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The Long Road: Eisenhower's Inter-American Highway: The Path to Economic Investment, Political Stability, and Collective Security in Central America

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Abstract

This paper explores the anti-communist Cold War tactics of public diplomacy as undertaken by the Eisenhower Administration. The focus of this paper is the Inter-American Highway: a program which the U.S. government funded and constructed to develop Central America economically, politically, and beyond. Funding for this program was increased and supported by the president because it fit the axiom of spending as little money as possible in the Cold War, but spending it in a way to be effective in the battle against Soviet communism. The stance of the U.S. government was to provide Central America with increased infrastructure development in an effort to make the region attractive to foreign investors, whose capital investments in the region would spur on economic growth and create political stability. The tactic was relatively successful, and eventually led to economic unification through the Central American Common Market (similar to the European Coal and Steel Community). It was believed that the CACM would eventually lead to political unification and collective security in a similar way that the ECSC led to the EU, but nationalism and regional jealousies fragmented the CACM before political unification could be realized. Nevertheless, the Inter-American Highway and resulting CACM did economically benefit all nations involved, and instituted a rare era of regional peace.

Keywords

Eisenhower, Inter-American Highway, Central America, U.S. Relations, Cold War

Disciplines

Chicana/o Studies | Diplomatic History | European History | History | Infrastructure | Latin American History | Latina/o Studies | Political History | Social History | United States History

Comments

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The Long Road

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Jacob A. Ross

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This paper explores the anti-communist Cold War tactics of public diplomacy as undertaken by the Eisenhower Administration. The focus of this paper is the Inter-American Highway: a program which the U.S. government funded and constructed to develop Central America economically, politically, and beyond. Funding for this program was increased and supported by the president because it fit the axiom of spending as little money as possible in the Cold War, but spending it in a way to be effective in the battle against Soviet communism. The stance of the U.S. government was to provide Central America with increased infrastructure development in an effort to make the region attractive to foreign investors, whose capital investments in the region would spur on economic growth and create political stability. The tactic was relatively successful, and eventually led to economic unification through the Central American Common Market (similar to the European Coal and Steel Community). It was believed that the CACM would eventually lead to political unification and collective security in a similar way that the ECSC led to the EU, but nationalism and regional jealousies fragmented the CACM before political unification could be realized. Nevertheless, the Inter-American Highway and resulting CACM did economically benefit all nations involved, and instituted a rare era of regional peace.

Introduction: The Impassable Isthmus

“You’ll never make it.” That was the advice that Luis Rivera, Jr. gave Leigh White back in 1951. This news crushed White’s life-long dream. He wanted to explore the vast reaches of the American continent on a pan-American road trip – driving from the United States all the way south to Argentina. However, the young Mexican-American travel agent informed him that this dream was impossible. During the 1950s many U.S. citizens may have taken for granted that paved highways existed anywhere they dreamed of going, but this was not the case. Rivera knew that no such highway connecting North America and South America existed; on a more basic level, some countries in Central America did not even have roads that connected their neighboring countries, paved or otherwise. Large gaps in the road network existed in Guatemala, Costa Rica, and Panamá, and much of the existing roadway was not passable by motor vehicle traffic. Rivera even further uprooted White’s dream when he stated that he did not believe that anyone ever will be able to make the trip, “not in our lifetime, anyhow.” He knew that there were portions of the road’s uncompleted sections that would have to be built through some of the densest and most

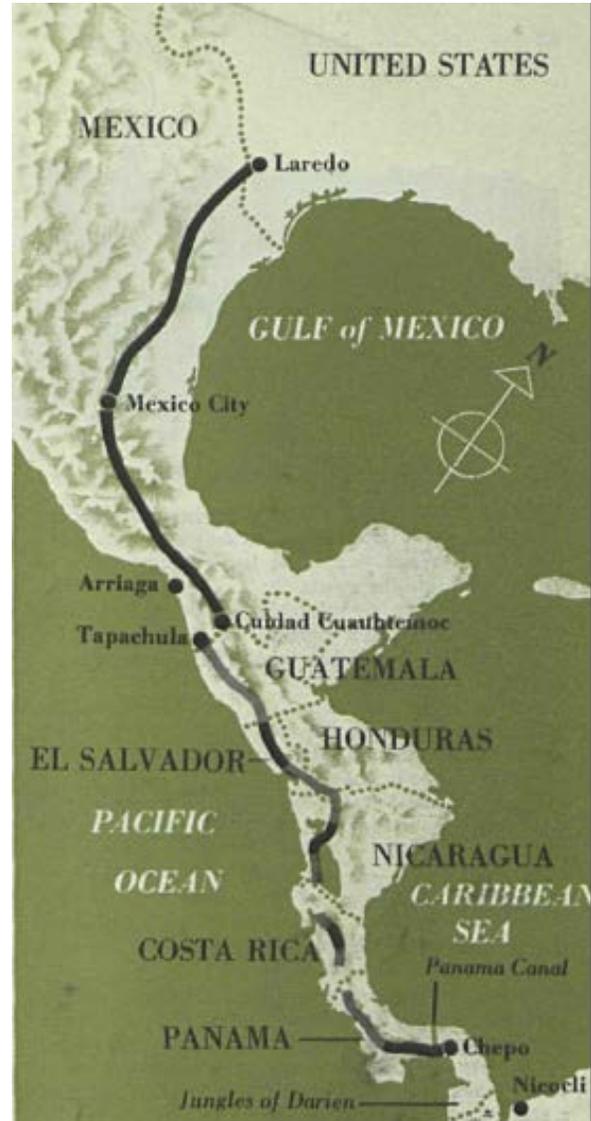


Figure 1. Leigh White, “You Can’t Drive to South America,” *Saturday Evening Post*, March 24, 1951, 41. This was the condition of the Inter-American Highway in 1951 when White wanted to take his trip. Dark sections are paved, and light sections are unpaved. Note that not all sections connect.

inhospitable jungle in the world. Many people who attempted to undertake the task lost their lives trying. White's grand life aspiration was never realized.¹

White abandoned his dream when he learned of the lack of road development in Central America. However, the region's severely underdeveloped infrastructure had far greater implications than the one man's shattered dreams. The absence of an expertly constructed and well maintained highway system meant extremely difficult situations related to regional politics, national identity, military responsiveness, trade, and economic investment. Individual Central American countries were certainly concerned with each of the issues created by the lack of transportation infrastructure, but no nation existed in a bubble. This axiom was especially true in the globalizing era of the 1950s where World War III hinged on the push of a single button.

The context of the Cold War raised the stakes of international diplomacy in Central America and other countries in the Third World. The geographical proximity of Central America to the United States brought the danger of regional military and economic conflict into the realm of possibility. Continued regional peace depended upon the United States' ability to prevent the Soviet Union from making allies and inspiring communism in Central America. The Eisenhower Administration believed that improved economic development through private investment was the best policy to winning the hearts and minds of the Central American people over to the capitalist system. The policy embraced by Ike's team to facilitate this economic development focused on infrastructure development as the cheapest, yet effective, option to achieve this goal. The project of choice for this development was the Inter-American Highway – a proposed road to link every country in Central America from the U.S. to Panamá.²

¹ Leigh White, "You Can't Drive to South America," *Saturday Evening Post*, March 24, 1951, 40-41 & 100.

² British Honduras (Belize) was not included in this project for reasons which will be explained further in the section entitled *British Honduras (Belize)*.

The United States and Central America in the Cold War

The United States had long reaped the benefit of isolationism and the protection of oceanic buffers on both its eastern and western coasts. However, the benefit of these buffer zones dissolved with the coming of the Cold War and advanced technology that presented the threat of annihilation for every American population center with only minutes to prepare for defense. The Soviet Union radically changed the context of U.S. national defense, and President Dwight D. Eisenhower realized this difficult truth: the U.S. existed in a new global context, where the oceans would no longer protect the U.S. population from experiencing the horrors of nuclear war first hand. For this reason, the Eisenhower Administration adopted the New Look policy towards national defense.

