BRITISH FIRMS AND POPULIST NATIONALISM IN POST-WAR LATIN AMERICA

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1. INTRODUCTION

For a long time in the 1960s and 1970s research on British business activities in Latin America after 1914 was rare. The outbreak of the First World War seemed like a natural stopping point for the study of British interests. The Golden Age of British trade and investment, and debates over informal imperialism and dependency, were much more attractive subjects than the period of stagnation and then relative decline that covered much of the twentieth century. The opening of government archives, however, together with Latin American debates over the role played by foreign interests during the inter-war years, created new possibilities. A younger generation of researchers considered subjects such as the impact of the First World War on the British position in the region, the negotiations between the older British railway and utility companies and Latin American governments in the 1930s and 1940s, and the strategy of the British government, in particular its attempts to arrest commercial decline.\(^1\) However, where this work was archivally based – and much of it, particularly in Latin America, was not – the sources were primarily those of the British Foreign Office. Only in the last decade or so have historians gained access to corporate archives belonging to banks and manufacturing companies, opening up the possibility of analysing their strategies in the post-war years, as well as the policies that the British government, desperate to maintain its foothold in the region, followed towards new business activities.\(^2\) In Latin America the years after World War II were a period when the shift in economic policies became crystallised in the import substitution industrialisation (ISI) strategies promulgated by the Economic Commission for Latin America (ECLA), power shifted in many countries from elitist governments dominated by traditional oligarchies towards populist leaders appealing to the urban masses, and the questioning of the role played by foreign business interests in the region became ever more acute. Leaders such as Juan Domingo Perón in Argentina, Getúlio Vargas and Juścelino Kubitschek in Brazil, Rómulo Betancourt in Venezuela, or Eduardo Frei and later Salvador Allende in Chile, used economic nationalism as a central part of their

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\(^2\) Early examples of the use of business archives for the post-1914 period were Marshall C. Eakin, ‘Business Imperialism and British Enterprise in Brazil: the St John d’El Rey Mining Company Limited, 1830-1960’, *Hispanic American Historical Review* 66 (1986), 697-742; Marshall C. Eakin, *British Enterprise in Brazil: the St John d’El Rey Mining Company and the Morro Velho Gold Mine, 1830-1960* (Durham, NC, 1989); Harold Blakemore, *From the Pacific to La Paz: the Antofagasta (Chili) and Bolivia Railway Company, 1888-1988* (London: Lester Crook, 1990). These enterprises had their roots in the nineteenth century, and were classic ‘free-standing companies’ rather than multinational firms. Latin America was marginal to standard British company histories such as those of Unilever, ICI, and Pilkington.
popular message. The question thus arises as to how British firms responded to the growth of nationalistic rhetoric and policies in Latin America.

Several historians have suggested that British businessmen were incapable of coming to terms with Latin American nationalism and as a consequence either withdrew or were largely expelled from the region. Both Leslie Bethell and Rory Miller (in a younger version), for example, argue that this was one of the root causes of Britain’s problems in the twentieth century. Detailed case studies lend support to this view. Lorenzo Meyer argues that in Mexico British diplomats and businessmen between them constantly misinterpreted events and backed the losing side time and again, particularly in disputes over public debt and oil concessions. Other work on the nationalisation of oil in Mexico in 1938 has also suggested that the actions of Royal Dutch Shell were marked by miscalculations over the likely responses of the Cárdenas administration to the company’s labour policies. In the case of the Argentine railways, María Celina Tuozzo is similarly critical of the ability of the London directors of the companies to adapt to an environment in which new methods of personnel management were necessary. Marshall Eakin also suggests that the St John d’El Rey Mining Company made costly mistakes in confronting growing nationalism and labour unrest in Brazil during the 1950s.

A considerable amount of contemporary evidence supports such views, for example in the form of comments from government officials frustrated at the actions of businessmen. One early example of this is the tongue-in-cheek statement of Mitchell Innes, minister in Montevideo in 1914, which arose from his frustration at the activities of the British-owned railway companies. ‘Providence has gifted us [the British]’, he remarked, ‘with the singular power of being able to live all our lives among foreigners without being able to see their side or understand their characters... We English must possess admirable qualities to carry us over the obstacles which our stupidity erects in our way’. The attitudes of the oil companies in the inter-war period became notorious. Sir Henri Deterding, the chairman of Shell, was described as ‘incapable of conceiving Mexico as anything but a Colonial Government to which you simply dictated orders’. British diplomats became even more concerned once the Mexican oil expropriation illustrated the dangers of nationalism. ‘It is essential’, wrote Lord Davidson later in 1938, ‘not to create in the Argentine that feeling of extreme hostility to foreign interests that has produced so disastrous a situation in Mexico’. Diplomats considered the British-owned railway companies incapable of understanding the new environment in Latin America. Sir David Kelly, ambassador in Buenos Aires for much of the early 1940s, complained that strategy was dominated by ‘a dozen or more elderly directors in London, mostly long retired railway managers without influence and living on their

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5 George Philip, Oil and Politics in Latin America: nationalist movements and state companies (Cambridge, 1982), pp.
7 Eakin, British Enterprise in Brazil, p. 61.
8 Mitchell Innes to Foreign Office, 17 July 1914, FO371/37969. I am grateful to Henry Finch for this reference.
9 Quoted in Philip, Oil and Politics, pp. 206-207.
memories of Argentina before 1914’, who exhibited a total ‘lack of imagination and obstinate refusal to face a changing situation’.11

Yet historians are not united in the view that incomprehension and incompetence were the characteristic features of the British. Many years ago D.C.M. Platt argued that in the face of increasing difficulties in the Latin American environment many British businessmen took the rational decision to retreat.12 P.J. Cain and A.G. Hopkins have also viewed the decline of British trading activities in Latin America in the context of what, after 1930, seemed rational decisions to prioritise imperial and financial interests. During the following decade, they argue, ‘Britain’s old staple exports were being jettisoned... by the Foreign Office, the City and the British Chamber of Commerce in Buenos Aires in favour of working with nationalist demands instead of against them... Britain scored considerable success in looking after her interests in a world which no longer observed the rules of the game either instinctively or sometimes at all.’13 This view gains support from two Latin American specialists in financial history, Jorge Fodor and Marcelo Abreu, who criticise Argentine and Brazilian weakness in the face of determined, intelligent and skilful British bargaining about the terms of their retreat.14

Drawing upon newly available corporate archives, this paper argues that, with the support of government, British investment interests in Latin America were reinvigorated in the two decades following World War II. In contrast to the older free-standing companies in railways and public utilities, about which British diplomats had complained so bitterly, multinational manufacturing companies expanded their interests in Latin America despite the prevalence of populist leaders espousing the rhetoric and policies of economic nationalism. At the same time Royal Dutch-Shell and the Bank of London and South America, rather than retreating, retained their role at the core of Britain’s business interests in the region, showing a capacity to adapt to the new environment which contrasted with the short-sightedness and conservatism of their management in the 1930s. Thus the most extreme form of nationalism, expropriation without compensation, was hardly ever a serious threat to British firms. Multinational companies rarely faced the risk that their assets in Latin America would be confiscated, and, drawing on their experience across the world, they generally found means to ‘manage’ the less extreme forms of nationalism and profit from opportunities in the region.

2. THE SCENARIO

a. Economic Nationalism in Latin America

Economic nationalism in twentieth-century Latin America is a complex phenomenon which has not received the attention from historians that it deserves.15 Broadly speaking, however,

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15 Literature searches throw up very few references to the ideology and practice of economic nationalism and the response of foreign firms in Latin America in the period before the Cuban Revolution, though there is a more substantial literature on the 1970s. Most of the work comes from foreign authors: see E. Bradford Burns, Nationalism in Brazil: a historical survey (New York, 1968); Alan Knight, ‘The Political Economy of Revolutionary Mexico, 1900-1940’, in Christopher Abel and
it is possible to distinguish three distinct forms of nationalism affecting foreign companies which appeared at different times and in different circumstances in Latin America.

