1 Britain and Latin America in historical perspective

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> There can be no field of enterprise so magnificent in promise, so well calculated to raise sanguine hopes, so congenial to the most generous sympathies, so consistent with the best and highest interests of England as the vast continent of South America.
>
> Henry Brougham, House of Commons, 13 March 1817

For more than a century – from the Napoleonic Wars and, more especially, from the dramatic events of 1807–8 in the Iberian Peninsula which eventually led to the breakup of the American empires of both Spain and Portugal – Britain was the dominant external actor in the economic and, to a lesser extent, the political affairs of Latin America. The foundations of British commercial and financial pre-eminence in Latin America were firmly laid at the time of the formation of the independent Latin American states during the second and third decades of the nineteenth century. Throughout the century which followed, until the outbreak of the First World War in 1914, Britain supplied more of the manufactured and capital goods imported into Latin America, more of the loans given to the new Latin American governments and more of the capital invested in Latin American infrastructure (above all, railways), agriculture and mining than any other nation. British merchant houses and, from the 1860s, British banks played a central role in the Latin American economies. British ships carried the bulk of the produce exported from Latin America and Britain was itself a major market for Latin American food and raw materials. The nineteenth century was the 'British century' in Latin America.

During the first half of the twentieth century, and especially after 1914, the United States replaced Britain, first as Latin America's leading trading partner and then as Latin America's main source of capital. By 1945 the United States had also established its political – and in many cases cultural – hegemony throughout the subcontinent (except in Argentina). Britain nevertheless maintained a considerable financial and commercial presence in South America, and indeed retained a dominant position in Argentina (then the leading Latin American republic), until the Second World War. Even in the years immediately after 1945 Britain remained second (albeit a poor second) to the United States among the outside powers with an interest in the region. It was only in the second half of the twentieth century that Britain finally abandoned its role as a significant actor in the economic and political affairs of Latin America.

British interest in Latin America goes back to the late sixteenth century when, like other maritime powers, England first cast envious eyes on the immense and mineral-rich empire that Spain had acquired in the New World and the colonial trade it was attempting to monopolise. Hawkins, Drake and Raleigh became Elizabethan heroes as a result of their attacks on Spanish fleets and on Spanish possessions in Central America and the Caribbean. During the seventeenth and eighteenth centuries, however, with a few exceptions like the (permanent) capture of Jamaica in 1655 and the (temporary) seizure of Havana in 1761, the English concentrated on developing an extensive contraband trade with Spanish America (and with the Portuguese colony of Brazil). In the late eighteenth and early nineteenth centuries, and especially during the Napoleonic Wars when European markets were largely closed to British manufactured goods, a powerful lobby of politicians, merchants and manufacturers, naval and military officers brought pressure to bear on successive British governments in favour of conquest in Spanish America. There were plans for conquest as there were indeed for liberation. The only serious attempt, however, to annex any part of the Spanish empire – the British invasion of the Río de la Plata in 1806–7 – was, at least in its inception, entirely unauthorised.

'By an express which we have just received from Portsmouth', reported *The Times* on 13 September 1806, 'we have to congratulate the Public on one of the most important events of the present war ... *Buenos Aires at this moment forms a part of the British Empire.*' On 27 June some 1,600 British troops had captured the second-largest city in Spanish South America and capital of a vast region, the Viceroyalty of the Río de la Plata, which stretched from the Atlantic to the Andes and from Patagonia in the far south to the borders of modern Peru. The idea of capturing Buenos Aires had originated in the fertile mind of Sir Home Riggs Popham, commander of the English fleet that had taken Cape Town from the Dutch earlier in the year. Nevertheless the British government, with the enthusiastic support of commercial and manufacturing interests, decided to back the invasion. Additional forces were dispatched to the River Plate (and plans were prepared for major expeditions to Venezuela and Mexico). In the meantime, however, the British troops had suffered a bloody and humiliating defeat. After less than seven weeks they had been driven out of Buenos Aires. On 3 February 1807, after reinforcements had begun to arrive, the British captured Montevideo. On 28 June 9,000 troops began a second assault on Buenos Aires. It was a disastrous failure (401 dead, 649 wounded and 1,924 taken prisoner). With the evacuation of Montevideo on 9 September 1807, Britain's short-lived empire in southern South America came to an inglorious end.

There were in fact only three outposts of the British Empire in Latin America which survived into the twentieth century: British Guiana and the settlement of Belize (British Honduras) on the mainland and the Falkland Islands 300 miles offshore. Essequibo, Demerara and Berbice on the 'wild coast' of northern South America between the Orinoco and the Amazon were first seized from the Dutch in 1796 and formally ceded to Britain by treaty in 1814–15. In 1831 they were united in the Crown colony of British Guiana which became a major producer of sugar. The boundaries were not clearly defined, however, and British claims based on the surveys of the German naturalist Robert Schomburgk in the 1830s and 1840s were disputed by British Guiana's Latin American neighbour, Venezuela. British logwood cutters had first established themselves at the mouth of the Belize river on the western shore of the Bay of Honduras on the Caribbean coast of Central America in the middle of the seventeenth century. By the end of the eighteenth century Spain had reluctantly come to recognise limited British rights there although Spain never renounced sovereignty. During the first half of the nineteenth century the Belize Settlement expanded to twice the area of the old Spanish concession and became a major producer of mahogany and the principal entrepôt for independent Central America, which lacked deep-water ports. In the meantime Britain had attempted to strengthen its position in Belize's 'dependencies'. In 1839 Roatán and neighbouring islands, strategically situated off the northern coast of Honduras and only 120 miles from Belize, were seized and in 1852 became the Crown colony of the Bay Islands. In 1842, after a lapse of half a century, a protectorate was re-established over the Mosquito Shore, an ill-defined area several hundred miles long on the Caribbean coasts of Honduras and Nicaragua. However, the Bay Islands were ceded to Honduras in 1859 and Britain withdrew from the Mosquito Shore in 1860. Only the Belize Settlement remained of Britain's Central American possessions. In 1862 it became the Crown colony of British Honduras – its territorial limits, like those of British Guiana, to be disputed by a Latin American neighbour (in this case Guatemala).

The Falkland Islands (Islas Malvinas), 'discovered' by the ships of several nations in the sixteenth century, had been first settled in the 1760s by France (1764–7) and then by Spain (1767–1811), in the case of East Falkland, and by Britain (1765–74), in the case of West Falkland. The newly independent state of the United Provinces of the Río de la Plata (Argentina) occupied the Islands in 1816, began their settlement in 1820, established a political and military command there in 1829, but was expelled by Britain in 1833. In 1841 the Falklands became a Crown colony and ten years later had been settled by 287 British subjects. By the end of the century the Falkland Islands, still claimed by Argentina, were occupied by some 2,000 people and 800,000 sheep.

With few political or military obligations of empire Britain's interests in Latin America during the first three-quarters of the nineteenth century were primarily, indeed almost exclusively, commercial. Only five months after the Buenos Aires débâcle an early opportunity had arisen to expand British trade – and extend British political influence – throughout much of South America. In November 1807 the British navy escorted the Portuguese court, fleeing Napoleon's armies, across the Atlantic to Brazil, where the following January the

Prince Regent opened Brazilian ports to the trade of friendly nations, that is to say, Britain. Not only was Brazil an important market in itself for British manufactured goods, especially textiles and ironware; it was a convenient back door to the Río de la Plata and the Pacific coast of Spanish America. British exports to Brazil in 1808 were valued at over £2 million (8 per cent of total British exports). At the same time, in the wake of Napoleon's overthrow of the monarchy in Spain, rebellions (which eventually became revolutions for independence) broke out in the Río de la Plata and many other parts of Spanish America and the resulting new regimes, like the Portuguese government in Rio de Janeiro, were eager to open their ports to British trade. In some years before the end of the European war in 1815 Latin America absorbed as much as a third of British exports.