The New Look policy primarily focused on the development of a nuclear arsenal large and resilient enough in order to legitimize the counter-threat of mutually assured destruction. President Eisenhower believed that second strike capability and the counter-threat of mutually assured destruction was an effective deterrent which allowed for the downsizing of the U.S. standing military force and therefore reduced the overall cost of national defense while not sacrificing its potency. The policy was adopted in order to provide sufficient defense and balance the federal budget at the same time – in summary, it made every dollar count. A decreased military appropriation allowed for greater resources to be redirected to domestic social programs, education, and infrastructure development in the rapidly growing and innovating U.S.³

However, Eisenhower's New Look philosophy did not end at military innovation. President Eisenhower also realized that the new global context of weapons systems that boasted rapid nuclear payload delivery over long distances required collective security in order to shield

³ Dwight D. Eisenhower, "The Chance for Peace, Washington, D.C., April 16, 1953," *Dwight D. Eisenhower: Strategic Communicator*, ed. Martin J. Medhurst (Westport, CT: Greenwood Press, 1993), 167-168.

the world from another global war. The battle against conservative isolationist Republicans in Congress began as Eisenhower began to stress the importance of NATO, the UN, and allied partnerships in the battle against global communism. The administration's belief in the Domino Theory led President Eisenhower to combat communism in all its contested territories throughout the globe. Although a few of these political battlegrounds materialized into hot wars, the utilization of public diplomacy was Eisenhower's weapon of choice.

Public diplomacy was used by Eisenhower in the context of the New Look philosophy as an effective, subtle, and fiscally responsible tactic to prevent communism from taking root in third world and developing nations around the globe. The end goal of the public diplomacy strategy was to win the hearts and minds of third world citizens, and convince them that anti-communism/pro-democracy was the most beneficial stance for their national development and personal economic wellbeing. In modern Cold War scholarship, it is evident that propaganda certainly played an important role in European public diplomacy. Eisenhower tweaked the method of public diplomacy to meet the most critical needs and wants of different regions around the world to achieve political stability.⁴

One of Eisenhower's targeted regions was Central America – the backyard of the U.S., a significant source of natural resource production, and a crucial naval and merchant marine asset. If there was any region that necessitated attention in the fight against communism for U.S. national security, Central America fit the bill. However, Central America was also a region uniquely vulnerable to communist theory infiltration. These high-stake, high-risk contexts were complicated by a regional history of unstable government, rouge militaries, and a developed hatred and cynicism of First World economic, military, and political intervention. Therefore,

⁴ David F. Schmitz, *Thank God They're on Our Side: The United States and Right-Wing Dictatorships, 1921-1965* (Chapel Hill, NC: University of North Carolina Press, 1999), 179-180.

Eisenhower's public diplomacy in the region had to take on a subtle and upbeat plan in order to prevent mass rejection in the politically sensitive environment.⁵

The method of public diplomacy adopted by the Eisenhower Administration in Central America focused on economic development of the region. The national economies of these countries reigned supreme in the contest of necessary improvement in order to prevent communism from taking hold politically. A history of systematic economic exploitation and national debt which spiraled past the event-horizon led to stagnant national economies and stunted industrial development.⁶ This problem was exacerbated by the lack of human resources and domestic consumer base enjoyed by the larger South American countries which found it easier to industrialize. Discontent about the national economy and poverty of Central American citizens was a potential powder keg for communist theory. Therefore, according to Assistant Secretary of State for Inter-American Affairs John Cabot, priority number one for the U.S. in Central America was economic development and industrialization through private investment: "The most fundamental problem we have in our relations with the Latin American republicans is that of their economic development."⁷

However, private investment did not spontaneously fall on Central America; rather it had to be encouraged and supported by an environment which would allow for continued growth and expansion. The largest obstacle to investment and development was Central America's lack of infrastructure. 'Import substitution industrialization' (ISI) was not possible without the adequate transportation networks necessary to facilitate resource extraction, inter- and intra-regional trade,

⁵ Stephen M. Streeter, *Managing the Counterrevolution: The United States and Guatemala, 1954-1961* (Athens, OH: Ohio University Center for International Studies, 2000), 118-119.

⁶ Stephen G. Rabe, *Eisenhower and Latin America: The Foreign Policy of Anticommunism* (Chapel Hill, NC: University of North Carolina Press, 1988), 73-75.

⁷ *Ibid.*, 69.

and capital good investment. ISI was the only gateway to proven Central American economic self-sufficiency and economic independence from foreign powers.⁸

For that reason, the Eisenhower Administration pushed for the continued construction of the Inter-American Highway.⁹ The highway's construction was vitally important in the U.S.'s Cold War efforts to prevent communism from taking hold in Central America, as the region had the potential to be a powder keg for communist revolution. The increased economic development spawned by the highway would throw a wrench into the cogs of communist organization, and serve as the 'opiate of the masses' foil to Marx's proposed process of coalescing communism through proletariat restlessness. Not only was the Inter-American Highway an anti-communist weapon, but it stood in harmony with Eisenhower's philosophy of winning the Cold War by winning the hearts and minds of Third World countries, but doing it as cheaply as possible while still providing enough resources to be effective.¹⁰ Eisenhower knew that citizens of Third World nations could be convinced to desire the U.S. way of life, instead of Soviet communism: "America was [once] the wonder of humanity and the symbol of man's hopes and goals everywhere. We can make it that again. We shall make it that again."¹¹ Of course, the construction of the Inter-American Highway looked different in every Central American country, and had varying rates of success. In general, the highway accomplished its goals and helped prevent a communist party from gaining power in the region, even if political stability was

⁸ Raúl Prebisch, *The Economic Development of Latin America and Its Principal Problems* (New York, NY: United Nations, 1950), 6, <http://archivo.cepal.org/pdfs/cdPrebisch/002.pdf> (accessed April 30, 2015).

⁹ Streeter, *Managing the Counterrevolution*, 121.

¹⁰ Special Republican Study Group, "Memorandum from a Special Republican Study Group to Nelson A. Rockefeller, November 10, 1952," in *The Eisenhower Administration, 1953-1961: A Documentary History*, ed. Robert L. Branyan and Lawrence H. Larsen (New York: Random House, Inc., 1971), 1:43-46, Eisenhower's proposed budget goals for the 1954-1957 fiscal years sought to decrease spending across the board on national security.

¹¹ Robert L. Branyan and Lawrence H. Larsen, ed., "Speech by General Eisenhower, New York City, August 25, 1952," *The Eisenhower Administration, 1953-1961: A Documentary History* (New York, NY: Random House, Inc., 1971), 1:38.

threatened by oppressive dictatorial regimes. The administration's investment into the Inter-American Highway facilitated the economic development desired, and incidentally opened up an easy access road to the region in the case of required direct U.S. military intervention in the name of collective security and American solidarity. Thankfully, this later use of the highway was never needed.

Communist Theory Explored: Criticisms against Central American Revolution

In order to fully grasp the possibility of communist revolution Central America, one must first understand Marx's theory about a society which is ready for communist revolution. Although Central America did not garner the great public or historical attention that Southeast Asia or Eastern Europe received in the great ideological battle, the Central American condition could have been just as explosive as the other political battleground regions. In fact, Marx's 1848 *Communist Manifesto* describes the political and economic landscape of a country which is ready for communist revolution, and Central America fulfilled the prerequisites.

One of the criticisms in the argument against Central America not being a possible candidate for communist revolution is its lack of infrastructure development and industrial labor force. After all, communist theory is viewed as the workers' revolution. One may use the last line of the *Manifesto*, "WORKING MEN OF ALL COUNTRIES UNITE!" as proof of a hyper-industrialized society being first necessary for the process of communism to take place.¹² Marx also incorrectly predicted that Germany would be the epicenter and origin of communist revolution, for the chief reason that its industrialization and civilization was the most advanced in the world.¹³ It then seems impossible that Central America, with its lack of factories and laboring class, could be a suitable candidate for communism. Furthermore, it calls into question

¹² Karl Marx, *The Communist Manifesto*, (London: Verso, 1998), 77.

¹³ *Ibid.*; Marx never considered that Southeast Asia or the Soviet Union could have been effective regions for communism because of their lack of industrial development, yet they became the cores of communist politics.

the existence of any Central American proletariat – the class which is needed to initiate and sustain the communist system.

But, that interpretation of Marx’s work is flawed for two critical reasons. The first incorrect understanding of the theory is that communism’s primary concern is not over the industrialized labor force, but rather that question dealing with private property: “In all of these [countries’ communist] movements they bring to the front, as the leading question in each, the property question, no matter what its degree of development at the time.”¹⁴ There were many examples of the property question being addressed in Central America as the primary concern of ineffective national economics. The most significant examples revolve around land redistribution. Property redistribution began in Central America as Lerdo Law was instituted in 1856 Mexico. President Benito Juárez used this legislation to end collective landholding in Mexico.¹⁵ The goal of redistribution was to break the large landholdings of the Catholic Church and give the land back to the people to be put back into production. Continuing the property redistribution tradition, the Mexican Revolution of 1910 led to the creation of the Mexican Constitution of 1917.¹⁶ This document was extremely liberal and mandated even greater land distribution. It is estimated that before these reform measures, 90% of arable land in Mexico belonged to the Catholic Church and laid fallow. Land redistribution also took center stage in 1952-1953 Guatemala with President Jacobo Árbenz’s issuance of Decree 900. This law sought to take 1.4 million acres of uncultivated land and give it to 500,000 Guatemalans who would put the land to use. Decree 900 also expropriated more than half of the 500,000 acres which

¹⁴ Ibid.