First, there was a long history, dating back to independence, of opposition politicians criticising specific concessions to foreign firms as a means of attacking governments in power. Such debates could produce an enhanced atmosphere of xenophobia lasting for a few years. In nineteenth-century Peru, for example, bitter controversies had arisen over the government’s successive guano contracts with the English house of Gibbs and the French house of Dreyfus, and then over the Grace Contract which settled the defaulted foreign debt in the late 1880s.\(^\text{16}\) Many foreign firms could treat broad attacks on the role of foreign business as matters of rhetoric rather than substance; the daily business of merchants, for example, normally remained unaffected. However, from the late nineteenth century a general distrust of foreign firms developed amongst the popular classes in Latin American cities which became visible in strikes, riots and other forms of demonstration targeted at foreign companies.\(^\text{17}\) Problems of this kind intensified after 1930. In Argentina, for example, the Roca-Runciman Agreement of 1933 and subsequent agreements over urban transport stimulated a widespread mood of antagonism towards the British which constrained the government in negotiating with them and seriously affected the operations of many companies.\(^\text{18}\) This form of nationalism might be termed political rhetoric which makes life difficult for foreign firms but does not directly attack their legal status.

Second, there were the deliberate and targeted actions of government against individual firms which had built up a position of power perceived to be contrary to the national interest. An early example occurred in Chile in the 1880s, when the Balmaceda government began to fear that the consolidation of Colonel North’s interests would allow him to achieve a dominant position in the nitrate industry, thus threatening the income the Chilean state received from it.\(^\text{19}\) This form of nationalism tended to become serious when two processes converged: the creation of a monopolistic or oligopolistic position in which foreign companies seemed to be making excessive profits or otherwise exploiting or harming the host nation, and a growing feeling within government that activities that were basic to the economy or perceived as part of the national patrimony should be subject to national control. In the mid-

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twenty-first century the operations of foreign railway, public utility, mining and oil companies were the most obvious targets of this variety of economic nationalism, which was aimed primarily at particular concessions or monopolies. This form of nationalism is distinct from the first in that government willingly undertakes nationalist policies and directly threatens the legal status, contractual rights, and property of foreign companies.

Within this form of economic nationalism two significant distinctions have to be made. First, until the middle of the twentieth century expropriation, in other words the confiscation of a foreign company’s assets, with or without compensation, was rare. The nationalisation of Standard Oil in Bolivia in 1937 in the aftermath of the Chaco War was probably the first significant example, but it was not until after the Cuban Revolution and the growth of governments heavily influenced by socialist and dependency prescriptions for development that this form of nationalism peaked. Until then direct government action showed itself more often in the threat to renegotiate the concessions under which companies worked and increase taxation. The Peruvian Corporation, for example, negotiated amended contracts in 1907 and 1928, partly under pressure to regularise its railway operations but also to take account of the growing nationalist attacks on concessions made in the original agreement, in particular its rights to export guano. Many Latin American countries passed new petroleum legislation in the early 1920s, forcing foreign companies to operate under new exploration and exploitation contracts. Indeed, steady increases in taxation and monitoring became a regular feature of the Latin American oil industry in the first half of the twentieth century, culminating in Venezuela’s imposition of a 50/50 split of profits between the companies and the government between 1943 and 1948.

Nationalism of this kind could, moreover, take both a malignant and benign form, depending on the pressures upon a government and the response of the foreign companies. A sudden change of government or a period of political or economic crisis might turn rhetorical nationalism confined to the opposition or popular classes into active retributive nationalism on the part of government, endangering those companies which worked under specific concessions or contracts. Such episodes might, for a time, become an acute and malevolent threat to the property and privileges of foreign companies, as in Peru in the early 1930s. In these circumstances there was also the risk that an untoward statement or arrogant actions by a foreign company could trigger an immediate confrontation. The expropriation of foreign oil companies in Mexico in 1938 following a bitter labour dispute is such a case. In its more benign form, government nationalism of this kind aimed at recovering control of national resources through a process of renegotiation of concessions, often involving compensated expropriation. An example is the lengthy process leading to the


22 See Mira Wilkins, ‘Multinational Oil Companies in South America in the 1920s: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador and Peru’, Business History Review 48 (1974), 414-446.


24 There was a popular reaction, supported to some extent by the incoming Sánchez Cerro government, against the contracts the Leguía administration (1919-1930) had negotiated with Standard Oil of New Jersey, the Marconi Company, and the Peruvian Corporation. The Cerro de Pasco Corporation also faced a very difficult labour situation in the immediate aftermath of the coup against Leguía: see Thomas F. O’Brien, The Revolutionary Mission: American enterprise in Latin America, 1900-1945 (Cambridge, 1996), pp. 137-149.
nationalisation of the foreign-owned railways in Argentina in 1948, but the later nationalisation of the Venezuelan oil industry in 1975 also fits this category.

Third, economic nationalism began to appear also in the form of regulatory and interventionist policies designed to increase the ability of the state to control and promote economic development. This became more apparent from the 1930s as the liberal model of development collapsed and ISI policies were adopted, yet it preceded the Depression, even in such a liberal economy as Argentina’s. The British Chamber of Commerce in Buenos Aires was already complaining in 1925 of ‘a rather sudden and violent intensification of the spirit of economic nationalism... translated into laws, regulations, ordinances, and resolutions’. Ten years later, they claimed: ‘A good many business men are kept so busy filling out forms or studying new rules and regulations, that they have no time to go out and hunt for new business’. This form of nationalism, then, takes the form of state regulation and intervention in markets which directly affects the activities but does not fundamentally threaten the property or contractual rights of foreign companies.

For many British firms it was the increasing involvement of government in business as much as specific attacks on their interests that created the real difficulties arising from the growth of economic nationalism. In the case of the St John d’El Rey Mining Company in Brazil Marshall Eakin identifies exchange controls, taxes, and tariffs, along with a militant trade union, as the most serious problems that the company was facing by the early 1950s. Unable to deal with them successfully, its directors decided to sell its properties and the gold mine eventually ended up in the hands of Brazilian investors. By this time these issues, in different proportions, affected all British companies operating in Latin America whatever their interests. In manufacturing, price controls and consumer taxes were also significant. In banking, regulation of deposits, interest rates, and foreign exchange transactions were all becoming commonplace.

By the 1950s most states in Latin America had constructed an extensive framework of business regulation; it is only since the debt crisis of 1982 that these structures have been largely dismantled. However, while the broad intention was to secure economic growth based on the internal market, in practice the objectives of policy varied and often conflicted as governments tried to reconcile the interests of different groups of domestic and foreign businessmen with those of consumers and labour. Sudden changes of government, for example a military coup, might well precipitate a flood of new regulations affecting particular sectors of business. This simply exacerbated the difficulties of doing business on an everyday basis. This form of economic nationalism, at least before the Cuban Revolution, was not therefore particularly xenophobic, but the fluctuations of policy and their outcomes created considerable difficulties for both the strategic planning and the routine operations of foreign companies.

b. Trends in British Investment

Quantitative precision about trends in British investment in Latin America is currently impossible, even for the period before 1914, although calculations of the nominal value of