Although officially neutral in the wars for independence, Britain made it clear that it would never allow Spain to reimpose its commercial monopoly in Spanish America and insisted that the region must remain open to British trade. With the Royal Navy in complete command of the Atlantic, Britain was also able to guarantee that no other European power intervened in Spanish America on behalf of Spain. Meanwhile, unofficially, 6,000 British officers and men fought alongside the insurgents, especially in Venezuela and Colombia, Peru and Bolivia. In December 1824, George Canning, the British Foreign Secretary, was able to write in a famous and much-quoted letter to his friend Lord Granville, British ambassador in Paris, 'Spanish America [including by this time Mexico and Central America] is free and if we do not mismanage our affairs sadly, she is English', and in a similar vein, a year later, 'Behold! the New World established and, if we do not throw it away, ours!'[1] Commercial treaties were imposed on Mexico, Colombia, Argentina and other independent Spanish American republics (with little possibility of negotiation) as a precondition for much-sought-after recognition by Britain, the world's leading power. These guaranteed most-favoured-nation treatment for British trade and protection for the lives, liberties and properties of British subjects. Exceptionally, the treaty of 1827 with Brazil, which in 1822 had separated itself from Portugal to become an independent Empire, included preferential duties on imported British manufactured goods (while Britain continued to discriminate against Brazil's major exports, sugar and coffee, in favour of colonial produce) and extraterritorial rights and privileges (including special courts) for British merchants in Brazil.

By the late 1820s there were sizeable British communities in all the major coastal towns of Latin America, especially Rio de Janeiro, Montevideo, Valparaíso (the principal port of entry and entrepôt for the west coast of South America) and Buenos Aires, where 3,000–4,000 British subjects had their own church, chapel, cemetery and library. In the lower depths of these communities could be found what Henry Stephen Fox, the British minister in Buenos Aires, in 1832 described as 'persons ... of the most foul and disreputable character ... all under the impression that this is a British colony, to be governed by British laws of which I am to be the administrator'. Fox, who in 1835 had moved to the British legation in Rio, claimed that he had never seen, or read of, or heard described 'so vile a community as the English scrapings now settled in South America'.[2] Yet there were also respectable cabinetmakers, tailors, physicians, apothecaries, upholsterers, blacksmiths, bootmakers, hatters, watchmakers and saddlers. At the head of these British communities were the representatives – some transient, some becoming permanent residents – of more than 200 major London and Liverpool merchant houses. Over half of these establishments were in Rio de Janeiro, a third in Buenos Aires and Montevideo, but there were many also in Valparaíso, Santiago and Lima (for example, Antony Gibbs, Duncan Fox, Balfour Williamson, Graham Rowe), in Caracas and La Guaira (above all, the House of Boulton) and even in San Blas on the Pacific Coast of Mexico (Barron Forbes).

The merchant house, which has been called the predominent institutional expression of British business in Latin America in the nineteenth century, existed primarily, of course, to import and distribute British goods: mainly textiles (cottons, woollens, linens and so forth), but also other manufactured consumer goods (such as ironware, cutlery, porcelain, glass, pianos, furniture, hats, stockings) and some capital goods and raw materials, especially coal. The size of the Latin American market had been grossly exaggerated at the time of Independence and hence quickly overstocked. Nevertheless in the early 1840s Brazil was receiving half its imports from Britain, worth £2–3 million per annum. This represented 5–7 per cent of total British exports – a decline from the 15 per cent of the 1820s, but still making Brazil Britain's third-largest market after the United States and Germany. British goods worth another £2 million (5 per cent of total British exports) were exported to Spanish America (more than half going to the River Plate and Chile). By the early 1870s £25 million worth of British goods (10 per cent of total British exports) were being imported annually into Latin America (a third into Brazil).[3]

At the same time British merchant houses handled the export of many local primary products: Brazilian coffee (here the firm of Edward Johnston and Co. played a key role, although the main market was the United States); Argentine hides and wool; Chilean silver and wheat; above all, Peruvian guano (natural fertiliser). The profitable trade in guano to Britain, the most important of the European markets, was largely in the hands of Antony Gibbs and Sons during the 1840s and 1850s (hence the verse well known in the City of London, 'Antony Gibbs / made his dibs / selling the turds / of foreign birds').

In general, however, most of Latin America's exports stagnated during the second and, to a lesser extent, the third quarter of the nineteenth century, which produced a marked imbalance in trade. In some sectors, particularly in mining, but also in agriculture, exports fell well below the level of the late-colonial period as a result of physical destruction and flight of capital during the wars for independence, political instability in the aftermath of Independence and lack of investment in the modernisation and expansion of production. Not much capital was accumulated locally; indeed, there was an outflow of precious metals to pay for excessive imports of British consumer goods. Furthermore, neither the British, nor other foreigners, invested in Latin America on a major scale for several decades after the financial and economic failures of the 1820s.

Several loans to the new Latin American states, many in excess of £1 million, had been floated on the London capital market during the years 1822–5. By 1828 every state except Brazil had defaulted on at least the interest payments, bringing into existence a host of committees of anxious and angry British bondholders. At the same time, taking advantage of the stock exchange boom of 1823–5 numerous joint-stock companies had been created to explore the legendary mineral wealth of Mexico, Peru, Bolivia, Colombia and Chile. Only a few Mexican mining companies, like Real del Monte, survived the crash which followed. None were profitable.

During the period after Independence the great British merchant houses invested modestly in internal commerce, land, food processing, even mining, and also provided valuable financial services for British and local clients. Only in the late 1850s and the 1860s, however, was a significant financial connection re-established between Latin America and Europe, especially Britain. Barings, for example, floated a loan of £1.5 million for Chile in 1858, a loan of £1 million for Venezuela in 1862 and loans of £1.25 million in 1866 and £1.95 million in 1868–9 for Argentina during the Paraguayan War.[4] Brazil and Peru, however, were the major borrowers, accounting for at least 50 per cent of total British portfolio investment in Latin America before the investment boom of the 1870s and 1880s. The first joint-stock enterprises, a new type of business concern with headquarters in the metropolis, invested in early railway development (in Brazil, Argentina, Mexico and elsewhere), in public utilities (for example, gas companies in all the major cities of Brazil), in land (in Argentina, Uruguay and Paraguay) and in mining (in Chile). Significantly, perhaps, the first British commercial banks – the London and Brazilian Bank (1862), the London and River Plate Bank (1863), the London Bank of Mexico and South America (1863–4), the English Bank of Rio de Janeiro (1863), the London and Venezuela Bank (1864) – suddenly appeared on the Latin American scene and their business expanded rapidly.[5] By 1865 £80 million and by 1875 £175 million was invested in Latin America, 10 per cent of total British investment abroad, most of it in government bonds and, to a lesser extent, railways.[6]

In the economic history of Latin America the third quarter of the nineteenth century represents a transitional period between the immediate post-Independence period, which was generally characterised by poor export performances (with exceptions like coffee in Brazil, guano in Peru, sugar in Cuba) and consequent economic stagnation, and the 'Golden Age' of export-led growth (*desarrollo hacia afuera*) from the 1870s and 1880s to the 1920s. The impetus for the often spectacular growth of the Latin American export sectors in the late nineteenth and early twentieth centuries came primarily from international (including British) demand for Latin American foodstuffs and raw materials. It was made possible by the British-led revolution in communications and transportation, especially railways and transoceanic steam navigation and cables, and by a massive inflow of (mainly British) capital into infrastructure and, to some extent, production. This in turn was facilitated by a much improved business climate in Latin America, as the political instability in most countries after Independence gave way to stability in the form of both constitutional and representative regimes (for example, in Argentina and Uruguay) and dictatorships (as in Venezuela and Mexico) – all of which encouraged foreign investment. These changes did much to increase the flow of British capital to Latin America after 1880, although there were occasional disruptions such as that caused by the Baring Crisis (1890–1), after which new investment in Argentina (and elsewhere) dried up for a period.