¹⁵ Benito Juárez was the first fully indigenous president of Mexico. He also worked to break special privilege of the church through the 1855 Juárez Law, successfully ending *fueros* (legal immunity for priests) and the national compulsory tithe; Benjamin Keen and Keith Haynes, *A History of Latin America: Independence to the Present*, 8th ed. (Boston, MA: Houghton Mifflin Harcourt Publishing Company, 2009), 201-203.

¹⁶ The Mexican Revolution of 1910 was influenced by similar social conditions as the Russian Revolution of 1917.

belonged to the U.S.-based United Fruit Company. It is also estimated that 58% of Guatemala's arable land lay out of production.¹⁷

The second flawed criticism of Central America as a viable candidate for communist revolution dealt with the lack of a laboring class, or proletariat. Popular perception of the process of communism dictates that without a laboring proletariat to spark the revolution and facilitate the communist system afterwards, there could be no revolution. However, Marx mentioned a nuance in his *Manifesto* which refutes the popular understanding of the proletariat. He introduced a variation on the traditional proletariat, called the lumpenproletariat.¹⁸ The lumpenproletariat refers to that poverty stricken class which is victim to chronic unemployment or underemployment. Marx described the lumpenproletariat as:

the 'dangerous class,' the social scum, that passively rotting mass thrown off by the lowest layers of old society...its conditions of life, however, prepare it far more for the part of a bribed tool of reactionary intrigue.¹⁹

The fact that Marx concluded that this social class is in fact the proletariat but of a different stripe meant that they were still capable of participating in a communist revolution, but were not motivated by the same goals. The lumpenproletariat, the type most present in Central America, is a class which can be swayed to any side of the communist debate, depending on which side is offering the most personal gain for their individual situations; in summary, whichever side can offer the biggest bribe is the party that the lumpenproletariat will back. This concept will be important when understanding the Eisenhower diplomatic policy and push for the Inter-American Highway's completion.

¹⁷ Diane Stanley, "For the Record: United Fruit Company's Sixty-Six Years in Guatemala," *Centro Impresor Piedra Santa* (1994): 179; Jean-Marie Simon, *Guatemala: Eternal Spring, Eternal Tyranny* (New York, NY: W.W. Norton & Company, 1987), 21; Streeter, *Managing the Counterrevolution*, 18-20.

¹⁸ The German translation of "lumpen" means rags, to describe the extreme poverty of this version of proletariat.

¹⁹ Marx, *Communist Manifesto*, 48.

Although the modern observer would not put Central America on the top of the list of regions that were on the brink of communist revolution in the 1950s, the evidence of the economic and political conditions in Central America tells a different story. For this reason, the Eisenhower administration allocated U.S. resources in large quantities for the purpose of winning the hearts and minds of the Central American people, but in a way that did not appear to be interventionist. The political and historical environment of Central America, as well as a sufficient knowledge of communist theory, impelled the Eisenhower administration to focus on Central American issues. The administration sought to quell any gathering storm of revolution while still keeping the U.S. national budget solvent.²⁰

Communism's Foil: Eisenhower's Philosophy and Economic Appeasement

President Eisenhower's use of public diplomacy in Central America was a calculated, precise effort to cut out the cancer of communist support in the region. The fact that violence and global attention was avoided in a challenging political situation was a sign of expert political artisanship. Eisenhower sought to utilize a tactic of economic appeasement by creating a prosperous economy in Central America, while at the same time preventing the appearance of U.S. intervention and control. Central America's relative peace in the 1950s despite its potential of developing into a communist stronghold so close to the U.S. in the midst of the Cold War is a phenomenon that should not go unnoticed.

The Eisenhower Administration used the development of the Inter-American Highway to create the improved economy of the Central American nations; when Eisenhower took office the per capita income of a Latin American country was less than \$250 annually.²¹ The highway was

²⁰ Practical examples of communist revolutionary potential and related violence are discussed in the context of the specific country sections to follow.

²¹ Rabe, 74.

also expected to stabilize the export-based markets in the region.²² It was thought to achieve these goals because it was believed that any increase in economic development and stability would persuade Central Americans to turn away from communist sympathies and develop a better relationship with the U.S.²³

A sociology theory called the ‘civil religion’ may describe how the Eisenhower Administration utilized the Latin American desire for U.S. investment through the highway as a tool for political stability.²⁴ The theory dictates that although a government is not an established religious institution, the nature of government itself may develop into an institution that “is a collection of beliefs, symbols, and rituals with respect to sacred things and institutionalized in a collectivity.”²⁵ In essence, a country itself develops into its own secular religion.

The theory of the civil religion can be expanded to incorporate other ‘secular religions’ which develop in extension to the civil religion of a democratic government. The one most applicable in Eisenhower’s Central American diplomatic policy is the ‘free-market religion.’ The U.S. in the 1950s developed its own beliefs, symbols, and rituals involving the capitalist market. For example, the belief system held that a suburban home, family, stylish car, and time for leisure were the marks of successful faithfulness to the market religion. Symbols of the market religion included popular brands, such as Betty Crocker, General Electric, Westinghouse, Goodyear, Electrolux, and many others. The rituals of the free-market religion focused on consumerism and convenience.²⁶ The Tupperware brand even went so far as to adopt the tune

²² Ibid.

²³ Edward G. Miller, Jr., “A Fresh Look at the Inter-American Community,” *Foreign Affairs* (2004): 639.

²⁴ Ibid.

²⁵ Robert N. Bellah, “Civil Religion in America,” *Journal of the American Academy of Arts and Sciences* 96, no. 1 (Winter 1967), http://www.robertbellah.com/articles_5.htm (accessed April 3, 2015).

²⁶ Thomas Hine, *Populuxe – From Tailfins and TV Dinners to Barbie Dolls and Fallout Shelthers: The Look and Life of Midcentury America* (Woodstock, NY: The Overlook Press, 2007), 26-27, 124, 128, 132.

and the majority of the lyrics to a popular Sunday school song in order to celebrate their product's popularity.²⁷

It was President Eisenhower's tactic to exploit the free-market religion of Central America to appease the Central Americans with stable and developing markets. He believed that private investment into the region was the best way to develop the region's economy and repel communist sentiment.²⁸ Since Central America was predominately poor the promises made by the free-market religion were effective opiates of the masses because it were able to convince the poorest, most restless class that capitalism was a personally beneficial system. If Central Americans believed that their nation's economy was heading in the right direction, why would they want to interrupt the developing market that promised personal economic advancement and better living standards? President Eisenhower believed that economic health and global investment was so vital to collective security and the continuance of peace that his First Inaugural Address stated, "recognizing economic health as an indispensable basis of...the free world's peace, we shall strive to foster everywhere, and to practice ourselves, policies that encourage productivity and profitable trade. For the impoverishment of any single people in the world means danger to the well-being of all other peoples."²⁹

But the strategy of economic appeasement as a foil to Central American communism was not worth much without a vehicle for implementation. The most basic tool of implementation which the Eisenhower Administration adopted to accomplish this goal was the completion of the Inter-American Highway. The project sought to establish a transportation link from the Mexican

²⁷ Laurie Kahn-Leavitt, *Tupperware* (American Experience, 2004), 58:15-1:00:20; digital film.

²⁸ U.S. Department of State, *Memorandum by the Acting Regional Director of the Office of Latin American Operations (Hardesty) to the Director of the Foreign Operations Administration (Stassen)*, Foreign Relations of the United States, 1952-1954; Volume IV, the American Republics, no. 84, <https://history.state.gov/historicaldocuments/frus1952-54v04/d84> (accessed April 6, 2015).