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bonds and shares quoted on the London Stock Exchange are of long standing. More useful, perhaps, are various censuses of British interests in Latin America, particularly those undertaken by US officials at the time of the First World War, and by British embassies in Latin America in the early 1930s. These at least provide a profile of British interests in the region, and a comparison between them shows a marked transition. By the early 1930s British multinational companies were beginning to establish manufacturing subsidiaries, especially in Argentina and Brazil. Foreign Office representatives counted 18 branch factories of British firms in Argentina and over 30 in Brazil, and expansion accelerated during the decade. Almost every significant British industrial company had some manufacturing interests in Latin America by 1939. Examples include British American Tobacco, J. & P. Coats, Unilever, Reckitt & Colman, ICI, Pilkington, Dorman Long, John Summers, Glaxo, and Beechams. The value of these interests, however, is unquantifiable, since they are hidden within the firms’ overall balance sheets. Manufacturing investments continued to expand after World War II, initially in Argentina and Brazil, but later in Chile, Peru, Colombia, Venezuela and Mexico. Companies which established manufacturing plants in Brazil in the 1950s, for example, included Dunlop, Turner & Newall, Glaxo, Baker & Perkins, Standard Triumph, Babcock & Wilcox, Platt Brothers, and Rolls Royce. It was a combination of market size and potential, coupled with the nationalist policies that imposed protective tariffs and non-tariff barriers such as import quotas and exchange controls but welcomed foreign investment in ‘modern’ sectors of the economy, that lay behind this investment. As a Federation of British Industries report directed at industrial firms commented in 1960: ‘In the manufacturing industries, there are few cases of Latin American restriction of foreign private investment... In some Latin American countries -- e.g. Argentina, Brazil -- firms receiving foreign equity investment or loans may be granted exemptions from quantitative restrictions and customs duties in respect of their imports of capital equipment’. Two companies with longer histories in Latin America also played a significant role in the post-war era, Royal Dutch-Shell and the Bank of London and South America (BOLSA). Although its property in Mexico had been expropriated in 1938, Shell remained one of the two leading foreign oil companies in Venezuela until the nationalisation of the industry in 1975, and even then continued to hold service and supply contracts with the state-owned company. However, it also had significant market-seeking investments in the region. Argentina was described in 1958 as Shell’s biggest market for petroleum products outside the United Kingdom, and it possessed a significant distribution network, though no refining capacity, in Brazil. The Bank of London and South America (BOLSA), controlled by Lloyds Bank, also had long standing interests in the region, with a particular concentration in Brazil, Chile, and the River Plate. This reflected the history of its constituent banks, which had been


32 J. Ward (Embassy) to H.A.A. Hankey (FO), 24 July 1958, FO371/131963/ AA1151/63.
consolidated under the Lloyds umbrella in 1936. While it had lost its early twentieth-century dominance of commercial banking, BOLSA remained one of the most important foreign banks in several Latin American countries until late in the twentieth century, and its strategies in the two decades following the war were distinctly expansionary.

c. The Attitude of the British Government

By the time of the Second World War, in contrast to its approach a quarter-century before, the British government was keenly interested in the development of business in Latin America, and planning for the post-war period commenced even in the depths of the conflict. A number of changes had contributed to greater awareness and expertise of the region in Whitehall. First, the Great War had highlighted the loss of Britain’s international competitiveness. Immediately afterwards the Department of Overseas Trade was inaugurated and commercial secretaries appointed to the principal embassies overseas, including Buenos Aires and Rio de Janeiro. Both commercial and financial missions visited Latin America in the decade after the war. Second, once the Depression began to undermine the Gold Standard and the free flow of trade, the Foreign Office could not avoid involvement in business affairs, particularly in regions like Latin America where state intervention in the economy was growing rapidly. In particular fears of default on Latin American public debt provoked further missions to countries like Argentina and Brazil. The consequence was an accumulation of expertise in Whitehall and the Bank, and much greater cooperation among government departments, a development enhanced during World War II when the government became committed to continuous financial negotiations with Latin American states in order to obtain vital imports on credit. At the same time, however, officials became much more aware of the threat of economic nationalism and the problems created by businessmen who failed to appreciate it.

British officials thus began the discussions which led to a major shift in policy regarding the country’s business interests in Latin America. In 1942 Victor Perowne, who headed the South American Department in the Foreign Office, outlined what he termed ‘bones of contention’ in Latin America, a list headed by the railways in Argentina. From this basis he developed priorities for the future, writing to a colleague in the Treasury:

From the purely political point of view there is little to be said for the retention, under British ownership and management, of the Argentine Railways, or, indeed, of public utilities in any Latin American country. There is, in fact, definite advantage in the cessation of such ownership, which only too often constitutes a regular millstone around our necks in these days of economic nationalism... British ownership of a public utility company in a foreign country is just the kind of irritant that is likely to produce, and can easily be exploited to produce, a deleterious effect on our relations with the country concerned... Being foreign, these companies are fair game for every local agitator who has his way to make, and the defence of such companies, which we are naturally under an obligation to attempt, cannot be expected to conduce to smooth relations... In our view, the cessation of British ownership of the Argentine railways would not only remove an actual and potential irritant from our relations with the Argentine, but might actually

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33 This is the point at which the classic David Joslin, A Century of Banking in Latin America: the Bank of London and South America Ltd. (London, 1963), really ends. The subsequent history of BOLSA remains to be written, although there is a brief discussion in Geoffrey Jones, British Multinational Banking, 1830-1960 (Oxford, 1993).

34 For a longer version of the arguments here, see Miller, Britain and Latin America, pp. 180-186, 192-193 and 214-222.

improve the prospects of our finding a market in that country for the products of our heavy industries... These are advantages which should be well worth working for, but... the transfer must involve adequate compensation... It is our view that our long-range interests would be served by such transfer.36

The following year the Bank of England and Treasury began to consider Britain’s overseas investment priorities after the war. F.F. Powell, the senior adviser who initiated the exchange, wrote that in his view ‘ordinary commercial and industrial investments, and probably the smaller rather than the larger, have in the past produced and probably will continue to produce a far handsomer return than public loans to Governments... or the investment in large undertakings such as public utilities’. Echoing Perowne, he continued,

Any big concern is fair game for the Government of the country in which it is working and the protection that H.M.G. can give has proved, in practice, to be negligible. To a great extent the large industry of today is the public utility of tomorrow; and the exploitation, for instance, of mines, oil, etc., is, or may become, just as precarious as the public utility like railways, gas, water etc., whereas the less obtrusive companies are likely to escape the evils which have befallen, or may befall, those who are always in the public eye.

With the threat of economic nationalism in mind, he began to make a case for joint ventures with local entrepreneurs.37 Both the Treasury and the Bank now accepted the inevitability of industrialisation accompanied by increasing state intervention in Latin America: the question was how best to participate in it. The culmination of the debate was a memorandum from the Foreign Secretary to embassies in Latin America which, while playing down the immediate prospects for overseas investment in the light of the financial constraints facing Britain and the ‘ultra-nationalism’ of many republics, nevertheless left room for investment in three areas: the expansion of existing companies like British American Tobacco (BAT); the initiation of joint ventures with Latin American partners; and new enterprises which would provide markets for British goods and services.38

Despite a tone of mild discouragement in this memorandum, there is little sign that the government actively deterred British companies from investing in Latin America in the immediate post-war period. As a result of over-enthusiastic weeding many of the relevant exchange control files in the Bank of England archive are now incomplete, but there is little evidence of permission for new investments being declined until the sudden imposition of stringent controls in the sterling crisis of 1961. Instead, for much of the 1950s the British government encouraged the development of British oil and manufacturing enterprise in Latin America, especially as the problems of nationalism became more acute in other areas of the world such as the Middle East and Iran.

The Secretary of State recently minuted [a Foreign Office official wrote in 1958] that Latin America had now become of real importance both politically and economically... People here are becoming more and more conscious both of the threats overhanging other areas and, by way of contrast, of the relatively secure sources of supply and expanding markets offered by Latin America.39

36 Perowne to Waley (Treasury), 21 December 1942, annexed together with the memorandum on ‘Bones of Contention in Latin America’ to Eden to HM Representatives in Latin America, 22 April 1943, FO 371/33929/A3479/3479/51.
38 ‘Possibility of British Investment in Latin America during the Early Post-War Years’, attached to Eden to HM Representatives in Latin America, 12 August 1944, EC 4/303, Bank of England archive.
In particular, the government and the Bank of England encouraged the expansion of the Bank of London and South America as the fulcrum for the redevelopment of British business in the region. In 1957 Sir George Bolton moved from a senior position in the Bank of England to become vice-chairman of BOLSA for this purpose, and a symbol of its new approach to Latin America was the erection of modern headquarters in both Buenos Aires and São Paulo.40

3. THE COMPANIES’ RESPONSES TO ECONOMIC NATIONALISM

British business interests in Latin America thus developed a new profile after the Second World War. Instead of the focus on railways, urban utilities, and public debt which had framed British investment during its Golden Age, this was formed around a very different set of interests, with commercial banking the only real line of continuity between the late-nineteenth and the mid-twentieth century. The predominant organisational form also changed as well: from the free-standing company of the late-nineteenth century to the multinational enterprise of the mid-twentieth.41 Moreover, instead of the oligarchic republics that had characterised Latin America until the 1930s, the region was now subject to populism and nationalism, which was particularly marked in those countries where British interests had been concentrated most heavily. The most obvious example of this trend was the administration of Juan Domingo Perón in Argentina, but even after his overthrow in 1955 economic nationalism remained a central element of government policies and opposition discourse there. Brazilian governments after the Second World War also had clear nationalist aspirations, especially after Getúlio Vargas returned to power in 1951. By the end of the decade Sir George Bolton of BOLSA was complaining of ‘rampant and unthinking nationalism fostered by the Army and the Extreme Left under the leadership of General Lott and Goulart, the Vice President’.42 Chile and Uruguay also followed policies which imposed high tariffs, exchange controls, and other regulations on foreign companies, although Peru retained a largely open economy until 1968. In Venezuela the death of President Gómez in 1935 had been followed by an upsurge in nationalism and trade union activity which put the oil companies under pressure, and the Acción Democrática government of 1945-48 forced them into major concessions. In Mexico the government of the Revolution had imposed stringent controls on foreign ownership in key sectors of the economy by the early post-war period.