The measurement of foreign investment in Latin America in the nineteenth century is a historical minefield. However, it would be generally agreed that British investment in Latin America grew from under £200 million in 1880 to around £1,000 million in 1913[7] – a third in Argentina (which in some years, for example 1889, had absorbed 40–50 per cent of all British capital invested abroad),[8] a quarter in Brazil and a sixth in Mexico. This represented 20–25 per cent of total British overseas investment and almost 60 per cent of all foreign investment in Latin America.

A large proportion of British investment in Latin America in the thirty to forty years before the First World War was portfolio investment (government bonds and minority holdings in foreign-controlled companies), although direct investment increased from a quarter in 1880 to almost half in 1914. The British investor in Latin America put more than a third of his money into government (federal, state and municipal) bonds. Barings remained the principal bankers of Argentina and a number of other Spanish American republics. (Between 1902 and 1914, for example, they were directly responsible for thirteen issues for Argentina or Buenos Aires totalling £27 million.)[9] For Brazil it was Rothschilds. They financed, for example, the funding loan of £10 million in 1898, although Schroders led the consortium which raised the loan to the state of São Paulo in 1906 in order to finance valorisation, the price-support programme for coffee. Not only a large part of portfolio investment but also half of direct British investment went to finance railway construction – especially in Argentina, but also in Brazil, Peru, Uruguay, Chile and Venezuela. Throughout Latin America, besides passengers and imports, exports were moved rapidly and cheaply to the seaports by railways financed, built and run by the British – the Central Argentine Railway, the Buenos Ayres Great Southern Railway, the Argentine Great Western Railway, the Central Uruguay Railway, the San Paulo Railway which linked São Paulo to the port of Santos (one of the greatest – and most profitable – achievements of Victorian engineering), the Tarapacá Railway, the Peruvian Corporation's Central Railway, the La Guaira–Caracas Railway, the Mexican Southern Railway, the Tehuantepec Railway and the Western Railway of Havana. The rail networks of Argentina and Brazil, in particular, expanded from less than 500 miles each in 1870 to 21,000 and 15,000 miles respectively in

1914. In 1900 British-owned companies accounted for almost 90 per cent of aggregate railway investment in Argentina and some 15 per cent of Argentina's total capital stock.[10]

The British also invested in banking and insurance; in shipping; in harbours and port works (Rio de Janeiro, Santos, Buenos Aires, La Guaira, Vera Cruz); in river transport; in telegraph and cables ('All the earth is caught up in the net of English telegraph lines ...', wrote Eduardo Prado in Brazil, 'powerful invisible nerves ... connecting the most remote regions to the brain of the world, London');[11] in sheep farms in Patagonia and cattle *estancias* in Buenos Aires province and in the mesopotamian and littoral provinces of Argentina (in 1913 10 per cent of British direct investment in Argentina was in land)[12] as well as in Uruguay, Paraguay and Southern Brazil; in meat-packing plants like George Drabble's River Plate Fresh Meat Co. (1882), flour mills (Rio Flour Mills and Granaries, established 1886, was the most successful British manufacturing investment in Brazil), sugar refineries, breweries and textile mills (J. & P. Coats in Brazil); in nitrate mines (the British owned 70 per cent of the Chilean nitrate industry in 1890), silver mines in Mexico, Chile and Peru, copper mines in Chile, Peru and Venezuela, gold mines in Brazil (the St John del Rey Mining Co. in Minas Gerais) and oil fields in Peru, Ecuador and, most successfully, Mexico (El Aguila); and finally, almost rivalling railways in importance in the decade before the First World War, in urban public utilities. Urban growth accompanied export-sector growth and the British financed and managed urban transport companies, waterworks, sewage and drainage systems, gas and later electricity companies throughout Latin America – especially in Argentina, Brazil, Uruguay, Chile and Peru. The Anglo-Argentine Tramways Co. (1869) is a notable example: it had acquired by 1910, through a series of amalgamations and mergers, a network of 430 miles in Buenos Aires (75 per cent of the most extensive system in the world)[13] and in 1913 it opened the city's (and Latin America's) first underground railway. Montevideo, perhaps even more than Buenos Aires, was a city almost totally dominated by British capital. As early as 1881 the British minister was able to declare that 'all the industrial enterprises ... which are of any importance are in English hands. Railways, Tramways, Banks, Docks, Gas and Water supplies have been established by English capital and are managed by Englishmen.' In 1890 the President of the Republic compared his position to that of 'the manager of a great ranch, whose board of directors is in London'.[14]

To the enterprising British entrepreneur, Latin America now offered opportunities without parallel. Two outstanding examples of many who were tempted are John Thomas North and Weetman Pearson (who became Lord Cowdray in 1910).[15] North first went to Peru in 1869 at the age of twenty-seven as the representative of Fowlers, a Leeds engineering firm exporting nitrate-extracting machinery. Within a few years he owned his own nitrate *oficina* near the coastal town of Iquique. After the War of the Pacific (1879–83) and the transfer of the rich nitrate provinces of the Atacama desert from Peru and Bolivia to Chile, North acquired the title deeds to the richest nitrate fields. Operating mainly from London, he also controlled the water supply, gas, coal and provisions supply companies of the key province of Tarapacá, as well as the railway linking the most important *oficinas* to the port of Iquique. In 1889, with the nitrate market showing signs of weakness and the Chilean government threatening to impose controls on foreign monopolies, the 'Nitrate King', who was by now a leading figure in English society, made an extensive tour of his 'kingdom'; he was accompanied by a number of distinguished journalists, including W. H. Russell of *The Times* who discovered, for example, that the Tarapacá Railway was not, as had been reported, 'a tramway ending in a marsh' but a network of 'stations, sidings, platforms, locomotive sheds ... worthy of any city in Europe'. North, who met President Balmaceda three times, left Chile having successfully restored confidence in the industry and in his companies. The nitrate boom was over, however, and before his death in 1896 North, who had in his own words risen from 'mechanic to millionaire' through his activities in Peru and Chile, had quietly diverted his capital from Tarapacá to collieries in England, factories in France, cement works in Belgium, tramways in Egypt and gold mines in Australia.

Pearson first visited Mexico in 1889 at the age of thirty-three and during the next twenty years spent several months of almost every year in Mexico City. He became an intimate friend of the dictator Porfirio Díaz and, as Liberal MP for Colchester, was generally known in England as 'the Member for Mexico'. His major achievements in Mexico included the draining of Mexico City and the valley of Mexico by means of a 30-mile-long Gran Canal – a task that had baffled engineers for three centuries; the construction at Vera Cruz, on Mexico's Caribbean coast, of a deep-water port with three giant breakwaters, a half-mile jetty for ocean liners, wharves, warehouses, a railway station, pure water supply and electricity; and the construction of a railway across the Isthmus of Tehuantepec, connecting the Atlantic and Pacific Oceans, with a modern, well-equipped port at each end – Salina Cruz on the Pacific, Coatzacoalcos on the Gulf. In 1910, on the eve of the Mexican Revolution, after almost a decade of failure and competition from a subsidiary of Standard Oil of New Jersey, the Pearson Trust's Mexican Eagle Co. (El Aguila) finally struck oil – the great Potrero Four well – and became immediately by far the largest oil producer in Mexico. Cowdray rode the storm of the Revolution, but began to pull out after the First World War and in 1919 sold his oil interests to Royal Dutch Shell.

During the period from 1880 to 1914 a dramatic expansion in trade between Latin America and Britain accompanied the massive increase in British investment. Although many Latin American foodstuffs (such as coffee, cacao, sugar and fruit) still could not compete with British colonial produce and were exported (often by British merchant houses and shipping companies) to France, Germany and the United States, Latin American exports to Britain quadrupled. In 1913 Britain imported primary produce worth £76 million from Latin America, which represented 10 per cent of total British imports and 25–35 per cent of the exports of Brazil, Argentina, Uruguay, Chile and Peru. Much of the increase after 1880 was accounted for by minerals (Chilean nitrates until the 1890s, copper from Peru and Chile, Mexican oil after 1910), Brazilian rubber, and wool, cereals and – above all – chilled, frozen and canned meat from Argentina and Uruguay. Imports from Argentina alone amounted to £42 million, 6 per cent of British imports. Britain was not only Argentina's main market, but Argentina was also one of the main half-dozen suppliers to the British market and the second most important source of food for Britain after the United States.