²⁹ Dwight D. Eisenhower, "First Inaugural Address of President Eisenhower: January 20, 1953," in *The Eisenhower Administration, 1953-1961: A Documentary History*, ed. Robert L. Branyan and Lawrence H. Larsen (New York: Random House, Inc., 1971), 1:30.

border with Texas to the Panama Canal.³⁰ Although Milton Eisenhower proposed many diplomatic recommendations to bolster the Latin America economy after his 1953 exploratory trip to the lower Americas, none of his recommendations would have been possible without an effective transportation network to facilitate the necessary movement and investment in the region.³¹

The Eisenhower Administration believed that economic development in Central America hinged on the completion of the Inter-American Highway. In NSC 144/1, the National Security Council adopted the following policy as the first economic priority of Central American relations:

Encouraging Latin American governments to recognize that the bulk of capital required for their economic development can best be supplied by private enterprise and that their own self-interest requires the creation of a climate which will attract private investment.³²

This provision reveals that the primary method of increasing industrialization and economic development in Central America would be through private investment rather than direct intervention. A focus on private investment allowed for a great diversification of industrial investment and allowed the U.S. and the Central American countries to train their efforts solely on the target of creating a friendly environment for investment. Infrastructure development was a crucial determining factor when a company was investigating a possible expansion into a foreign nation; industrialization was not possible without the roads to transport workers, raw materials, capital goods, finished products, prospective clients, and other implements of industry. A company would not build a business in a remote area that it could not access easily. Furthermore,

³⁰ The Inter-American Highway describes that portion of road running from Mexico to Panama. This is not to be confused with the Pan-American Highway, which stretches from Alaska to Argentina (but not continuously). However, the Inter-American Highway is also the portion of the Pan-American Highway which runs through Central America. Some contemporary scholars and political actors of the 1950s use the two terms interchangeably, not demarcating the difference between the two terms. During this paper, I attempted to be very intentional with my specific uses of the terms to describe the definitions as listed above.

³¹ Milton Eisenhower, "Report on Latin America," *Current History* 26 (March 1954): 183-187.

³² U.S. National Security Council, *NSC 144/1*, 8.

the quality of the highways must be good enough to facilitate rapid transportation. The faster raw materials and finished products can be exchanged, the greater the degree of economic development possible.

Since the National Security Council realized the keystone role of the Inter-American Highway in Central American economic development, it was adopted as the third priority of economic development in NSC 144/1. The policy statement praised “continuing a limited economic grant program in Latin America, including such projects as the Inter-American Highway and the Rama Road.”³³ The addition of the Rama Road into the National Security Council’s purview spoke to the commitment to expanded development in Central America. The Rama Road was a spur extension of the Inter-American Highway which was built from the main highway east to the city of Rama in Nicaragua. This spur was significant because it was built at the thickest section of Central America.³⁴ It penetrated into the eastern coastal region of the country which suffered from an extreme lack of development, due to the urban-rural investment disparity. The fact that the Eisenhower Administration sought to create the spur to open up as much of the territory as possible to transportation, and therefore sparked the possibility of economic investment, shows that their primary concern was economic development, not simply connecting the Central American countries with a road.

As described by a July 19, 1954 memorandum from the Acting Regional Director of the Office of Latin American Operations Marion Hardesty, to the Director of the Foreign Operations Administration Harold Stassen, U.S. foreign policy toward Central America must focus on expedited economic development through partnership projects:

³³ Ibid.

³⁴ This classification does not consider northern Mexico, which is exceptional because of its history of constructing the Inter-American Highway as well as its proximity to the United States.

U.S. national interest requires a *faster rate* of economic development throughout Latin America. Accordingly, there is a need to give new direction and amplification to technical assistance programs, on a planned country basis, toward the achievement of improved living standards by means of greatly accelerated economic development.³⁵

The Inter-American Highway project would certainly fall under the category of technical assistance programming, as its infrastructure development focus required a partnership between the U.S. and the beneficiary nations. And, since the highway was such an important first step into opening up the region to foreign investors, an amplification of technical assistance programs was called for to complete them as soon as possible.

One of the key provisions within that memorandum stipulated that the programs must be “on a planned country basis.”³⁶ This qualification to the nature of technical assistance to the Central American nations required that each country be dealt with individually, instead of as a bloc. NSC 144/1 reveals that this was recommended for a variety of reasons. First, it allowed for projects to be designed and executed “within the capability of the particular country concerned.”³⁷ If the Eisenhower Administration developed a project which the U.S. could easily complete, but was out of the realm of possibility for the Central American country, not only would the U.S. end up funding the entirety of the project, but a perception of unilateral action and exploitation surrounding the U.S. involvement in Central America would have certainly stirred up public dissatisfaction; Central Americans would have been reminded of prior occupations and exploitations from the United States.

In extension, the individual consideration the Eisenhower Administration gave every Central American country gave the smaller nations a sense of investment into the projects being undertaken within their borders. This consideration created a landscape of political buy-in, where

³⁵ U.S. Department of State, *Memorandum by the Acting Regional Director of the Office of Latin American Operations (Hardesty)*.

³⁶ Ibid.

³⁷ U.S. National Security Council, *NSC 144/1*, 8.

partner countries would have their own salient reasons to protect and support their portion of the highway's construction. The action of consultation was thought to create a sense of American solidarity.³⁸ Eisenhower promoted collective security as one of the greatest assets to preserving global peace, and developing a sense of solidarity was the first step in that process.

NSC 144/1 also required the U.S. to “evidenc[e] greater consideration of Latin American problems at the highest levels of government.”³⁹ By addressing the Central American governments' most salient issues, the Eisenhower Administration conveyed sensitivity to Central American problems. This made them feel like peers to the U.S., instead of continued victims of neo-colonialism and debt manipulation.⁴⁰

The physical act of linking these countries with similar interests, economic conditions, and geographic inter-dependence created an environment that facilitated greater regional unification and solidarity within Central America itself.⁴¹ As will be explained later, the nations even begin to coalesce into a regional economic union, called the Central American Common Market, as well as continued political unification within the Organization of American States. Unions such as these gave Central American countries a stake in the stability of neighboring governments; if one of the nations within the economic or political union fell into communist revolution and economic chaos, it would inherently damage the economies and political stability of its sister nations. Therefore, the Central American nations had an individual incentive to police and advance each others' economic and political conditions, instead of working in competition with each other and mutually degrading each nation's economy.

³⁸ Ibid., 7.

³⁹ Ibid.

⁴⁰ Streeter, *Managing the Counterrevolution*, 118-119; Rabe, 73-75.

⁴¹ Milton S. Eisenhower, *The Wine is Bitter: The United States and Latin America* (Garden City, NY: Doubleday and Company, Inc., 1963), 135-136.

In review, the Eisenhower Administration utilized an understanding of communist theory's opiate of the masses to target the most salient issue in Central America – economic development – for the purpose of quelling anti-U.S. and radical communist revolutionaries. The Inter-American Highway was the first building block to the implementation of this policy, as the lack of transportation infrastructure was the largest obstacle to attracting private foreign investors into the region. President Eisenhower sought to prevent a perception of U.S. unilateral control over the Central American governmental affairs, but he also attempted to develop a sense of American solidarity and mutual dependency. Consultations and cooperative efforts were utilized as often as prudent. The opening paragraphs of NSC 114/1 succinctly sum up the attempt to encourage Central America's poor to stand against communism:

There is a trend in Latin America toward nationalistic regimes maintained in large part by appeals to the masses of the population. Concurrently, there is an increasing popular demand for immediate improvement in the low living standards of the masses, with the result that most Latin American governments are under intense domestic political pressures to increase production and to diversify their economies. A realistic and construction approach to this need which recognizes the importance of bettering conditions for the general population is essential to arrest the drift in the area toward radical and nationalistic regimes. The growth of nationalism is facilitated by historic anti-U.S. prejudices and exploited by Communists.⁴²

Thus was Eisenhower's philosophy on preventing communism from taking root in Central America.