Nonetheless, in relation to the types of British companies operating in Latin America, the blanket term ‘economic nationalism’ obscures the precise nature of the problems that individual firms in different business sectors encountered. With respect to the forms of economic nationalism defined earlier, Shell faced rhetorical attacks on its position in Venezuela, pressure to renegotiate its concessions (though this was eased somewhat following the 1943 Hydrocarbons Law, and acceptance of the 50/50 principle), and ultimately the occasional threat of expropriation. In the immediate post-war era, in contrast, the Bank of London and South America faced no threat of expropriation, simply increasing regulation of its activities, and occasional rhetorical attacks on the overall role of foreign financial interests.

40 Bolton to Chancellor of Exchequer, 9 November 1961, Confidential Memoranda submitted to the Board, 1961-June 1962, file #4412, BOLSA archive, Lloyds Bank (hereafter items in the BOLSA archive are referred to by file number; all are in the archive at Lloyds TSB headquarters in London); see also Jones, British Multinational Banking, pp. 264-268 and 300-302.
42 Bolton’s Report on Brazil, June 1959, Confidential Memoranda submitted to the Board, BOLSA file #4411.
in national economies, such as Brazil’s. For the manufacturing companies regulation, in various forms, was the only real issue. How did these different firms respond?

a. Royal Dutch Shell

In the early years of the oil industry in Venezuela Royal Dutch Shell and the other major oil companies had suffered little interference from government. This changed in 1935 when the death of General Juan Vicente Gómez, who had ruled the country since 1908, provoked an immediate upsurge of radical politics and trade union activity. Since the foreign oil companies dominated the economy, and were the major field for trade unions and left-wing politicians to organise, they inevitably became the principal targets of Venezuelan economic nationalism. Over the next thirty years the country was ruled by regimes led by military officers (1936-45 and 1948-58), and by civilians (1945-48 and 1958 onwards). Initially the dominant civilian party was Acción Democrática (AD). While the British minister had characterised AD’s leader, Rómulo Betancourt, in 1939 as ‘an unscrupulous communist agitator... by far the most dangerous anti-capitalist element in Venezuela and a fanatic of ability’, in practice Acción Democrática was radical/populist rather than socialist, and it shared a common interest with the oil companies in trying to eradicate Communist Party influence in the oilfields. While AD’s Minister of Mines, Juan Pablo Pérez Alfonso, took measures to extract greater revenue from the companies, becoming the architect of OPEC, the state oil company, the Corporación Venezolana de Petroleo, and the principle of revenue sharing between companies and government, a bitter expropriation dispute was rarely on the agenda. The interests of the government lay in maximising revenue from the foreign oil companies rather than taking them over. This was true also during the military-led regime of 1948-58, which increasingly fell under the domination of Marcos Pérez Jiménez.

Whatever the complexion of the administration, therefore, governments in Venezuela depended on revenues from the oil industry to finance the massive programmes of public works which assuaged popular opinion. Governments were always likely to be vulnerable to criticism from opposition elements if they surrendered too much to the oil companies, a fact that was true as much of Pérez Jiménez as of the civilian regimes. The balancing act thus lay in providing oil companies with sufficient incentives to invest and increase production; regulating them sufficiently to ensure that the treasury was not being misled over output, sales, and prices; and taking advantage of market and political conditions and inter-firm rivalry to impose further burdens at opportune times. As a consequence the companies were pressed into accepting a new Hydrocarbons Law in 1943, agreeing to the 50/50 principle of revenue sharing in 1945 (initially by decree but from 1948 by law), constructing refineries and pipelines in the early 1950s, and paying high prices for new concessions in 1956.

Shell’s primary objective in Venezuela was to preserve stable conditions that would permit an appropriate level of investment and production. Immediately after Gómez’s death it seemed that Shell had learnt little from its mistakes in Mexico, which had culminated in the 1938 expropriation there. The Foreign Office complained about the way in which the oil companies tended to suggest ‘safe but shabby expediencies, such as easy loans on royalty account’, in order to buy off the government, in this case over pressure to invest in coastal defences. Shell also initially resisted the attempts of the Venezuelan government to drive through new hydrocarbons legislation which would enforce new contracts giving the state greater tax-raising powers. It was undermined, however, by the United States government, which refused to back Standard Oil’s alliance with Shell to oppose the new legislation, and

43 Annual Report on Personalities, 26 July 1939, FO371/22851/A5516/5516/47.
44 Anderson to Foreign Office, 27 October 1939, FO371/22852/A7440/5830/47.
which warned the British Foreign Office not to support Shell in Venezuela against the desire of Washington to accommodate the government in Caracas.\textsuperscript{45} This chimed with some members of Shell’s management, who had already recognised that the company’s interests lay not in confronting Venezuela but rather in obtaining a clear legal basis for new investment and continued production. By the time that the 50/50 principle was enshrined into legislation in 1948, Shell was supporting it as the basis on which foreign exploitation of Venezuelan oil might be regularised, and it immediately raised a $250 million loan in New York for new investment.\textsuperscript{46}

The two later occasions when the British government and Shell might have feared nationalisation in Venezuela were both brushed aside. The first was following the 1951 revolution in Iran, which initially raised fears of a more aggressive attitude in Caracas; in fact the main consequence was that it permitted the Venezuelan government to extract cheap loans from the oil companies for the dredging of the Maracaibo bar.\textsuperscript{47} As the British minister noted shortly afterwards: ‘So long as we have a dictatorship here, with the top men making big money out of oil, and/or oil concessions, there should be no danger of nationalisation. That will not become practical politics unless and until the restoration of democratic processes permits some party to adopt nationalisation as a party platform.’\textsuperscript{48} When the Pérez Jiménez dictatorship eventually fell in 1958, the oil companies certainly did not look forward to the possible return of Betancourt and Pérez Alfonso, but they were clear that nationalisation was unlikely to be on the agenda. One British official perceptively commented in July 1958: ‘Nationalisation on the Mexican model of 1938 does not seem likely: but the companies will find themselves under strong pressure to accept conditions more favourable to Venezuela, and this may be the beginning of a gradual takeover.’\textsuperscript{49} Although taxes were raised, by mid-1959 the embassy in Caracas believed that any threat of nationalisation had vanished.