At the same time Latin America in 1913 absorbed £58 million worth of British goods. This represented 25–30 per cent of the imports of most of the major Latin American republics – Argentina, Brazil, Uruguay, Chile, Peru – and 10 per cent of total British exports. Textiles (especially cotton goods) remained the largest single element in this trade, but intermediate and capital goods – iron and steel, coal, rolling stock, agricultural and industrial machinery, telegraph equipment and above all metallurgical and engineering products for railway construction – made an increasingly important contribution. In 1899 Argentina had become Britain's major Latin American market, overtaking Brazil which had held that position since 1808. By 1913 Argentina alone absorbed almost half of Britain's exports to Latin America. Only the United States outside the Empire was a more important market.

The British communities in the major cities and ports of Latin America – Buenos Aires, Montevideo, Rio de Janeiro, São Paulo, Valparaíso, Santiago, Lima – now included (besides merchants) the managers and office staff of British-owned railways, public utilities, banks, shipping and insurance companies, landed estates, mines and even factories. (Charles Miller, the agent of the Royal Mail lines in São Paulo, is said to have introduced soccer into Brazil in 1886.) 'The Englishman in Latin America', wrote C. Reginald Enock in *The Republics of Central and South America* (1913), 'is still to a certain extent a "milord" ... generally not falling below a certain standard of education ... He comes for great enterprises, his pockets are overflowing with silver, which he is supposed to dispense liberally ... The lower class Briton is rarely encountered.' Scattered throughout the subcontinent were small groups of skilled workers – anything from 50 to 300 men and their families – under contract to British-owned concerns: engine drivers, plate layers and fitters on the railways and in the railway workshops of Argentina; miners in the Chilean copper, Brazilian gold and Mexican silver mines; machinists at J. & P. Coats' thread factory in São Paulo; millers at the Rio Flour Mills; engineers, carpenters, moulders and fitters in the Pacific Steam Navigation Company repair works and factory at Callao in Peru. In general wages were high, hours relatively short and conditions good. However, the vast majority of poor working people emigrating from Britain in the nineteenth and early twentieth centuries were directed by the Government Emigration Commissioners not to Latin America, but to the United States and, within the Empire, to Canada, Australia, New Zealand and South Africa. After the Famine in 1846 several thousand Irish settled in the province of Buenos

Aires, mostly in sheepfarming, and at the end of the century land-hungry Scots – and Falkland Islanders – took over large areas of Patagonia, where they continue to play an important role. Yet the several attempts, both private and state-financed, to establish British agricultural colonies in Latin America – in the 1870s, for example, Alexandra (Santa Fé, Argentina), the 'Lincolnshire Farmers' scheme in Paraguay, Cananea (São Paulo) which attracted 500 emigrants and Assunguy (sixty miles from Curitiba, Paraná) which attracted over 1,000 – almost all ended in disaster.[16]

The only successful agricultural colony was that of the Welsh in Argentina. The Welsh Emigration Society had for some time been looking for an isolated spot where Welsh language, culture and religious Nonconformity could be preserved. After rejecting California, British Columbia and Australia, the Society alighted upon Chubut in north-east Patagonia, 800 miles south of Buenos Aires. The first 150 colonists landed, singing hymns, in July 1865. Y Wladfa survived the first difficult years, partly because of the spirit and determination of the colonists, but mainly because of the support given by the British community in Buenos Aires and by the Argentinian government which was anxious to settle the area. In 1889 the Welsh were sufficiently well established to form a second colony – Cwm Hyfryd – in the foothills of the Andes. In 1902, now 3,000 strong, the Welsh unsuccessfully petitioned the Colonial Office in London for the annexation by Britain of Patagonia and several hundred colonists subsequently emigrated to Canada. Only a small proportion of the population of Chubut is now of Welsh descent, but the province still retains traces of its original Welsh character.

The number of British subjects resident in Latin America in the nineteenth century therefore remained small. In the 1890s, for example, the British numbered 2,500 in Montevideo, 1,500 in Rio de Janeiro and a few hundred in São Paulo. In Chile, however, there were already 4,000 in the 1860s and 11,000 by 1900 if first-generation Anglo-Chileans are included. In Argentina, furthermore, the British and Anglo-Argentinian community, already 5,000-strong in the 1830s, had by 1914 expanded to 40,000 – the largest British community outside the Empire. Several thousand lived on the pampa and in Patagonia, but the majority were concentrated in Buenos Aires. Here there were clear social divisions within the British community. The working class lived mostly in the south of the city (around, for example, the railway workshops), the middle and upper-middle class in the northern garden suburbs like Hurlingham, thirty-five minutes by train from the city centre. There they had their own schools (which were also attended by the children of many prominent Argentine families), hospital, churches, sports and social clubs: Hurlingham boasted not only cricket and polo grounds, but also a race course. They were served by two daily newspapers, the *Standard* and the *Buenos Aires Herald*. Many employed British lawyers, doctors and architects. They shopped at the local branch of Harrods and ate at the Victoria Tea and Luncheon Rooms. They frequently took their holidays in hotels owned and staffed by British railway companies. Some of the

British in Argentina, who had bought and developed cattle *estancias*, introducing improved livestock and new breeding methods, had accumulated immense wealth. Sir David Kelly, who was a young secretary in the British legation in Buenos Aires just after the First World War, recalls being shown a private list of between ten and twenty individual British fortunes in land and capital running into millions of pounds.[17]

Considering the extent of Britain's economic supremacy – and British naval supremacy – British governments exercised considerable restraint in their dealings with Latin America. A good deal of political arm-twisting took place behind the scenes; individual diplomats on the spot – for example, Frederick Chatfield, the British representative in Central America during the period 1834–54 – were often inclined to act in a high-handed 'imperialistic' manner; coercive measures – especially naval demonstrations – were undertaken to protect the lives and properties of British subjects or to preserve existing trade on 'fair and equal' terms; and on a few occasions – for example, the Anglo-French blockade of the Río de la Plata in the 1840s, the Anglo-French-Spanish intervention in Mexico in 1861, the Anglo-German-Italian blockade of Venezuela in 1902–3 – Britain (with other powers) resorted to gunboat diplomacy for the promotion of trade or the collection of debts. On the whole, however, British governments pursued a policy of influence rather than outright intervention in the internal affairs of the sovereign states of Latin America. The one notable exception was the long, but eventually successful, British campaign for the abolition of the transatlantic slave trade. In the case of Brazil, the chief offender, the issue dominated political relations between the two countries for almost fifty years. In the end, in 1850–1, the British navy was sent into Brazilian territorial waters to stop, search and destroy vessels suspected of trading in slaves and Brazil was finally forced to suppress the trade.[18] In general, however, relations between Britain and Latin America were good and this was especially the case after 1870. Outright intervention, much less coercion, was unnecessary. The Latin American political and economic elites on the whole welcomed British economic 'penetration' and pursued enthusiastically the 'model' of capitalist modernisation by means of foreign loans, direct foreign investment, export-sector growth, free trade and integration into world markets.

Latin America, though relatively peripheral, did not entirely avoid the Great-Power rivalry of the late nineteenth century. There was, however, no scramble for Latin America, no partition. Britain's position as the dominant external power, though challenged by both Germany and – especially in Mexico, Central America and the Caribbean – by the United States, was not seriously threatened in the nineteenth century, and Britain, as we have seen, had few colonial ambitions in Latin America. The United States, which since the Monroe Doctrine (1823) had made claims to some vague sort of political pre-eminence in Latin America, had itself – once Mexico had been deprived of half its territory (1846–8) – only limited imperial ambitions, except in the Caribbean. Latin America remained the only area of the globe largely free of imperialism in the nineteenth century. The extent to which Latin America could be said to have been part of Britain's 'informal empire', with Argentina becoming virtually a 'Sixth Dominion', and whether this relationship was detrimental to Latin America's long-term development are different and broader issues which still divide historians and which cannot be properly discussed here.

