilities everywhere remained under military control. The Governing Board met in its cramped headquarters with well-armed troops guarding the whole neighborhood, checking identity and making clear with their presence that the civilian leaders had better be careful what they decided.

Stroessner did not need to push further. He let the Colorado leadership reason out the details, after impressing upon them the warning that the army and the Americans were on his side. He promised that all other principals would have their respective sinecures. They duly complied. Stroessner was selected the Colorado candidate for the next elections and Romero Pereira interim president. It was the first act in a long series that placed the party apparatus at Stroessner's feet.

Stroessner was generous during the days that followed the coup. He brought back displaced civilian leaders to governmental positions. Romero Pereira had a difficult time with so many forces pulling in different directions. He was relieved when the U.S., after Great Britain, recognized his government. On 13 May 1954, David Maynard, U.S. chargé d'affaires, sent a note to Fabio da Silva, acting minister of foreign relations, expressing "the confidence of my government that friendly and close relations with the government of Paraguay will continue to prosper." The recognition can well be read as a tribute not to Romero Pereira, but to Stroessner's audacity and political acumen.

Expediency was the key factor in Washington's decision. It was neither long-term planning nor moral principles that prevailed and shaped the practical, day-to-day decisions made by President Eisenhower and Secretary Dulles. Neither seemed particularly well disposed toward dictators, but on the grounds and within the constraints of realpolitik, they favored the less risky, and most beneficial, course to serve the U.S.

⁴¹ Department of State. AmEmbassy Asunción, Telegram to Secretary of State, 6 May 1954.

national interest at that particular juncture. In hindsight, the revolutions in Cuba and Nicaragua, which swept away two loyal U.S. "clients" and, incidentally, brought the Soviets into an active role in Latin America, raise the question whether it was sound policy to back Stroessner in the first place. He remains in power today.