Although the underlying pressures for a change in the existing concessionary arrangements in Venezuela are similar in character to those in the Middle East [a Foreign Office despatch reads], stemming as they do from national aspirations, they tend to be less explosive here in some respects... Nationalisation was mentioned by extremists when the new democratic regime took over, but it is not referred to any more, even by the Communists who have come to realise that it does not have any popular appeal at present.\textsuperscript{50}

For both sides slight modifications to the existing tax and concessions regime were preferable to confrontation, especially at a time of weak oil prices and growing competition from North Africa and the Gulf. Three years later an official from the Ministry of Fuel and Power visiting Venezuela commented:

Rather to my surprise I found that the oil companies were pretty relaxed about the whole situation. They know the Minister’s speeches by heart and discount most of his threats; they know that his bark is usually worse than his bite. Their attitude by and large was to

\textsuperscript{46} Ogilvie Forbes to Ernest Bevin, 26 February 1948, FO371/68307/AS1840; Urquhart to MacLean, 10 March 1951, FO371/91060/AV1532/7.
\textsuperscript{47} Urquhart to MacLean, 8 May 1951, FO371/91060/AV1532/25.
\textsuperscript{48} Urquhart to Jackson, 20 June 1951, FO371/91060/AV1532/26.
\textsuperscript{49} Minute by S.W. Martin, 8 July 1958, FO371/132416/AV1531/9.
\textsuperscript{50} Caracas (?John Walker, Head of Chancery) to Foreign Office, 14 May 1959, FO371/139877/AV1531/38.
shrug their shoulders, get on with the job, and leave any worrying to their parent companies in New York and London!\textsuperscript{51}

Economic nationalism, in the sense of expropriation, was thus not a significant threat in Venezuela, even under the populist Betancourt, and the negotiations which occurred in the 1940s regularised the basis on which the industry operated. The later attempts of Pérez Alfonso to increase taxation further, at a time of weakening global prices, simply provoked a reduction in operations in Venezuela as the multinational firms shifted their production and investment to more profitable and lower cost regions elsewhere.

Nonetheless, Shell still had to manage its day-to-day operations in the industry and remain on good terms with the Venezuelan officials monitoring it. The continued closure of Shell’s archives makes it difficult to be certain about the means it employed for this purpose, but the Foreign Office papers offer hints of two important strategies. First, the company employed Venezuelans in increasingly senior management positions. A visiting official from the Ministry of Fuel and Power remarked in 1951: ‘The Shell Group are fully conscious of the need to forestall nationalisation by developing the partner basis not only in terms of profits but throughout the human side of the industry. This means progressive Venezuelisation or the introduction of more and more nationals into more and more responsible positions with no limit except ability.’\textsuperscript{52} At the time just under a quarter of Shell’s payroll in Venezuela was expatriate. A later visiting expert in 1962 found that the proportion of expatriates had fallen further, to around 15 per cent, commenting: ‘Most of the companies endeavour to recruit Venezuelan technologists wherever possible, even in the relatively senior positions’.\textsuperscript{53} A further consequence of such strategies was that as the Venezuelan state expanded its monitoring of the industry, the obvious and probably the only source for the technical staff it required was the foreign oil firms. This in fact facilitated the day-to-day operations of the companies, as they were working with former colleagues. A second strategy was to embed Shell more firmly in the local business community. One aspect of this was to insist that local banks handled Shell’s deposits and payments in Venezuela, a policy that thoroughly annoyed the Bank of London and South America which was looking to expand in the country and saw Shell as undermining ‘British’ interests.\textsuperscript{54} After the return of Betancourt and Pérez Alfonso in 1959 the oil companies organised themselves into a separate industrial chamber, which formed its own technical branch to lobby for understanding of the industry. Through this they were able to join Fedecámaras, the peak business association in Venezuela, which they subsequently helped to finance.\textsuperscript{55} This also strengthened the oil companies’ relations with the local press and other opinion formers. Later, in 1968, the possibilities of offering financial help to local businessmen were enhanced with the foundation of a company called Inversiones Shell de Venezuela (Inverven), an investment bank which would purchase equity and make loans to Venezuelan companies, a move designed explicitly to identify Shell with the local private sector.\textsuperscript{56}

\textsuperscript{51} ‘Notes prepared by Colin Rose on his Visit to the Venezuelan Oil Congress’, 26 April 1962, FO371/162684/AV1531/21.
\textsuperscript{52} B.A. Berthoud, ‘Report on Visit to Venezuela to Represent HMG at the Venezuelan National Petroleum Congress (12-18 September 1951)’, FO371/91061/AV1532/41.
\textsuperscript{53} ‘Notes prepared by Colin Rose on his Visit to the Venezuelan Oil Congress’, 26 April 1962, FO371/162684/AV1531/21.
\textsuperscript{54} R.V. Low, Memo to the Board, 15 May 1956, BOLSA file #4410.
\textsuperscript{55} Tugwell, \textit{The Politics of Petroleum}, p. 80.
\textsuperscript{56} Application to Inter-American Development Bank/ Shell de Venezuela, 18 October 1968, Minutes of the Executive Committee of the Board, BOLSA file #4386.
b. The Bank of London and South America

Little attention has been paid by historians to the problems that the Bank of London and South America encountered with respect to economic nationalism after World War II. David Joslin's company history effectively concludes in 1936, with the enforced merger of BOLSA and the Anglo-South American Bank following the latter's serious financial difficulties. In *British Multinational Banking* Geoffrey Jones concentrates very much on Sir George Bolton's plans, after he joined BOLSA in 1957, for the consolidation of British overseas banking, making very little reference to the bank's activities in Latin America itself except for a brief passage on Argentina. The implication, however, is that Latin American conditions were so difficult that the bank was attempting to diversify out of the region, and that it ultimately failed to do so successfully.\(^\text{57}\) An alternative reading of BOLSA's internal papers would be that the need to acquire fresh supplies of capital for the bank to expand its range and its activities within Latin America required such diversification, especially once the British government had intensified sterling exchange controls in 1961. In fact the bank was seeking to finance a response to the new circumstances and opportunities that were appearing in the region and in which it had a competitive advantage, and to service multinational firms of different nationalities investing there. An internal memorandum in 1965, for example, reads:

> While deposit-banking will continue to provide the financial basis of our operations and our profitability, our capacity to augment our deposits, as a foreign bank facing increasingly competent local competition and increasingly complicated protective legislation, will depend in ever greater measure on the provision of the external services required for international trading and of the techniques needed for development investment and financing, the fields in which the locals are relatively backward.\(^\text{58}\)

Two years later Bolton himself, reviewing his ten years at the head of BOLSA, commented:

> We have converted the Bank from its original purpose as an Anglo-South American bank financing trade between South America and the United Kingdom into an international bank designed to finance and develop third country trade and, in particular, the foreign trade - in any direction - of the Latin American countries. We have succeeded in putting an end to the Bank's decline in South America. We are now the largest commercial bank in Argentina and Uruguay and have restored our position in most of the other countries, including Brazil.\(^\text{59}\)

In other words, economic nationalism in Latin America could not be regarded as a primary cause of the Bank's post-war problems, and the prospects there remained sufficiently attractive to encourage it to search more broadly for capital and overcome the limitations created by its base in an economically weak and volatile United Kingdom.

This is not to say that economic nationalism did not cause difficulties for the Bank, both directly and indirectly. Indirectly, the imposition of exchange controls in many Latin American countries after 1931, and the monopolisation of foreign exchange transactions by central banks, had deprived the Bank of much of its once lucrative exchange business. The nationalisation of many of the old free-standing companies founded in the late nineteenth century also deprived it of the accounts of some large British firms. Thus a director visiting Brazil in 1952 commented that BOLSA had lost significant deposits following the sale of the


\(^{58}\) Memorandum to the chairman (initialled G.A.W.), 8 February 1965, Confidential Memoranda submitted to the Executive Committee, BOLSA file #4391.

\(^{59}\) Sir George Bolton to J.A. Mayer (Mellon Group), 20 April 1967, Confidential Memoranda submitted to the Board, BOLSA file #4415.
São Paulo and Leopoldina railways, although firms like British American Tobacco continued to run lucrative accounts. Economic nationalism had also hit the bank directly through the increasing regulation of its business with regard to reserve requirements, restrictions on the opening of new branches, staffing by expatriates, and controls on its own remittances. The external environment had thus become more difficult.