On the eve of the First World War Britain remained economically pre-eminent in Latin America: it was the principal holder of the Latin American public debt, the principal investor in Latin America and Latin America's principal trading partner. Yet Britain's position, much stronger in absolute terms, was *relatively* weaker than it had been in, say, 1890. Other industrial powers – France, Belgium, and especially Germany and the United States – had been increasing their economic stake in Latin America much faster than Britain during the previous twenty-five to thirty years.

From the late 1880s the *South American Journal* regularly warned that the Germans, rivals for world markets in the period before the First World War, were putting more effort into their commercial relations with Latin America than the British. Germany's trade with South America increased from under 1 per cent of its total trade in 1881 to 7.6 per cent in 1913, when Germany supplied 16.5 per cent of South America's imports as well as 10.5 per cent of its foreign capital.[19] Starting from scratch in 1891, the German banking system in Latin America had grown to half the size of the British by 1914. Moreover, at the outbreak of the war, German advisors were restructuring and organising a number of Latin American armies, including those of Argentina and Chile, while there were large communities of German immigrants and their descendants throughout Central and South America.

The commercial, financial – and political – challenge to British pre-eminence in Latin America posed by the United States was even more serious. For more than half a century following the promulgation of the Monroe Doctrine the United States lacked the means, economic or political, to make effective its aspiration to remove European influence from the western hemisphere, although under the Clayton–Bulwer treaty (1850) Britain agreed to share 'dominion' over Central America with the United States. In the 1890s and 1900s the United States began to play a more assertive role further south, as for example in the Anglo-Venezuelan dispute over the borders of British Guiana (1895), when Secretary of State Olney made the exaggerated claim that 'today the United States is practically sovereign on this continent', in the war with Spain (1898), from which it acquired an empire in the Caribbean, and in the Roosevelt corollary to the Monroe Doctrine (1905). Britain's failure directly to challenge US pretensions in the region – on the contrary, to welcome, as did Balfour, the British Prime Minister, in 1903, 'any increase of the influence of the United States of America upon the great Western Hemisphere'[20] – had profound long-term consequences, particularly in view of the advances being made at this time by US trade and investment.

The United States had always been an important market for Latin American exports – for example in 1900 43 per cent of Brazil's exports (mainly coffee, rubber and sugar) went to the United States, only 18 per cent to Britain[21] – but the United States had exported relatively little to Latin America. With industrialisation, however, came a search for markets abroad and a greater share of world trade. Between 1860 and 1914 US exports grew sevenfold and Latin America's share increased from 7 per cent in the early 1890s to 30 per cent in 1913. On the eve of the First World War the United States had already supplanted Britain as the main supplier of manufactured and capital goods to Mexico (50 per cent of total imports), the Central American and Caribbean republics (45–65 per cent), Venezuela (40 per cent), Colombia and, marginally, Peru (25–30 per cent). The United States had, however, only a 15 per cent share of the three major South American markets – Argentina, Chile and Brazil.[22] From the late 1890s US capital was for the first time transferred to Latin America on a significant scale. Some of this took the form of portfolio investment in government bonds, national railways and public utilities, but US investment in Latin America was overwhelmingly direct and employed in mining, agriculture and manufacturing: copper in Chile, Peru and Mexico, oil in Peru and Mexico; sugar in Cuba; bananas in Colombia and Central America; and, from 1907, even meat-packing in Argentina and Uruguay. In 1900, however, 80 per cent of US direct investment in Latin America was in two countries only, two-thirds in Mexico (the only country in the world where the United States 'outinvested' Britain) and one-third in Cuba; in 1914, almost 90 per cent of US direct investment was still accounted for by only four countries – Mexico, Cuba, Peru and Chile. On the eve of the war the United States had nominal capital of only $173 million in the ten republics of South America ($50 million in Brazil, $40 million in Argentina, $35 million in Peru) compared with Britain's $3,835 million ($1,162 million in Brazil, $1,861 million in Argentina, $133 million in Peru).[23] France as well as Germany had a bigger stake in South America. Furthermore, nationally chartered US banks were forbidden by law until 1914 to establish branches abroad, whereas in 1913 Britain had banks like the London and River Plate Bank with assets of £32 million, the London and Brazilian and the Anglo South American with £22 million and £20 million respectively and British banks in Brazil held 30 per cent of the total assets of all banks and 57 per cent of the assets of all foreign banks.[24]

The First World War, which in so many other ways brought an end to the nineteenth-century international political and economic order, produced a major shift in Latin America's external relations.[25] It accelerated Britain's relative decline, virtually destroyed the growing influence of Germany and considerably strengthened the economic presence of the United States in Latin America. In imposing blockades and blacklisting hundreds of 'enemy' firms, Britain and the United States were concerned not only with a more effective prosecution of the war against Germany, but also with the elimination of Germany as an economic competitor in Latin America in the post-war period. In this they were almost entirely successful. Apart from a brief period between the Nazi seizure of power in 1933 and the outbreak of the Second World War in 1939, which saw a revival of German trade with Latin America, Germany did not re-establish significant economic links with Latin America until the 1960s. The two remaining powers may have been allies in the war against Germany, but they had conflicting economic as well as political interests in Latin America; inevitably, given the geographical factor and the very different impact of the war on the two economies, it was the United States which dramatically gained ground during the war – mostly at the expense of Germany, but also to some extent at Britain's expense. On the one hand, lack of goods available for export – and lack of shipping (the tonnage of British ships entering Brazilian ports fell from 9.9 million in 1913 to 2.2 million in 1917)[26] – led to a further decline in Britain's share of the Latin American market during the war, especially in Brazil and even in Argentina. On the other hand the United States, which already absorbed almost three-quarters of the exports of Mexico, Central America and the Caribbean republics, not only consolidated its position as Latin America's main market by increasing its share of South American exports from 16.8 per cent to 34.8 per cent between 1913 and 1918, but also increased its share of goods imported into Mexico, Central America and the Caribbean republics from 53.2 per cent to 75 per cent, and, even more significantly, into South America from 16.2 per cent to 25.9 per cent.[27] At the same time the United States established regular shipping services to South America (making use of the newly opened Panama Canal in the case of the West Coast republics) and, with the opening of direct lines to Brazil in 1917 and Argentina in 1919, broke the British monopoly of cable communication.

It was also during the First World War that US banks entered Latin America and began to compete with the well-established British banks. The First National City Bank of New York opened its first branch – and in Buenos Aires – in 1914. (Its representative John H. Allen, in the opinion of the Barings' agent, was 'not a gentleman, simply a common North American bounder-bully, entirely unscrupulous'.)[28] By 1919 it had forty-two branches in nine countries and, whereas Britain was forced during the war to reduce new overseas investment (by 16 per cent world-wide) and liquidate some of its assets, the United States increased its lending to Latin American governments and its direct investment in Latin America, preparing the way for the investment boom of the 1920s.