The Long Road to the Highway: Background and Progress

President Eisenhower did not invent the idea of the Inter-American Highway. It had been a project that had been underway since before the Great Depression. Originally envisioned as an Inter-American Railroad, the plan was changed to an Inter-American Highway in 1923 because

⁴² U.S. National Security Council, *USC 144/1*, 6.

of greater flexibility, capacity, geographic area to be made accessible, and lower cost.⁴³ In 1930, the U.S. Bureau of Public Roads was charged with undertaking a geographic survey of the proposed routes after inter-American conferences discussed the merit of such a project. This survey was completed in 1933, and on November 9 of the same year President Franklin Roosevelt committed the U.S. to the completion of a scientific study on the merits of an Inter-American Highway.⁴⁴ The purpose of this study was to determine the regional currency stabilization and possibility of tariff reforms.⁴⁵ President Roosevelt actively supported the

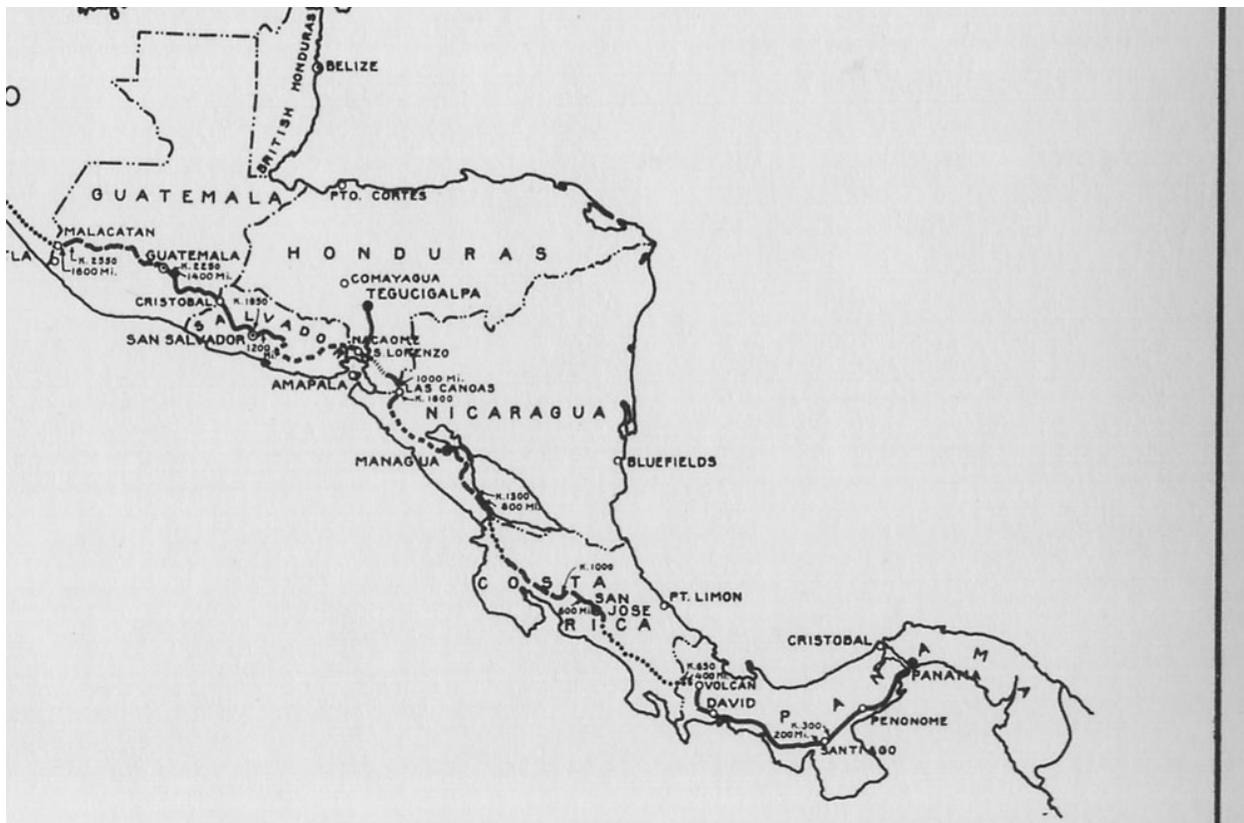


Figure 2. United States Bureau of Public Roads, "Inter-American Highway," public domain, http://upload.wikimedia.org/wikipedia/commons/e/e9/Inter-American_Highway_map_October_1933.jpg (accessed May 1, 2015). This map shows the original planned route of the Inter-American highway from the 1933 survey (minus the Mexico portion to allow for detail). The more dotted a line becomes, the worse the condition of the road was at that section. The worst parts were barely impassable foot paths.

⁴³ J. Fred Rippy, "The Inter-American Highway," *Pacific Historical Review* 24, No. 3 (August 1955), 287-288. www.jstor.org/stable/3635201 (accessed February 27, 2015); E. W. James and D. Tucker Brown, "The Inter-American Highway Reconnaissance in Central America," *Geographical Review* 24, No. 3 (July 1934), 353.

⁴⁴ James & Brown, "The Inter-American Highway Reconnaissance," 353.

⁴⁵ Irwin F. Gellman, *Good Neighbor Diplomacy: United States Policies in Latin America, 1933-1945* (Baltimore, MD: Johns Hopkins University Press, 1979), 23.

completion of the Inter-American highway, because he “envisioned thousands of tourists traveling in both directions and increasing political, economic, and cultural exchange.”⁴⁶

Of course, President Roosevelt did not only support the highway for U.S. citizens to take tropical vacations to Central America. The roadway was also a tool for continued U.S. national security. The Panamá Canal had proven itself to be an invaluable asset to U.S. naval operations in the early twentieth-century. The ability for U.S. military vessels to be able to quickly travel between the Pacific and Atlantic oceans was vital to naval preparedness and response time. As the 1940s progressed, the U.S. Department of Defense, Department of Commerce, and Department of State saw Panamá as becoming increasingly important to the defense, diplomacy, and economic welfare of the Western Hemisphere.⁴⁷ The prospect of linking the U.S. to the strategic shortcut by land meant that the canal could be better defended in a time of war.⁴⁸ This became increasingly important as the U.S. became involved in World War II. However, Congress did not value the project with the same intensity as President Roosevelt. The legislature denied funding for the project because the Great Depression of the late 1930s decreased government revenue, which left little money for discretionary projects. Once the Great Depression had run its course, the U.S. effort in World War II ate up all of the manpower and materials needed for the completion of the project.⁴⁹ The roadway would have to wait for a more prosperous and peaceful time.

⁴⁶ Ibid., 41.

⁴⁷ Thomas M. Leonard, *Panama, the Canal and the United States: A Guide to Issues and References* (Claremont, CA: Regina Books, 1993), 80.

⁴⁸ More details and explanation are given to this concept in the section titled *Panamá*.

⁴⁹ Gellman, 41.

The highway also sought to benefit as many Central Americans as possible. The 1930-1933 survey concluded that a route planned to connect the population centers of each country would result in the following percentages of citizens having access to the road:⁵⁰

| Country | Guatemala | El Salvador | Honduras | Nicaragua | Costa Rica | Panamá |
|--------------------|------------------|--------------------|-----------------|------------------|-------------------|---------------|
| Pop. Access | 55% | 66% | 27% | 53% | 70% | 66% |

Although President Harry S. Truman continued the project after Roosevelt's passing, its saliency dissipated with the end of World War II.⁵¹ The desired goal of completing the project in the Truman Era was better living conditions for the poor of Central America. However, the extent of the goal ended at that aim; improving the economic environment of the region was a noble cause for the U.S. Congress to undertake by way of appropriation, but the project would garner no real attention without the driving factor of national security concerns. In fact, Truman's presidency was a stagnant period in U.S.-Central American relations, which made Cold War diplomacy harder to President Eisenhower as a came into the Oval Office. The reason behind this was the lack of Central American prosperity due to decreased export demand and U.S. military investment which marked the return to normalcy after World War II.⁵²

U.S. Monetary Commitment: Balancing the Budget

In the course of the Eisenhower Administration's investment into the Inter-American Highway, Milton Eisenhower recommended that the amount of funding granted to the project be increased from \$1 million to \$8 million for the 1954 fiscal year, with an additional \$1 million for the construction of the Rama Road.⁵³ The total budgeted amount of economic assistance for Latin America in the 1954 fiscal year was \$25 million, meaning that 36% of this budget category

⁵⁰ James & Brown, 356.

⁵¹ Kyle Longley, *The Sparrow and the Hawk: Costa Rica and the United States during the Rise of José Figueres* (Tuscaloosa, AL: University of Alabama Press, 1997), 116.

⁵² Leonard, 80.

⁵³ U.S. National Security Council, *USC 144/1*, 3 & 34.

was explicitly for the construction of the Inter-American Highway. What is important to note in this context is that the Administration requested an eightfold increase in the funding for this project during a congressional session which was focused on decreasing expenditures in order to balance the budget.⁵⁴

This increase in funding in a climate of budget slashing reflects an internal memorandum from July 19, 1954. In this document Marion Hardesty from the Office of Latin American Operations emphasized the importance of not limiting spending in the context of the national security of the U.S.:

I feel a directive is needed which will say, not “how *little* can we do to appease Latin American desires for economic cooperation with the United States?”, but “how *much* must we do to insure the security of the United States?”, as both the time and opportunity to do this are running out.⁵⁵

What this statement said about the context of Central American economic assistance was that it should not have been a question about how little the U.S. could spend to get by, but rather what was adequate to produce enough results to insure U.S. national security. Obviously \$1 million allocation towards the Inter-American Highway did not meet that test, not even closely.