However, while operating in countries like Argentina and Brazil was undoubtedly complicated, the real problems for the bank immediately after the war were internal, and the more progressive members of the board believed that overcoming these would allow the bank to react positively to new opportunities in Latin America. The enforced amalgamation of BOLSA’s branch networks and local management with those of the Anglo-South American Bank had not been easy; it had also created a fear of financial vulnerability among the senior management that stimulated conservative lending practices. Moreover, the bank was locked in to countries such as Argentina, Uruguay and Chile, where economic growth had slowed, and lending to British firms of long standing which were also in a poor shape, such as the Anglo frigoríferos or Wilson Sons & Company in Brazil. In such cases commercial loans had in effect become long-term commitments that were difficult to liquidate. A report from the Bank of England in 1956, while commenting that both Argentine and Brazilian government policies had caused problems for the Bank, was much more critical of the conservatism of the BOLSA board, the low quality of its management in much of South America, and its poorly sited and unmodernised branches. This laid the ground for the transfer of Sir George Bolton from the Bank of England to BOLSA. Bolton’s own initial diagnosis, while recognising that the Bank was making good profits, ascribed this success to a fortuitous combination of circumstances, and he emphasised the need to change management practices and recruitment, to rebuild the bank’s offices, and to internationalise the Bank’s operations in order to escape from dependence on its UK base and meet the growing competition from domestic and international banks in Latin America.

The outcome was a 10-year plan for the reorientation and expansion of the bank, and a trebling of published net profits between 1958 and 1967. The most visible aspect of the change was the construction of the Brazilian and Argentine headquarters of the bank, in São Paulo and Buenos Aires respectively, in the modernist/brutalist style of leading South American architects (see pictures at the end). The bank also began a series of acquisitions and joint ventures, commencing with an agreement with the Bank of Montreal to establish a joint bank in Central America utilising BOLSA’s existing branch network and finance from Canada. In 1965 it received a further substantial capital injection when Mellon Bank purchased a 15 per cent share. In Argentina BOLSA established an investment bank, the Financiera de Londres, to make long-term loans to industrial firms, and slightly later it moved into insurance, consumer finance, and credit card issue. In Brazil BOLSA inaugurated a joint venture with the Bozano Simonsen group to establish an investment bank. In London the bank was one of the earliest developers of the Eurodollar market. However, this is itself indicative of where its main problems lay, not in economic nationalism in Latin America, but in its ability to supplement deposits received in its branches there with additional capital. This was made worse by the imposition of much more stringent exchange controls in the

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62 ‘Memorandum placed before the Board, 28 May 1957, by George P Bolton’, Confidential Memoranda submitted to the Board, BOLSA file #4410.
63 Jones, British Multinational Banking, p. 461.
64 Jones, British Multinational Banking, pp. 265-266.
United Kingdom, which provoked furious responses from Bolton to the Governor of the Bank of England and the Chancellor of the Exchequer protesting about their impact on the bank’s strategy. An ambitious attempt in 1964-65 to merge with Sudameris, the leading Franco-Italian bank in South America, in order to create a European rival to National City Bank, foundered due to shortage of capital.

The case of Brazil, the most important field for BOLSA’s expansion in Latin America following the economic disappointments of post-Peronist Argentina, illustrates how the bank learned to live with economic nationalism, whether in the form of rhetoric or increased regulation, rather than giving way before it. Foreign banks in Brazil were under the spotlight from early in the post-war period. The British Ambassador reported in September 1951 that the president’s son had attacked the foreign banks in Brazil in the press:

Criticism was made of the extent of their lending activities and the size of their deposits in comparison with their capital. Another ground of complaint advanced, for which there is perhaps some justification, (although it can be explained by the greater security offered by foreign enterprises here) was that whereas foreign concerns obtain advances from foreign banks without particular difficulty, Brazilian concerns do not enjoy the same facilities. Another complaint was that the banks in question do not operate solely, or even largely, with funds from abroad but are making large profits by the use of Brazilian money deposited with them. Their remittance of profits abroad, earned by the use of Brazilian money, constituted a drain on Brazil.

The Rio de Janeiro office of BOLSA similarly commented in 1955: ‘As a foreign bank, we are particularly vulnerable to criticism from the banking control authorities for utilizing national deposits to finance the operations here of foreign undertakings’. In practical terms, apart from restrictions on remitting profits and the normal banking controls on reserve ratios, such criticisms meant that foreign banks in Brazil were restricted from opening new branches that might have given them greater access to deposits. Nonetheless, the attractions of the Brazilian market were such that the Bank used capital raised elsewhere to finance its growth in Brazil. Between 1958 and 1963, at the height of the Kubitschek boom, it expanded its capital in Brazil tenfold, and despite a recession in the last phase of the Goulart presidency and during the first phase of the military regime which overthrew him in 1964, it brought in further new investment in 1967 in order to participate in the Bozano Simonsen joint venture in investment banking. Even in recession BOLSA’s branch banking in Brazil was still extremely profitable. While restrictions on foreign banks might limit expansion in that area, the opportunities in Brazil were felt to be considerable and the bank was looking to invest in other areas of financial services where official controls were less stringent and government more encouraging. In other words, economic nationalism and the growth of the Bank of London and South America were far from incompatible. At a strategy review meeting in

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65 Bolton to Lord Cromer, 22 August 1961, and Bolton to Chancellor of Exchequer, 9 November 1961, Confidential Memoranda submitted to the Board, BOLSA file #4412.
69 ‘Brazil: Future Policy’, Executive Committee Minutes, 7 February 1967, BOLSA file #4385.
71 Sir George Bolton to J.A. Mayer (Mellon Group), 20 April 1967, Confidential Memoranda submitted to the Board, BOLSA file #4415.
which senior managers participated in mid-1969 the enormous potential of Latin American markets for the bank was again underlined.72

c. Manufacturing Companies

When the Second World War came to an end ISI policies were a fact in the major countries of Latin America, and British industrial firms were anxious to participate through the expansion of their existing manufacturing facilities and the initiation of new ones. ‘The industrial production of home-produced raw materials,’ the British Chamber of Commerce in Argentina reported in 1946, ‘notably food products, certain textiles, leather, oilseeds, etc. undoubtedly offers scope for considerable expansion and even holds the promise of interesting export developments in such lines. Parts manufacture and the assembly side of industrial enterprise also offer opportunities for more intensive development in certain directions.’73 Economic nationalism, therefore, provided significant opportunities in countries like Brazil or Argentina for firms prepared to invest financial and human resources. Whatever the temporary difficulties, most British industrial firms were prepared to ride out the problems. This strategy was based on three assumptions: that the economic fundamentals were sound and the long-term prospects were good; that there was a difference between anti-foreign rhetoric and everyday practice; and that whatever the position of the older British firms such as the railway and utility companies there was little risk to the assets of manufacturing companies.

Even in Argentina, where Perón had been elected president in 1946 on a populist and anti-foreign platform, there was little pessimism about the prospects for industrial firms over the long run. While sceptical about the windfall profits that Argentina was receiving from agricultural exports, for example, Unilever executives in 1947 saw long-term benefits from the economic policies Perón had introduced, writing: ‘If the planned industrialization of the country has proceeded sufficiently far by the time [the inevitable fall in export earnings] occurs, the shock to Argentina’s hitherto rather unbalanced economy should not be too great and... the prospects for our Argentine companies should be quite favourable.’74 The head of BOLSA’s research department, responsible for assessing the economic fundamentals against which the bank made strategic lending decisions, took a similar view after visiting in 1950: ‘The atmosphere in Buenos Aires was one of resigned pessimism for the short run, but optimism for the more distant future’.75

Manufacturing companies did not see nationalist politicians as particularly threatening. They created short term problems of economic mismanagement and maladministration, but it seemed much more difficult for them to damage the economic fundamentals and unlikely that they would deliberately threaten foreign participation in their countries’ industrial growth. Regarding Vargas, for example, a BOLSA executive reported in 1950, ‘There is little evidence to suggest that in the immediate future the position of foreign institutions in Brazil


73 British Chamber of Commerce in the Argentine Republic, Annual Report, 1945-1946, p. 6. The São Paulo branch of the British Chamber of Commerce in Brazil was even more active in encouraging British companies to invest in new plants.

74 ‘Survey of Argentine Companies for Visit of Mr J.L. Heyworth, Mr H.H. Bagnall, and Mr J.F. Knight, February 1947’, p. 6, OSF 1/20, Unilever archives (the Unilever archive is now located in Port Sunlight on Merseyside).

75 ‘Extracts from Report on Visit to Brazil and River Plate Countries, 26 September 1950 to 21st November 1950’, by F.C. Waddams, BOLSA file #4408.
is likely to become politically precarious'.