During the 1920s British exports to Latin America recovered to some extent in absolute terms, but at the end of the decade Britain's share of the market had declined to around 5 per cent in Mexico and Cuba, 5–15 per cent in the other Central American and Caribbean republics, around 15 per cent in Venezuela, Peru, Uruguay, 18 per cent in Chile and 21 per cent in Brazil and Argentina. Only in Argentina, where the proportion of its exports sold to Britain actually increased (26.1 per cent in 1911–13, 32.5 per cent in 1928–30), did Britain have the largest share of the market for imports, and there only marginally. Even before the war the growth of manufacturing industry had reached the point where countries like, for example, Brazil could themselves produce many of the goods (especially textiles) which had dominated Britain's export trade for more than a century. Furthermore, Britain simply could not compete with the United States (or for that matter Germany before 1914) in producing – and selling – the goods for which Latin American demand was rising most rapidly: modern agricultural and industrial machinery, office equipment, electrical machinery, household electrical goods, chemicals, proprietary drugs and automobiles (especially to Argentina which experienced a 'car fever' in the 1920s). The Report of the D'Abernon trade mission to Argentina, Brazil and Uruguay (August–September 1929), recognising that British exports had lost further ground in South America since the war, blamed

> our apparent incapacity to accommodate ourselves to local circumstances ... inadaptibility ... persistent adherence to what Great Britain thinks good, to the exclusion of what South America wants. Typical of this, to take only those of major importance, are the motor trade, [and] agricultural machinery – harvesters, ploughs, tractors, windmills ... In the first six months of 1929 Argentina alone imported 51,067 motor vehicles valued at £5,000,000, and her agricultural machinery requirements are on a corresponding scale. Our failure to capture even a small proportion of these trades may be attributed to inability to produce on a sufficiently large scale, insufficient finance, high prices, unsuitability to South American needs, defective salesmanship – including inadequate advertisement, inadequate service, inadequate show-rooms, inadequate range of choice. Moreover, South America is not one market but several, and each requires separate study and special organisation for sales.[29]

The United States had secured the largest share, often overwhelmingly the largest share, of the market everywhere in Latin America except in Argentina: 70–75 per cent in Mexico, 50–80 per cent in Central America and the Caribbean republics, 40–45 per cent in Venezuela, Colombia and Peru, 30 per cent in Brazil, Uruguay and Chile. Even Argentina now took 20 per cent of its imports from the United States. In 1929 the United States could be said to have definitively displaced Britain as Latin America's principal trading partner.

British investment in Latin America did not decline in the 1920s, but – with a ban on new overseas investment in force until 1925 – it increased only modestly; according to one estimate, from a little under £1.2 billion to £1.3 billion.[30] British capital was invested in land and meat-processing in the Southern Cone (by such companies as Liebigs and Vesteys) and oil in Venezuela and Mexico (by Royal Dutch Shell) as well as, for the first time, in manufacturing industry other than textiles (by ICI, Pilkingtons, Lever Brothers, Glaxo, among others). It was still to a large extent, however, concentrated in railway and public utility companies, which faced mounting opposition from the urban middle class over reserved jobs for British subjects and over the cost and quality of the services provided and from workers over wages, conditions of work and the rights of organised labour. This had been evident in, for example, Uruguay even before the First World War. It was generally true after the war. In Argentina, for example, as early as 1919, British-owned public utilities faced 'an ever growing cold war of niggling and obstruction'.[31] Nevertheless in 1930 investment in Latin America still represented a third of British investment overseas and in South America at least Britain remained the principal investor with $4,485 million ($2,140 million in Argentina, $1,414 million in Brazil and $390 million in Chile).

In contrast, in the so-called 'dance of the millions' in the 1920s, Latin America received a massive injection of new capital, portfolio and direct, from the United States.[32] (In the years 1924–8 the flow of US investment in Latin America is said to have exceeded the flow of British investment in the boom years 1904–13.) The most dramatic advance had come in South America where US direct investment had risen from only $173 million in 1913 to $2,293 million in 1929 ($661 million in Argentina, $476 million in Brazil and $396 million in Chile). In 1929 more than one-third of US capital invested abroad was invested in Latin America (over $5 billion). Mexico still absorbed a fifth and Cuba another fifth of investment in Latin America, but the United States was also rapidly closing the gap on Britain in South America. Overall the United States had probably replaced Britain as Latin America's main source of capital.

In 1929 – in, for example, the D'Abernon Report – there remained some optimism that the relative decline in Britain's commercial relations with Latin America since the First World War could still be reversed, at least in South America. 'We look forward to the rapid development of commercial possibilities in South America', D'Abernon wrote, 'with greater confidence than in any other part of the world',[33] but then came the world depression, the contraction of world trade and the rise of rival trading blocs. During the 1930s Britain turned away from the rest of the world, including Latin America, towards the Empire – especially India and the colonies of white settlement (Australia, New Zealand, Canada, South Africa). The one exception was Argentina, which was regarded 'almost as part of the Empire'.[34] Against all the trends, trade with Argentina under the Roca–Runciman Pact (1933) grew during the 1930s. In 1938 Britain still received 17 per cent of Latin American exports (of which a high proportion consisted of Argentinian chilled and frozen meat and cereals), though it now supplied only 12 per cent of Latin American imports.[35] Meanwhile, capital flows to Latin America had largely dried up in the aftermath of the Wall Street Crash and there was relatively little new investment in Latin America – British or US – during the 1930s. Widespread defaults on existing loans in the 1930s had a profound effect on British bondholders. (By 1934 only Argentina, Honduras, Haiti and the Dominican Republic maintained the servicing of the external national debt, although oil-rich Venezuela had repaid all principal by 1932.) Latin American exchange controls also affected the remittance of profits on direct investment. Then came the dramatic nationalisation of US and British oil companies in Mexico in 1938.

The Second World War dealt an even more crushing blow to British–Latin American trade and British investment in Latin America than the First World War. Britain's export trade as a whole collapsed due to shipping shortages and the exigencies of war-time production. By 1944 exports to Latin America had fallen to only 25–30 per cent of their 1937 level.[36] Even exports to Argentina fell from £23 million to £5 million (a figure lower than in the 1880s). Britain, however, still bought 40 per cent of its imported meat, essential for both the civilian population and the armed forces, from Argentina which was the second most important non-Empire supplier to the British market after the United States. New investment overseas was prohibited during the war. Instead the withdrawal of British capital from Latin America, begun during the 1930s, gathered pace. Globally, Britain liquidated over £1,000 million of its overseas assets of around £3,000 million to pay for war-time imports. In Latin America, Britain liquidated £100 million of its total investment of £800 million[37].

In sharp contrast the Second World War brought the United States and the Latin American republics, which apart from Argentina lined up with the Allies against the Axis powers, closer together in every way. Military ties – bases, technical co-operation, Lend Lease – were extended and economic links were consolidated. Latin America supplied the strategic minerals and raw materials required by the United States and the US supplied loans and technical assistance to Latin America, including a limited amount of co-operation in Latin America's industrial development; a number of US trade missions visited Latin America and US exports to Latin America expanded from $700 million in 1942 to $1,000 million in 1944.[38] Moreover, political and cultural ties were enormously strengthened as a result of the efforts of Nelson Rockefeller's Office of the Coordinator of Inter-American Affairs (OCIAA). By the end of the war the United States had created and expected to maintain a 'closed hemisphere in an open world'. Eric Johnston, President of the United States Chamber of Commerce and Chairman of the United States section of the Inter-American Development Commission, had no doubt that 'just as the last century in Latin America was a "British century", the next would be an American century'.[39]

During the Second World War Britain was obliged, with varying degrees of reluctance at different levels of government, largely to concede hegemony in Latin America to the United States, even finally in Argentina where a particularly interesting struggle for supremacy between the two Allies occurred, similar to that in Mexico during the First World War.[40] In Buenos Aires Sir David Kelly, the British ambassador, tried to warn London of what was at stake and to resist the expansion of US influence in Argentina. In this he played a similar role to that of Sir Lionel Carden in Mexico City almost thirty years earlier. Carden it was who expressed the view (to the German minister) that

> very few people in England grasp the real goal of American policy ... It is not Mexico but the entire continent which is at stake. The United States may have told them that they want to stop at the Panama Canal; they will never do so. Once they have gotten that far, they will of necessity take Colombia ... then comes Brazil ... and from there it's on to Cape Horn.[41]

In the immediate aftermath of the Second World War there were great commercial opportunities in Latin America. Demand was high as a result of the war-time disruption of imports, and substantial foreign exchange reserves had been accumulated as a result of generally strong export performances during the war. This was particularly true of Argentina, still the prize Latin American market, and Argentina had also built up large sterling balances. Britain, with its massive balance of payments deficit, desperately needed to export, but had no exports (except armaments) until industry returned to peacetime purposes. There was in any case, in view of the experience of the inter-war years, a doubt whether Britain could provide the consumer goods, capital goods and industrial raw materials the major countries of Latin America now required and whether, apart from Argentina, the Latin American market was regarded as a high priority in Britain. There were to be no commercial missions to Latin America in 1945 similar to the Maurice de Bunsen mission in 1918 which had played an important role in the partial recovery of British trade with Latin America at the end of the First World War.