British Honduras (Belize)

Since every Central American nation has its own unique history, dynamic leaders, and historical relations with the U.S., it is hard to generalize for the entire region while still diving into the nuance of the Inter-American Highway project and its effectiveness as a tool against a potential uptick in popular support for communism. Therefore each country should be examined with these considerations, and the effectiveness of the highway in preventing communism should

⁵⁴ Special Republican Study Group, “Memorandum from a Special Republican Study Group to Nelson A. Rockefeller, November 10, 1952,” in *The Eisenhower Administration, 1953-1961: A Documentary History*, ed. Robert L. Branyan and Lawrence H. Larsen (New York: Random House, Inc., 1971), 1:43-46.

⁵⁵ U.S. Department of State, *Memorandum by the Acting Regional Director of the Office of Latin American Operations (Hardesty)*.

be addressed.⁵⁶ Each case study will show that the purposes of the Inter-American Highway were achieved, but dictatorships that were in effect kleptocracies neutralized by the U.S.'s infrastructure investment.

However, it must first be noted that there were some exceptions to this narrative, the first of which is the country of British Honduras (Belize). It was the only country in Central America which was not connected to the Inter-American Highway. This was because the country itself was so different from the other nations of Central America that it was not even considered a part of Latin America. Its small size, minuscule population, and lack of natural resources meant that it was politically and economically insignificant to every other neighboring country; its population density is the lowest in the world.⁵⁷ The inhospitable territory was a British colony until 1981, so it did not share a common language, heritage, ethnicity, or political timeline as its neighboring countries.⁵⁸ Further, because of the fact that British Honduras was still under control of Great Britain's dominion, any U.S. intervention to influence the territory would have put the two allies in competition with each other instead of working together on global security against the Soviet Union.

Mexico

Mexico is also unique in its history. Its border with the U.S. and its larger resource and capital base allowed the country to industrialize faster than other countries in Central America. In 1950, Mexico's GDP Per Capita was almost \$550 higher than that of the Central American

⁵⁶ This paper does not include sections for Honduras or El Salvador because of a lack of available resources related to the topic. Given more time, it may have been possible to find such records in the National Archives in the record group related to the U.S. Bureau of Public Roads.

⁵⁷ Anne Sutherland, *The Making of Belize: Globalization in the Margins* (Westport, CT: Bergin & Garvey, 1998), 1.

⁵⁸ Anne Sutherland, *The Making of Belize*, 2.

average.⁵⁹ Not only did Mexico have a more sustainable economy than the other countries, but its historical progression was further advanced than the others of Central America. The Mexican Revolution of 1910 resulted in the liberal Constitution of 1917 which instituted land redistribution and national expropriation of the rail and oil industries.⁶⁰ Therefore, Mexico pursued very liberal policies on property reform before the Cold War began. This early bloom was its saving grace, as Guatemala would attempt to enact land reform in 1953 which took the U.S.'s notice as an active step to communism due to the time context.

Even though the Mexican government was liberal in the context of the Cold War, the U.S. was not anxious about its closest neighbor because the country was not in danger of falling into political chaos. The Institutional Revolutionary Party (PRI) held power as the arbiter of Mexico's one-party system for 70 years, but the manner in which the PRI governed meant that although the country was extremely liberal, it was also extremely stable.⁶¹ Therefore, the U.S. did not view Mexico as a viable communist threat. This may explain why the U.S. did not provide financial support to Mexico for the construction of the Inter-American Highway. Instead, Mexico opted to sell gold and silver mint pieces to the U.S. in 1941 to raise the required highway funds. This phenomenon may also be the result of Mexico's desire for economic independence from Europe, and the push for increased agricultural trade with the U.S. for the purpose having the northern consumers absorb the country's agricultural overproduction.⁶²

⁵⁹ Clio Infra, "Data Set," *GDP per Capita*, <https://www.clio-infra.eu/datasets/select/indicator/282> (accessed April 8, 2015); these dollar amounts are adjusted to 1990 U.S. dollars.

⁶⁰ Keen, *A History of Latin America*, 324, 329-331.

⁶¹ John Charles Chasteen, *Born in Blood & Fire: A Concise History of Latin America*, 3rd ed. (New York: W.W. Norton & Company, 2011), 261.

⁶² Gellman, 54-55.

Guatemala

Guatemala was the ‘reddest’ country in Central America during Eisenhower’s presidency, and everyone focusing on policy about this region knew it. Therefore, it was not surprising that the greatest attention and resources were directed towards Guatemala’s construction of the Inter-American Highway after the U.S. overthrow of communist president Jacobo Árbenz. Guatemala received 15% the total amount of grant aid allocated for Latin America, partly in an effort to show that the U.S. was willing to invest in the country after the replacement of Árbenz. President Castillo Armas felt the need to help his country so urgently that in 1954 he attempted to get a secret \$30 million loan to, in part, pay for faster construction of the highway.⁶³ However, it was not until after Vice President Richard Nixon’s 1955 tour of Latin America that he took up the charge of faster and larger highway grant aid to Guatemala.⁶⁴

Starting in 1955 Nixon zealously pushed for more U.S. attention and funding for the project. He believed that the highway “would open markets, promote tourism, and improve inter-American security.”⁶⁵ His efforts came to a head on March 25, 1955 during a Cabinet meeting where he proposed that the resources for the project be increased to a level that would complete the highway in three years; this was much faster than the original predicted twenty. Everyone present at the meeting consented and agreed to Nixon’s proposal, even those who tended to be weary of spending any money on foreign aid programs.⁶⁶

But the newly replaced Guatemalan government also kept pace in the plan of making the highway’s completion a top priority. In the country’s five-year development plan for 1955-1960, the highway’s funding was set at \$129 million of the total \$250 million – or 51.6%. The hyper-

⁶³ Streeter, 109.

⁶⁴ Schmitz, 196. This revived push for Guatemalan assistance was also a reaction to building up the economy of Guatemala which the U.S. successfully led a coup against with its ‘communist’ ex-President Jacobo Arbenz in 1954.

⁶⁵ Ibid.

⁶⁶ Ibid., 121.

funding for the highway project overshadowed every other area on the plan, including electric power (11%) and health, housing, education, and society security combined (10%).⁶⁷ However, the hyper-funded highway and push for quick construction led to unintended consequences which may have harmed Guatemala's long-term wellbeing.

A lack of equipment and mass-construction experience meant that when the government opened bidding for project contracts, 60% of the contracts were awarded to U.S. companies. This situation meant that \$40 million of U.S. grant aid went right back into the U.S. economy instead of realizing its full intended potential in Guatemala. Not only did U.S. construction experience give the majority of contracts to U.S. companies, but greater experience with highway planning gave most of the decision making authority to the U.S. Bureau of Public Roads. This caused tensions with local officials who wished to make the large project decisions. This bad management and underbidding led to the employment of 3,000 Guatemalan workers who worked in dangerous conditions for illegally low wages, frequent delays, 50% cost overruns, and the final price tag of the project making the Guatemalan section of the highway the most costly road in Central America at \$266,000 per mile.⁶⁸

Investors in the region saw highway access as extremely beneficial, and property values of the land nearest the road tripled from \$5 per acre to \$15. But, not every Guatemalan benefited from the highway. Rural indigenous peoples found no benefit from the highway because the Guatemalan government neglected to invest any money into the development of secondary artery roads to connect the countryside to the highway.⁶⁹

At the time these negative effects may have seemed too horrible to be worth any imagined positive benefit. But, the growing pains of rapid highway investment may have been

⁶⁷ Ibid., 142.

⁶⁸ Ibid., 148-149.

⁶⁹ Ibid., 150.

the saving grace of the Guatemalan economy when the Eisenhower era drew to a close. Investors predicted that U.S. tourism to Guatemala would double because of the highway, increasing from 50,000 a year to 100,000.⁷⁰ And, most importantly, the composition of the Guatemalan economy shifted drastically between 1954 and 1960. Over those six years foreign investment in agriculture plummeted from 55.5% to 0.6%, and inversely foreign investment aimed at industrialization almost grew tenfold from 5.9% to 55.6%.⁷¹ This market composition is extremely important to understanding the future success of Guatemala in the Central American Common Market.