Even the most notorious nationalists aroused little fear amongst British executives. Laurence Heyworth, Unilever's principal director dealing with South America in the 1940s, considered Miranda, the first head of the Argentine central bank under Perón, 'a thorough-going capitalist', adding that

apart from the capricious nature of the various economic decrees it is not likely that there will be discrimination against foreign-owned businesses producing such goods as soaps, edible oils and perfumery. The sufferers in this respect will be the foreign owned public utilities, Insurance Companies, and possibly Banks.

His counterpart in Reckitt & Colman recognised in 1953 that 'Perón's policy had not been entirely to [the company's] disadvantage, the redistribution of wealth gave a wider buying power and a wider mass market'.

Two years later, despite the continuing presence of the Perón government, Reckitts decided to recommence expansion in Argentina, a policy it had been following in Brazil throughout the Vargas period. ‘Some doubts were expressed’, the board minutes record, ‘as to the wisdom of investing more money from the UK in a market where economic difficulties are so great and Exchange uncertain but on the other hand it was appreciated that in the long run the potential in South America, including the Argentine, is very encouraging’.

A Unilever director visiting Brazil in 1954, at the nadir of Brazil’s post-war political and economic crisis and in a period when the company was making few profits there, summed up the viewpoint of many British industrial firms already doing business in Latin America: ‘The only things which could really decide us to quit Brazil would be if the Americans stopped drinking coffee or the Brazilians went Communist. I don't believe either of these will happen. Therefore, we should have confidence in our business in Brazil and not worry too much about their political and economic weaknesses’.

Like their counterparts from the United States and Germany, therefore, many British industrial firms were confident about investing in Latin America despite the climate of economic nationalism. The process of industrialisation and the increase of real wages in the cities provided consumer goods firms with a rapidly growing market, while government attempts to broaden the manufacturing base offered opportunities to those which produced capital goods or industrial inputs such as chemicals.

For the manufacturing firms, therefore, it was not the principle of economic nationalism with which they had to contend, but the various government policies and regulations that affected their day-to-day operations.

Here they faced a number of problems. First, Latin American exchange controls severely affected remittances of profits, discouraged new sterling investment, and impeded imports of essential inputs. In the case of Brazil the extent to which foreign investors could repatriate profits was generally limited between 1946 and 1953 to 8 per cent of declared capital. Argentina limited remittances to 5 per cent of declared capital between 1951 and 1955. Even without these limitations, however, it would have been very difficult for British companies in Latin America to remit profits in the early 1950s because Britain was not offering a sufficiently large market for Latin American exports for sterling to be widely available. Shortages of

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76 Extracts from Report on Visit to Brazil and River Plate Countries, 26 September 1950 to 21st November 1950, by F.C. Waddams (Head of Research Department), BOLSA file #4408.
77 Mr J.L. Heyworth’s Report on his Visit to the Argentine, Feb., 1947, p. 3, OSF 1/19, Unilever archive.
78 Reckitt & Colman Ltd., Overseas Board Minutes, 4/5 March 1953, file C.118, Reckitt & Colman archive (the coverage of the Reckitt & Colman archive, which is located in Hull, is nothing like as comprehensive as that of Unilever).
79 Reckitt & Colman Ltd., Overseas Board Minutes, 5 January 1955, C.119, Reckitt & Colman archive. Perón was overthrown later in the year.
sterling also made it difficult to obtain necessary imports, a problem that severely affected firms like Glaxo.\footnote{Davenport-Hines & Slinn, \textit{Glaxo}, p. 268.} Second, inflation became a growing threat in many post-war Latin American countries, but particularly in Argentina, Brazil, and Chile, those which the British had favoured. This presented management with serious problems of inventory replacement and price setting, and in the case of certain household goods which firms like Unilever produced strict price controls were sometimes introduced.\footnote{British Chamber of Commerce in Argentina, \textit{Annual Report, 1944-1945}, p. 5.} Inflation had an impact on a firm’s working capital resources because it made it more difficult to collect accounts promptly from debtors such as the wholesalers who handled Unilever’s or Reckitt & Colman’s household products.\footnote{‘Argentine: Proposed Financing by Parent Company.(22 May 1959)’, Special Committee document #5832, Unilever archive.} Third, the introduction of a system of import permits or licences also created enormous difficulties, though it did have the advantage for established firms that it excluded competitive imports from the market. The permit system was particularly disruptive to business in periods of severe maladministration or economic crisis. The BOLSA manager in S\ão Paulo reported in July 1953, for example, that the lack of co-ordination in the granting of foreign exchange and import licences meant that those firms which depended on imported raw materials were facing serious difficulties.\footnote{‘Brazil: Extract from Chief Manager’s GM Letter dated 24 July 1953’, file #4409, BOLSA archive; Memo to Sir Norman Kipping, A.C. McKechnie, 10 March 1953. MSS.200/F/3/D3/6/9, Federation of British Industries archive, Modern Records Centre.} Matters had improved in Brazil by 1955, where Reckitt & Colman’s business was reported to be ‘going ahead rapidly’, but the firm’s interests in Argentina were suffering from the failure to obtain import licences for essential raw materials.\footnote{Reckitt & Colman Ltd., Overseas Board Minutes, 2 February 1955, C.119, Reckitt & Colman archive.} This raises a fourth problem, namely misgovernment and corruption. Michael Lubbock of BOLSA complained when visiting Brazil in 1953 that ‘corruption is said to be worse than ever, so that every sensible proposal for development or normal growth of trade internally and externally is ruined from the start by the general greed of the Brazilian and the immense profits made by the innumerable middlemen... The present corruption and rapacity... [are] so obviously the main cause of Brazil’s present difficulties, both internal and external.’\footnote{Mr Lubbock’s Report on Brazil dated 2nd March 1953, file #4409, BOLSA archive.} He and a colleague reported the following year, shortly before the death of Vargas, ‘Whereas formerly business could be done with Government departments and officials on the basis of friendship plus the occasional small gift, now it is a matter of regular, substantial bribery’.\footnote{Report to the Board of Directors: Brazil. Signed B. Pleydell-Bouverie & M. Lubbock, 10 February 1954, file #4409, BOLSA archive.} The granting of both exchange permits and import licences acquired a marketable value in countries like Argentina and Brazil.

All of these were significant problems during the 1950s (the issue of labour, wage demands, and strikes were much less important to the British firms at this point). However, the industrial companies adjusted to them. Very few responded by pulling out of Latin America altogether. In some cases they allowed businesses to run on their own resources for a time, surviving on reinvested profits rather than sinking new capital into the branch, but by the end of the decade companies like Unilever were not only expanding rapidly in Argentina and Brazil but also in Mexico, Colombia, Venezuela, Peru and Chile. The economic nationalism they had experienced in the larger South American economies did not deter them.

One advantage they possessed, in comparison with the older free-standing companies, was that they could afford to mark time in one country, placing resources elsewhere in Latin
America or the rest of the world. Another was that they could transfer knowledge and experience from one country to another. Finance is an obvious example of adjustment to the daily implications of economic nationalism. Numerous innovations were made to overcome the problems of foreign exchange shortages, exchange depreciation, and inflation, but four changes stand out. First, rather than making new sterling investments at times when the exchange risk was high, companies resorted to other methods of financing their operations. In the immediate post-war period the manufacturing companies greatly expanded their acceptance credit facilities and overdrafts from the commercial banks. In doing so they had to change from depending on one bank (normally BOLSA) to obtaining rollover credit facilities with several. By 1959 Unilever was using credit facilities from 13 different banks in Buenos Aires, while in Brazil they were borrowing from 26. Swap deals also began to become increasingly common. Those with central banks, such as the Banco do Brasil, which involved a company placing dollars on deposit with the Banco in New York in exchange for cruzeiros in Brazil, provided a hedge against exchange risk. Firms wishing to increase their investment in Latin America could also engage in swaps with other foreign firms whose remittances were blocked. Second, the companies found new ways of returning profits to the United Kingdom, overcoming some of the problems imposed by foreign exchange controls. Reckitt & Colman, for example, attempted in Brazil in 1951 to obtain approval for royalty payments to the parent firm, for which foreign exchange was easier to obtain than for profit remittances. Over-invoicing of imports, a frequent charge against multinationals accused of transfer pricing in the 1970s, had also been used by a Unilever subsidiary in the 1930s, though there is very little direct evidence of it being used as a deliberate policy in the immediate post-war period. Third, if companies could not remit profits immediately, they found other methods of hedging against currency depreciation. One obvious device was to increase inventories of raw materials and other inputs in the expectation that sooner or later the exchanges would be freed and some of these stocks could be liquidated. An alternative was to use blocked funds for new fixed investment, as long as government approval could be obtained to have this considered as an inflow of new capital, an important consideration given the cap on profit remittances. In this way Reckitt & Colman, who were making considerable profits in Argentina and Brazil in the early 1950s, explored a series of projects for diversifying into new products, both on their own and in joint ventures with other British manufacturers. Finally, the companies found ways of dealing with inflation. The obvious first step was to ensure that prices were set on a replacement cost basis, but more sophisticated accounting conventions were quickly introduced. Andrew Knox, who headed Unilever’s Overseas Committee at the time, argues that the firm introduced inflation accounting techniques in the late 1950s. However, by then no firm could survive for long and make profits without having means of dealing with inflation. The frequency with which