As for British investment, the Treasury ruled out any substantial export of capital to Latin America in the immediate post-war period. After five years of total war, in which it has been calculated Britain lost a quarter of its wealth and from which Britain emerged with external liabilities of £3,000 million, the country faced, in Keynes' dramatic phrase, a 'financial Dunkirk'. The post-war problems of sterling led in 1947 to exchange controls designed to deter British companies from investing in the dollar area (including Latin America). On the contrary, there was an acceleration of the pre-war and war-time disinvestment and, in particular, the selling of British-owned railways and public utilities to Latin American governments.

In Argentina, where one-third of British capital in Latin America was still invested and where, in particular, the sixth-largest railway network in the world was 57 per cent British-owned, the anglophile political elite with its economic interests in the export sector and close ties to British capital had been finally overthrown in 1943 and replaced by the nationalist, anti-British regime of Perón in 1946. After protracted negotiations, in March 1948 Argentina used the bulk of its reserves and its blocked sterling balances to purchase for £150 million the British-owned railways. Railways and utilities in Brazil, Uruguay and elsewhere were also sold. The Bank of England estimated that Britain's nominal overseas investment had declined by 45 per cent between 1938 and 1948 – in Argentina by 86 per cent, Mexico by 55 per cent, Brazil by 50 per cent.[42] Argentina, which alone had accounted for 10.4 per cent of total British capital overseas in 1938, accounted for only 2.6 per cent in 1948.

As Britain retreated on so many fronts in Latin America in the course of the first half of the twentieth century, especially after 1914, British investments in Argentina and in particular in Argentina's railways – Britain's single most important investment in Latin America – had come to acquire an enormous symbolic importance. As Malcolm Robertson, the British ambassador in Buenos

Aires, had said in 1929, 'I look upon them [the railways] as the mainstay, the backbone of our whole position out here. If they go, we all go.'[43] The nationalisation of the British railways in Argentina in 1948 can thus be taken to mark the end of an era. However, this is not the end of the story of the decline of Britain's position in Latin America. In 1950, Latin America (above all, Brazil and Argentina) still absorbed 7.1 per cent of British exports and Britain had a 7 per cent share of the Latin American market although these figures were under half the level of 1938. Latin America also supplied 7.8 per cent of Britain's imports, although this figure was only as high as it was because of Argentina. Britain had £250 million invested in Latin America, although this was now below 10 per cent of Britain's greatly reduced investment overseas. There was still some way to fall before the low levels of the 1970s and 1980s were reached: by that time less than 2 per cent of UK trade was with Latin America and British investment in Latin America was only 3–5 per cent of total British investment overseas (see chapter 6, below).

British pre-eminence in Latin America in the nineteenth century is not difficult to explain. Britain, the 'first industrial nation', was the 'workshop of the world'; the City of London was the world's major source of capital for export; Britain had more than half the world's merchant shipping as well as the Royal Navy. Britain exercised an unchallenged global hegemony from 1815 until 1860 or 1870 and a somewhat less secure global supremacy until 1914. Moreover, Britain, having been 'present at the creation' of the independent Latin American states, had established with them from the beginning a close relationship – commercial, financial, political – which some historians have seen as one of 'informal empire'. In the nineteenth-century international division of labour the British economy and the Latin American economies were complementary, Britain supplying manufactured goods and capital to Latin America, Latin America supplying Britain with foodstuffs and raw materials.

The decline of British pre-eminence in Latin America in the first half of the twentieth century, first relative, then absolute, is a more complex issue. In large part it was, of course, a consequence of Britain's overall decline. The balance of world forces, economic as well as political/naval/military, had begun to change after 1870. Other European nations, especially Germany, and the United States industrialised. Britain's share of manufacturing output and of world trade inevitably fell, but British industry also failed to remain competitive; it was no longer at the forefront of technological change. Restrictions were increasingly imposed on the movement of British capital and New York replaced London as the world's main capital market. Above all, the damaging effects of two world wars on the British economy cannot be overestimated. At the same time, Britain increasingly strengthened its commercial and financial ties with the Empire, and especially with the Dominions, at the expense of Latin America (with the exception of Argentina until the years immediately after the Second World War).

The decline of Britain's position in Latin America was also a consequence of changing economic and, to a lesser extent, social and political structures in Latin America itself. The major republics began to develop their manufacturing industries after 1880 and the shift from export-led growth to import-substituting industrialisation gathered momentum in the inter-war years, especially during the depression of the 1930s. Britain was a prisoner of its nineteenth-century past and had great difficulty adapting long-established patterns of trade and investment to the changing needs of Latin America. With the incorporation of the urban middle class and, in some countries, the urban working class into the Latin American political systems British capital, concentrated as it was in such highly visible and politically sensitive sectors as railways, public utilities and oil, became for the first time a symbol of foreign economic domination and an easy target for nationalist propaganda.

Finally, Britain faced a powerful competitor for pre-eminence in Latin America. As the United States overtook Britain as the world's leading industrial and creditor nation it steadily increased its trade with, and investment in, its Latin American neighbours. The United States replaced Britain as the dominant economic power first (even before the First World War) in Mexico and in the Central American and Caribbean republics, then in the northern republics of South America, the West Coast republics and Brazil, and finally after the Second World War in Argentina. Moreover, unlike Britain, the United States had an hegemonic project in Latin America which Britain, in view of its declining economic and military power, world-wide commitments, different priorities and, not least, 'special relationship' with the United States, chose not to resist – except to some extent in Argentina. Lord Palmerston said it all in 1857 at the time of an early US challenge to British ascendency in Central America:

> These Yankees are most disagreeable fellows to have to do with about any American Question. They are on the spot, strong, deeply interested in the matter ... and determined somehow or other to carry their point. We are far away, weak from distance, controlled by the indifference of the nation as to the Question discussed, and by its strong ... interest in maintaining peace with the United States.

Nevertheless, in 1950 Britain still had significant commercial and financial interests in Latin America and there was still considerable Latin American goodwill towards Britain. Britain remained the second most important external actor in Latin America and, despite Britain's severe post-war economic problems, the opportunity was there possibly to reverse, certainly to slow down, the secular decline in Britain's position in Latin America since the First World War, not least because ironically the United States, which now had global and not merely hemispheric interests and responsibilities, appeared to be neglecting Latin America and its long-term development needs. There was, however, no longer any great interest in Latin America, official or unofficial, no political will to strengthen Britain's relations with Latin America, no consistent policy – economic, political or cultural – pursued by any British government towards Latin America (see chapter 3, below). As a result, Britain's position in Latin

America, already relatively weak in the years immediately after the Second World War, was allowed to decline still further from the 1950s to the 1980s. Britain to a large extent withdrew from Latin America during the second half of the twentieth century.

Notes

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1 Quoted in R. A. Humphreys, 'Anglo-American rivalries and Spanish American emancipation', in his *Tradition and Revolt in Latin America* (New York: Columbia University Press, 1969), pp. 148, 153. The literature on Britain's role in the independence of Latin America is immense. For a recent synthesis, see D. A. G. Waddell, 'International politics and Latin American Independence', in Leslie Bethell (ed.), *The Cambridge History of Latin America*, vol. III (Cambridge: Cambridge University Press, 1985).

2 Fox to Charles Stuart, private, 25 September 1832, Buenos Aires, and 15 December 1835, Rio de Janeiro, Stuart papers, Archivo Histórico do Itamaraty, Rio de Janeiro.

3 Figures for British trade with Latin America throughout this chapter are taken from D. C. M. Platt, *Latin America and British Trade, 1806–1914* (London: A. and C. Black, 1972), Appendix I, 'Exports of produce and manufactures of the United Kingdom to Latin America, 1850–1913', and Appendix II, 'Imports of Latin American produce into the United Kingdom, 1854–1913', and from B. R. Mitchell, *Abstract of British Historical Statistics* (Cambridge: Cambridge University Press, 1962), 'United Kingdom trade with Central and South America, 1881 to 1938', pp. 322–3, and, for Argentina alone, pp. 325–6.