Nicaragua

Nicaragua best exemplifies the effect that the Inter-American Highway could have on a country's economic development, and therefore an active weapon against communism. Nicaragua doubled its road mileage from 2,715 miles to 4,466 miles in the five year period between 1952 and 1957. Because of this increase in transportation potential, Nicaraguan trade grew at the fastest during the 1950s out of any other Central American nation; exports increased by a rate of 18.5% and imports also increased by 11.8%, annually. Nicaragua's GDP growth of a 5.9% annual rate placed second only to Costa Rica.⁷²

Nicaragua's super-success rates were the result of increased infrastructure development, which included the unique Rama Road spur to the Inter-American Highway. Investment and industry were only made possible by the explosion of road development. The Somoza government also realized the vital importance of transportation infrastructure development in regards to industrializing the country and sparking economic development.⁷³ Infrastructure

⁷⁰ Ibid., 205.

⁷¹ Ibid., 208.

⁷² Michael D. Gambone, *Eisenhower, Somoza, and the Cold War in Nicaragua: 1953-1961* (Westport, CT: Praeger Publishers, 1997), 57.

⁷³ Ibid., 69; The Somoza family dominated Nicaraguan politics from 1936-1979, and four generations held power over that era. The Somoza who was contemporary to Eisenhower was Anastasio Somoza Garía. This Somoza was assassinated in 1956, and his son, Luis Somoza Debayle, took control of the Nicaraguan presidency.

development then became one of the main goals of the Nicaraguan government as people began to grow restless after a few bad seasons for cash crops. At this point, the Somoza government began taking a heavy-handed approach which was too authoritarian for the Eisenhower Administration's liking. As a result, in 1957 the Eisenhower Administration adopted NSC 5613/1 which decreased the amount of investment given to Nicaragua as a protest to the Somoza Regime's nasty methods of exerting political control.⁷⁴ In the end, internal warfare spurred on by the Somoza Regime's authoritarianism destroyed Nicaragua's ability to maintain social stability, and the conflict even spilled over the border to destabilize other neighboring Central American countries.⁷⁵

Therefore, it can be seen that in the country where the greatest investment of Inter-American Highway infrastructure occurred, the people began to feel invested in their economic condition. However, it was the actions of the Somoza Regime of forcefully putting down political challengers which brought about the national destabilizing conflict. The Eisenhower Administration disapproved of the Somoza's management of the situation, resulting in the decreased economic aid of NSC 5613/1. If Somoza had not gone against Eisenhower's well crafted plan to win the hearts and minds of Nicaraguans to democratic capitalism, the national conflict may not have erupted.

Costa Rica

Costa Rica provides a unique case in Central America: the country dissolved its national army in 1948 which led to an interesting diplomatic relations situation.⁷⁶ Without a national defense force of its own, Costa Rica relied on U.S. military support for protection from internal

⁷⁴ Ibid., 149-150.

⁷⁵ Ibid., 221.

⁷⁶ Rabe, 108.

and external threats.⁷⁷ However, the small nation without a military effectively cooperated with the U.S. in the Cold War context in order to gain the best economic and political position possible. The Eisenhower Administration found Costa Rica to be a country that knew how to work the political system of international diplomacy to play the cards in its favor, often leaning towards receiving aid and support in the form of infrastructure enhancement while gaining almost free military equipment and man hours from the U.S.

In 1951 José Figueres presented himself as a strong and energetic leader for the country of Costa Rica. He led his followers to establish the National Liberation Party (PLN) in that same year. The platform of the new party stood for the unalienable right of personal economic improvement by earning a living with liberty and dignity.⁷⁸ In Costa Rica's 1953 Presidential Election, Figueres ran as the PLN candidate. He seemed to stump the brightest U.S. officials when it came to his association with communism. On one hand, Figueres' policies towards national industrialization and labor were left on the political spectrum; he believed that the government should intervene to provide greater economic opportunities for its people. Because of these policies, many U.S. officials suspected him of being a communist. The CIA tapped his phones, and although they could make no firm link to Figueres and communism they still remained suspicious. His anti-United Fruit Company policies did not help his case, either.⁷⁹

On the other hand, Figueres seemed to be an ardent ally of the United States in the region. His rhetoric spoke of strong anti-communist sentiment:

Communism has no political appeal to individualist, liberty-loving Latin Americans. Its only appeal is economic. Its strategy is to inflame the many poor to class warfare against the few rich. Its opportunity and our responsibility hinge on the same fact: We do have too many poor.⁸⁰

⁷⁷ Longley, 116.

⁷⁸ Ibid., 118.

⁷⁹ Ibid., 125 & 131.

⁸⁰ Ibid., 120.

Milton Eisenhower was one of the U.S. officials who defended Figueres, calling him “one of the real fighters for democratic freedom and social justice in Latin America.”⁸¹ It was clear that Figueres would use whatever tactics necessary in order to ensure the economic success of his countries’ people – he left no policy off of the table. He believed in private, foreign investment, but companies that came into Costa Rica to do business had to provide fair wages and working conditions. Figueres was a fighter, and he was not afraid to engage in rough, but honest politics.

If Figueres had one enemy, it was the authoritarian dictator. A leader who led his country with a heavy hand without fair elections was the antithesis of democratic politics. He was bold to the point of condemning the U.S. intervention in Guatemala, boycotting the 1954 Caracas Conference of the Organization of American States (OAS) to protest Marcos Pérez’s Venezuelan dictatorship, and engaging in an ideological battle with Nicaragua’s Somoza.⁸² The Figueres-Somoza ideological battle turned into downright war, and both side imported guns and planes from the U.S. to fight each other. However, Figueres held the moral high ground in the midst of the conflict when Somoza challenged him to a duel to settle the peace. Figueres agreed, on the condition that it occurred on the deck of the Soviet submarine that Somoza claimed to have captured; the duel never happened because Somoza could not produce the submarine.⁸³

Figueres never ceased the ideological battle against communism or authoritarian dictators. In fact, when invited to give a speech in Havana in 1959, a Cuban official had to wrestle him to the ground to pry the microphone from his hands as Figueres was forward enough to use the Castro Regime’s invitation and event to speak against the Castro Administration!⁸⁴ But

⁸¹ Ibid., 130.

⁸² Ibid., 136.

⁸³ Ibid., 140 & 145.

⁸⁴ Ibid., 154.

in periods of peace, Figueres focused Costa Rica's political capital on gaining infrastructure development in his country, knowing that it was the key to economic prosperity which would keep communists at bay.⁸⁵

Panamá

Panamá lay at the end point of the Inter-American Highway, and was the most important of the countries to the purpose of its construction. In 1939, German aggression in Europe and the outbreak of the World War I led the United States to feel threatened by the presence of German colonies near the Panamá Canal. It was also noted that rapidly changing military technology necessitated a more robust and complicated defense system for the Canal Zone. If the U.S. War Department would have had its way, 71 sites of strategic defense would have been utilized and a network of highways would have connected these military outposts; the proposal detailed that the U.S. would have unilateral control over these properties and assets for 999 years.⁸⁶ The Panamanian government did not agree with the U.S. proposal, but the 1941 Japanese attack on Pearl Harbor shocked the small nation into defensive union with the U.S. After negotiations, the two countries agreed to allow the U.S. military to expand and occupy the Canal Zone with fair payment given to the Panamanian government for the use of its land and facilities, and the U.S. was charged with constructing the highways and providing one-third of the associated maintenance costs.⁸⁷

When President Eisenhower came to power in 1952, the context of infrastructure development in the country had shifted from canal defense to quelling communist and anti-U.S. sentiment from rocking the region around the important marine lanes. The threat of global communists seeking to exploit Panamá's economic downturn and rise of nationalism was too

⁸⁵ Ibid.

⁸⁶ Leonard, 76.

⁸⁷ Ibid., 77.

great for the Eisenhower Administration to ignore. For this reason, Eisenhower awarded Panamá \$7 million in annual economic assistance for infrastructure development projects in order to prevent communist rebels from taking over the country, and by extension the canal.⁸⁸ To increase the amount of aid given to the country, a January 1955 treaty between the two nations required that the U.S. construct a trans-canal bridge.⁸⁹ Both of these infrastructure aid packages were meant to improve economic development and investment in Panamá in the long term, as well as giving a short term boost to the Panamanian economy by hiring local workers to complete the construction projects.