89 Visit to Argentina by Mr G.D.A. Klijnstra and Mr A.M. Knox, 23rd October - 2nd November 1959, OSF 1/29, Unilever archive; Report by Mr G.D.A. Klijnstra on his Visit to Brazil, 10th March - 20th March 1958, p. 9, OSF 3/24, Unilever archive.


92 ‘Mr Sidney van den Bergh’s Report on his Visit to the Argentine, February 1933’, p. 30, OSF 1/7, Unilever archive.

93 Interview with Derek Logan, former Managing Director of British Structural Steel Company, Buenos Aires, 5 September 1995.


home-based directors visited subsidiaries and overseas managing directors came to London, along with the custom of having a handful of executives responsible for overseeing the multinational companies’ affairs in Latin America ensured the rapid circulation of knowledge from one country to another.

There were other innovations in management and organisation which permitted the manufacturing companies to adapt to and coexist with policies of economic nationalism. Like Shell, the major firms began to introduce what Unilever called ‘-ization’ policies, recruiting local trainees with executive potential into management and ensuring that they circulated among Unilever’s various divisions. In this case the policy was transferred from India, where the firm had been forced to adapt to nationalism in the late 1940s, but the proportion of expatriates in senior management positions in developing countries was reduced fairly rapidly, from 32 per cent in 1955 to 6 per cent a decade later.96 This policy also overcame other difficulties such as increasingly stringent labour laws restricting the employment of foreigners, difficulties in recruiting in England, and the problems of adjusting salaries and pensions in line with exchange depreciation.97 Co-operation with similar firms, especially over price setting and wage bargaining as well as negotiating with government, developed as a defensive measure. In Argentina the growth of trade unions organised by sector further encouraged this process and soap manufacturing firms there acted together on several occasions from 1947 onwards.98 And while joint ventures between British firms and Latin American governments in public utilities had often failed, in manufacturing joint ventures became the preferred method of expansion, again as a means of coming to terms both with host governments and with the local industrialists who had now become significant political actors in their own right. Indeed so promising had this avenue of expansion become that by the end of the 1950s the Director-General of the Federation of British Industries was complaining that British firms were missing out on such opportunities in Mexico. ‘Very liberal tax privileges and almost complete protection are granted to these companies,’ he reported, ‘and large profits are being made... Mexico’s record of permitting the transmission of dividends or the repatriation of capital is 100% good.’99 By now representatives of British industrialists were drawing a sharp distinction between Mexico’s attitudes to foreign investment in basic sectors like oil and that towards foreign investment in manufacturing, describing the latter as consisting of ‘realistic interpretations of malleable principles’, and noting that regulations about the proportion of foreign capital in an enterprise were frequently disregarded.100 Judging from the long lists of joint ventures bringing capital and technology into Argentina at this time, as well as the known growth of British manufacturing investments in Brazil, there was little concern amongst these firms about living with the everyday consequences of economic nationalism.101

96 Knox, Coming Clean, p. 160.
97 Rory Miller, ‘Managing British Firms in Latin America: the role of the British communities’ (MS, 1997).
98 Mr J.L. Heyworth’s Report on his Visit to the Argentine, Feb. 1947, p. 4, OSF 1/19, Unilever archive; Minutes of Special Committee, meeting with Overseas Committee and Mr H. Colvill Jones, 25 November 1958 and 25 July 1961, Unilever archive.
4. CONCLUSIONS

The evidence of British multinational companies in Latin America in the immediate post-war period suggests that economic nationalism was an irritant, much more than a threat, and that they had the capacity to adapt to it. In this they were better placed than the older free-standing companies, both because they could afford to mark time in one country while committing resources elsewhere, but also because they could learn from a much broader range of experience. Many British manufacturing companies operating in Latin America developed specialists at board or sub-board level who visited the region regularly and wrote frequent strategic reviews for senior management. At board or board-committee level executives were able to bring their experience of other areas of the world to finding solutions to the problems they faced in Latin America. It is noticeable, for example, that in both Unilever and Reckitt & Colman directors on specialist overseas committees frequently considered issues concerning the company’s operations in countries such as Argentina, Brazil, Indonesia, and India on the same agenda. In addition the increased facility of air travel permitted a two-way flow of executives and the inauguration of regular conferences of overseas or specifically Latin American managers to exchange experience. On the ground, in Latin America, the country managers of different British firms discussed and co-operated with each other, whether through formal institutions such as chambers of commerce or ambassadors’ meetings, or informally through clubs and the other social institutions of the expatriate communities. A further information network lay in the business support services that had developed to serve the foreign business community: the commercial banks, the local legal firms such as Pinheiro Neto in Brazil or Chevallier Boutell in Argentina, who specialised in work for the foreign companies, and the international accountancy firms. Price Waterhouse and Peat Marwick & Mitchell, for example, were critical in developing inflation accounting methodologies that could be transferred from one company to another. Finally, the increased local recruitment of managers and the development of relationships with local business, for example through joint ventures, provided British firms with a much better understanding of the changing local business environment.

It is difficult, therefore, to see economic nationalism as an important factor in the decline of British business in Latin America after the middle of the twentieth century. By the time that the railways and public utilities were expropriated in the late 1940s their stock was largely non-performing anyway, and even their importance to Britain’s exports had diminished as a result of their financial problems with prevented them from re-equipping after the war. The irony is that the real difficulties of British multinational firms in the second half of the twentieth century probably lay more in the weaknesses of the British economy and the shortcomings of their parent firms than in the Latin American environment. The acute sterling crises of the 1960s forced a tightening of British exchange controls and a restriction of the availability of new investment for Latin America (though even that could be by-passed, especially by companies with dual nationality like Unilever and Shell). At the level of individual companies British firms’ attempts to manufacture motor vehicles in joint ventures in Latin America – via the British Motor Corporation in Argentina, Colombia, and Chile, and Standard-Triumph in Brazil – quickly ran into the sands, reflecting the managerial, design, and financial problems of the British automobile industry in general. Dunlop’s ventures in Brazil also suffered from the travails of the parent company, as did those of ICI in Argentina and Brazil and Coats Viyella in a number of South American countries during the 1990s. The decline of Lloyds Bank in Latin America (and the rise of HSBC) reflected very different parent company strategies in the last two decades of the twentieth century. It was no accident that the strongest British companies in Latin America in the early years of the twenty-first century were firms like Shell, Unilever, Reckitt Benckiser, and Glaxo, which had been amongst the leaders in adopting new human resource strategies, management techniques, and well
developed information and planning structures to respond to the threat of economic nationalism in the immediate post-war period, and which had had the resources and strategic foresight and confidence in the market to ride out short-term difficulties.

Pictures below:
Left: BOLSA’s new headquarters in Buenos Aires (Clorindo Testa/SEPRA 1959-66)
Right: BOLSA’s new office in São Paulo (Giancarlo Palanti 1959)