4 Philip Ziegler, *The Sixth Great Power. Barings 1762–1929* (London: Collins, 1988), pp. 230, 234.

5 On British banking in Latin America, see David Joslin, *A Century of Banking in Latin America* (Oxford: Oxford University Press, 1963).

6 Bill Albert, *South America and the World Economy from Independence to 1930* (London: Macmillan, 1983), p. 29, Table I, based on I. Stone, 'British long term investment in Latin America 1865–1913', *Business History Review*, 42:3 (1968).

7 Albert, *South America and the World Economy*, p. 34, Table 4; Stone, 'British long term investment'; and, for South America only, Rosemary Thorp, 'Latin America and the international economy from the First World War to the World Depression', in Leslie Bethell (ed.), *The Cambridge History of Latin America*, vol. IV (Cambridge: Cambridge University Press, 1986), p. 64, Table 3. Some economic historians have put British investment in Latin America in 1913 below £1,000 million.

8 H. S. Ferns, *Britain and Argentina in the Nineteenth Century* (Oxford: Oxford University Press, 1960), p. 397.

9 Ziegler, *The Sixth Great Power*, p. 306.

10 Colin M. Lewis, *British Railways in Argentina, 1857–1914* (London: Athlone Press, 1983), p. 219.
11 Quoted in Richard Graham, *Britain and the Onset of Modernization in Brazil 1850–1914* (Cambridge: Cambridge University Press, 1968), p. 303.
12 On British land ownership in Argentina, see Eduardo José Míguez, *Las Tierras de los Ingleses en la Argentina (1870–1914)* (Buenos Aires: Belgrano, 1985).
13 I am grateful to Dr Colin Lewis for this information.
14 Quoted in Peter Winn, 'British informal empire in Uruguay in the nineteenth century', *Past and Present*, 73 (1976), p. 112.
15 On North, see Harold Blakemore, *British Nitrates and Chilean Politics. 1886–1893: Balmaceda and North* (London: Athlone Press, 1974); on Pearson, see Desmond Young, *Member for Mexico. A biography of Weetman Pearson, First Viscount Cowdray* (London, 1966).
16 On British agricultural colonisation in the nineteenth century, see two articles by D. C. M. Platt, 'British agricultural colonisation in Latin America', *Inter-American Economic Affairs*, 18 and 19 (1964/5). The last British colonisation scheme was the Colonia Victoria, in Misiones, Argentina in 1932. See Oliver Marshall, 'Peasants to planters? British pioneers on Argentina's tropical frontier', in Alistair Hennessy and John King (eds.), *The Land that England Lost: Essays in British–Argentine Relations*, (London: Lester Crook Academic, 1989).
17 Sir David Kelly, *The Ruling Few* (London, 1952), p. 116.
18 On this extraordinary episode in Anglo-Brazilian relations, see Leslie Bethell, *The Abolition of the Brazilian Slave Trade* (Cambridge: Cambridge University Press, 1970).
19 Holger H. Herwig, *Germany's Vision of Empire in Venezuela 1871–1914* (Princeton: Princeton University Press, 1986), pp. 14–15.
20 Quoted in R. A. Humphreys, 'Anglo–American rivalries and the Venezuelan crisis of 1895', in *Tradition and Revolt in Latin America*, p. 215.
21 Graham, *Britain and the Onset of Modernization*, p. 76.
22 Thorp, 'Latin America and the international economy', p. 66, Table 4.
23 *Ibid.*, p. 64, Table 3.
24 Joslin, *A Century of Banking*, p. 109; Graham, *Britain and the Onset of Modernization*, p. 96.
25 On Great-Power rivalry in Latin America during the First World War, see, for Mexico, Friedrich Katz, *The Secret War in Mexico. Europe, the United States and the Mexican Revolution* (Chicago: University of Chicago Press, 1981) and, for Brazil, Argentina, Chile and Peru, Bill Albert, *South America and the First World War* (Cambridge: Cambridge University Press, 1988). Also of interest is Joseph Tulchin, *The Aftermath of War. World War I and US Policy towards Latin America* (New York: New York University Press, 1971).
26 Graham, *Britain and the Onset of Modernization*, p. 316.
27 Thorp, 'Latin America and the international economy', p. 60, Table 1.
28 Ziegler, *The Sixth Great Power*, p. 325.
29 Department of Overseas Trade, *Report of the British Economic Mission to Argentina, Brazil and Uruguay* (1930), p. 6.
30 Albert, *South America and the World Economy*, p. 34, Table 4.
31 Kelly, *The Ruling Few*, p. 115. On growing friction between British public utility companies and local governments, see Linda and Charles Jones and Robert Greenhill, 'Public utility companies', in Platt (ed.), *Business Imperialism*.

32 Barbara Stallings, *Bankers to the Third World. US Portfolio Investment in Latin America 1900–1986* (Berkeley: University of California Press, 1987), pp. 67–75; Thorp, 'Latin America and the international economy'.
33 Department of Overseas Trade, *Report of the British Economic Mission*, p. 5.
34 Sir Malcolm Robertson, British ambassador in Buenos Aires, quoted in Roger Gravil, *The Anglo-Argentine Connection, 1900–1939* (Boulder, Col.: Westview, 1985), p. 180.
35 R. A. Humphreys, *Latin America and the Second World War, 1939–1942* (London: Athlone Press, 1981), p. 7. During the period 1910–40, indeed until the 1970s, UK imports from Latin America generally had twice the value of UK exports to Latin America. See Laurence Whitehead, 'El comercio de Gran Bretaña con América Latina', *Foro Internacional*, 17.3 (1977), p. 383.
36 R. A. Humphreys, *Latin America and the Second World War, 1942–1945* (London: Athlone Press, 1982), pp. 222–3.
37 Laurence Whitehead, 'Britain's economic relations with Latin America', in J. Grunwald (ed.), *Latin America and the World Economy* (Washington, D.C.: Brookings Institute, 1978), p. 91.
38 Humphreys, *Latin America and the Second World War, 1942–1945*, p. 268, n.85.
39 Quoted in Michael Grow, *The Good Neighbor Policy and Authoritarianism in Paraguay: United States Economic Expansion and Great Power Rivalry in Latin America during World War II* (Lawrence, Kan.: Regents Press of Kansas, 1981), p. 90.
40 There is an immense literature on Anglo–American–Argentine relations during and immediately after the Second World War. See, for example, most recently Mario Rapoport, *Gran Bretaña, Estados Unidos y las Clases Dirigentes Argentinas 1940–5* (Buenos Aires: Belgrano, 1981); R. A. Humphreys, *Latin America and the Second World War 1942–45*, chapters 6 and 7; Carlos Escudé, *Gran Bretaña, Estados Unidos y la Declinación Argentina 1942–49* (Buenos Aires: Belgrano, 1983); C. A. Macdonald, 'The politics of intervention. The United States and Argentina 1941–6', *Journal of Latin American Studies*, 12:2 (1980), and 'The United States, Britain and Argentina in the years immediately after the Second World War', in G. di Tella and D. C. M. Platt (eds.), *The Political Economy of Argentina 1880–1946* (London: Macmillan, 1986). On Anglo-Argentine bilateral relations, see Noel Fursman, 'The decline of the Anglo-Argentine economic connection in the years immediately after the Second World War: a British perspective' (unpublished D.Phil. thesis, Oxford University, 1988).
41 Quoted in Katz, *The Secret War in Mexico*, p. 189.
42 Bank of England, *UK Overseas Investment, 1938 to 1948* (1950), p. 5. I am grateful to Dr Colin Lewis for drawing my attention to this source.
43 Quoted in Roger Gravil, 'Anglo-US trade rivalry in Argentina and the D'Abernon mission of 1929', in David Rock (ed.), *Argentina in the Twentieth Century* (London: Duckworth, 1975), p. 51.