Although the projects had good intentions, they did not have their desired effects because of outside influences. The year 1959 marked the beginning of student protests inspired by Castro's success in Cuba.⁹⁰ During that period, Cuban militiamen invaded Panamá to spur on this social unrest in an attempt to control the government and the Canal Zone for themselves.⁹¹ There was no internal authoritarian regime to contribute to the political instability of Panamá, but in many ways the U.S. played a similar role as other Central American dictators. Ironfisted policies regarding U.S. military control, economic exclusion, and U.S. political superiority increased the nationalist tendencies of the nation to the breaking point. The success of the Cuban Revolution only added fuel to the fire as Panamanians saw that rebellion against the United States' wishes was not an impossible task.

Regional Instability: The Fall of the Authoritarian Dictators

During Eisenhower's second term, the plan of creating economic prosperity in Central America through the development of the Inter-American Highway took a back burner to a crisis

⁸⁸ Ibid., 81.

⁸⁹ Ibid., 82.

⁹⁰ Social unrest and protests had begun in smaller fashions before 1959. One protest in May 1958 resulted in the killing of a Panamanian student by a member of the Panamanian National Guard.

⁹¹ Ibid., 83.

situation. The authoritarian regimes in the region were generating political instability in which economic progress was not possible. Therefore, Eisenhower's Central American focus in 1956 shifted to ousting these dictators to create greater freedom and political stability.⁹² In August of 1958, he stated that "authoritarianism and autocracy of whatever form are incompatible with ideals of our great leaders of the past." This all came as the political instability of the late 1950s affected the Latin American markets; eleven of the Latin American countries saw their per capita income dip below \$200.⁹³

Regional Solidarity: The Central American Common Market

It seemed that something greater than a highway was needed to stabilize the region to protect it against communist infiltration. Nationalism was the culprit of the political chaos, and near the end of his second term, Eisenhower pushed even harder for an end to the economic nationalism which drove the Central American neighbors apart. He advocated for a regional economic and political alliance instead.⁹⁴ It was in this context that the nations of Central America (minus Mexico and Belize) came together to form an economic union reminiscent of the European Coal and Steel Community. It may seem like the Inter-American Highway was abandoned by the Eisenhower Administration, but the road bonded the region with a sense of unity. The political union which Nixon and Milton Eisenhower had been theorizing about finally had a path to development.⁹⁵

On December 13, 1960 the governments of Guatemala, Honduras, El Salvador, and Nicaragua came together to agree on one economic union called the Central American Common

⁹² Although the Eisenhower Administration supported dictators in the region leading up to this time period, their actions had finally become heavy handed and undemocratic enough to warrant international attention and pressure from the U.S. to condemn their authoritative methods.

⁹³ Rabe, 104-105.

⁹⁴ Ibid., 112.

⁹⁵ Eisenhower, *The Wine is Bitter*, 136.

Market (CACM) in order to relieve the harmful effects of hyper-competition in regards to export pricing and tariffs.⁹⁶ This neo-liberal document established a regional partnership to facilitate economic cooperation instead of each country dragging down its peer in the race-to-the-bottom for prices and tariffs.⁹⁷

The following table has been reproduced from a study examining the effects of the CACM on each country over the decades:

| CACM Intra-Regional Exports in \$mils (% of total exports) | | | | | |
|---|-------------|-------------|--------------|---------------|--------------|
| | 1950 | 1960 | 1970 | 1980 | 1985 |
| Costa Rica | 0.3 (0.6) | 2.5 (2.9) | 45.2 (19.8) | 260.1 (26.8) | 137.6 (14.8) |
| El Salvador | 2.2 (3.3) | 12.9 (11.0) | 73.7 (32.3) | 295.8 (27.6) | 157.2 (25.7) |
| Guatemala | 1.3 (1.7) | 5.0 (4.3) | 102.3 (35.3) | 440.8 (29.0) | 205.0 (20.7) |
| Honduras | 4.0 (6.2) | 8.1 (12.9) | 18.0 (10.6) | 91.4 (11.0) | 19.9 (2.8) |
| Nicaragua | 0.5 (2.0) | 2.8 (4.5) | 46.0 (25.8) | 75.4 (18.2) | 24.1 (8.8) |
| Central America | 8.3 (2.8) | 31.3 (7.0) | 285.2 (26.0) | 1163.5 (24.2) | 543.8 (15.5) |

Table 1. Victor Bulmer-Thomas, "The Central American Common Market: From Closed to Open Regionalism," *World Development* 26, no. 2 (1998), 314.

As is shown on the table above, Nicaragua was performing in the bottom half of the CACM countries' exports. This phenomenon was because Guatemala started out with more manufacturing and industrial capabilities than Nicaragua or Honduras had at the beginning of the union – a direct result of Guatemala's overzealous highway project funding and shift in the Guatemalan economy seen earlier.⁹⁸ This systematically led to Guatemala becoming richer producers while countries like Honduras and Nicaragua became the poor consumers.

Although the CACM failed to continue to grow into a cohesive political union with collective security militarily, it is undeniable that the union had a positive economic effect on the region – albeit short lived. Between 1961 and 1968 intra-regional trade grew from \$37 million to

⁹⁶ Costa Rica joined the union at a later date.

⁹⁷ Nicaragua, "General Treaty on Central American Economic Integration Between Guatemala, El Salvador, Honduras, and Nicaragua," December 13, 1960, <http://www.cris.unu.edu/riks/web/treaties/Guatemala-ElSalvador-Honduras-Nicaragua-TreatyOnCentralAmericanEconomicIntegration-1960-EN.pdf> (accessed March 30, 2015).

⁹⁸ French, ed., "Orestes Romero – June 27, 1967," *Robert J. Alexander Papers: Interview Collection, 1947-1994*.

\$257 million; and between 1962 and 1968 the average GNP growth hit 6%, which was greater than the predicted 5.25-5.40% in the absence of the CACM.⁹⁹ A reference back to Table 1 will reveal that Nicaragua benefitted from this economic gain, even if the gain was not at the same rate as Guatemala. Also, it must be acknowledged that in a region that saw seven major conflicts between the member countries during the decade of 1948-1959, the only major conflict which erupted during the existence of the CACM was the Honduran-Salvadorian War in 1969. It should be praised that such an alliance was able to secure ten years of relative peace and stability between so many similarly interested nations. Eisenhower's dream of political union may not have come true, but before nationalism and regional jealousies tore the CACM apart, it did have a noticeable, measurable, and positive impact on its member countries – that is a positive legacy of the Inter-American Highway's effect on preparing the region for an attempt at economic/political union.

Conclusion

With the evidence presented, it is clear that the Eisenhower Administration utilized the development of the Inter-American Highway as a tool for anti-communism economic warfare. The highway sparked economic development within Central America and served as a magnet for foreign investment which provided the region with economic and political stability, albeit temporary. Only in the case of Central American authoritarianism, which Eisenhower denounced, did the stability created by the increased economic development fall into chaos. Even so, none of the countries connected by the Inter-American Highway were successfully taken over by communist revolutionaries, even though the region had proved itself to be a perfect candidate for communist revolution. Taking a step beyond preventing the negative, the Inter-American Highway connected the region and prepared Central America to attempt economic and political

⁹⁹ Browning, 161 & 163.

unionism for collective security and mutual economic benefit. And largely it worked! It is completely plausible to assume that if the Eisenhower Administration did not act in Central America, those small nations may have suffered the same fate as Cuba.¹⁰⁰ We can never say what the fate of Central American would have been without the economic development spawned by Eisenhower's push to finish the Inter-American Highway, but the correlation between increased road construction, economic growth, and political stability is undeniable.

The Inter-American Highway was never fully completed, and still to this day if one were to ask Google for driving directions to South America, the computer would not be able to chart a course due gaps which still exist in the highway.¹⁰¹ Perhaps the unfinished highway only mirrors the unfinished work of economic and political unification in the region to secure a better and more peaceful future for the countries of Central America. The Eisenhower Administration left a deep mark on the landscape and politics of the region, but the full realization of Eisenhower's goal has not been realized.

¹⁰⁰ It may be interesting to note that there was U.S. economic development policies towards Cuba, but obviously this island nation was not included in the Inter-American Highway plan.

¹⁰¹ Shawn W. Miller, "Minding the Gap: Pan-Americanism's Highway, American Environmentalism, and Remembering the Failure to Close the Darién Gap," *Environmental History* (2014): 1-2, <http://envhis.oxfordjournals.org/> (accessed March 29, 2015).

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I affirm that I have upheld the highest principles of honesty and integrity in my academic work, and have not witnessed a violation of the Honor Code.

-Jacob A. Ross