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ROOTS OF ESTRANGEMENT: THE UNITED STATES AND BRAZIL, 1950-1961

Weis, Warren Michael, Ph.D.
The Ohio State University, 1987

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UMI
ROOTS OF ESTRANGEMENT:
THE UNITED STATES AND BRAZIL, 1950-1961

DISSERTATION

Presented in Partial Fulfillment of the Requirements for
the Degree Doctor of Philosophy in the Graduate
School of the Ohio State University

By

Warren Michael Weis, B.S., M.A.

****

The Ohio State University
1987

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Advisor
Department of History
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1987
To Carol,
for Sharing the Dream
and
To My Father,
Who Encouraged Me to Go to Brazil instead of Washington
ACKNOWLEDGEMENTS

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GLOSSARY OF TERMS AND ACRONYMS

Abbink Commission—Joint Brazilian-American Development Commission (1948)
ACF—American Coffee Federation (1957)
BNDE—National Development Bank
Bogotá Conference—(1948)
Caracas Conference—Tenth Inter-American Conference (1954)
Carioca—One from Rio de Janeiro
CFEP—Council on Foreign Economic Policy; Randall Commission
Colonels Memorandum—Expression of anti-Vargas discontent (1954)
Cooke Mission—U.S. technical mission (1943)
Democratic Crusade—Conservative officer organization
DLF—Development Loan Fund (1957)
ECLA—United Nations Economic Commission for Latin America (also CEPAL)
Estado Novo—"New State," Vargas dictatorship, 1937-1945
ESG—Superior War College (Escola Superior de Guerra)
EXIM—Export-Import Bank of Washington
FEB—Brazilian Expeditionary Force
Febiano—Member of FEB
FOA—Foreign Operations Administration (successor to MSA; aid)
GATT—General Agreement on Trade & Tariffs
Getulista—A follower of Getulio Vargas
I-AECOSOC—Inter-American Economic and Social Council (OAS)
I-ADB—Inter-American Defense Board
IBRD—International Bank of Reconstruction and Development (World Bank)
ICA—International Cooperation Administration; successor to FOA; predecessor to USAID
IDA—International Development Association (U.N.)
IDB—Inter-American Development Bank
IFC—International Finance Corporation; affiliate of the IBRD
IMF—International Monetary Fund
ISEB—Superior Institute of Brazilian Studies (Instituto Superior de Estudos Brasileiros)
Itamaraty—Brazilian Foreign Office
ITO—International Trade Organization
JBUSEDC—Joint Brazil-United States Economic Development Commission (1951-1953)
JBUSDC—Joint Brazil-United States Defense Commission (Washington)
JBUSMC—Joint Brazil-United States Military Commission (Rio)
LAFTA—Latin American Free Trade Area
MAP—Military Assistance Program
Mineiro- one from Minas Gerais
MSA- Mutual Security Agency/Act (aid)
MSP- Mutual Security Program
OAS- Organization of American States
OPA- Operation Pan America (Operação Pan Americana)
Pact of Bogotá- American Treaty of Pacific Settlement (1948)
Paulista- one from Sao Paulo
Petrobrás- State-owned Brazilian Petroleum Corporation
PCB- Brazilian Communist Party (Partido Comunista Brasileira)
PL 480 (Public Law 480, 1954), Surplus agricultural disposal; predecessor to Food for Peace
Programa de Metas- "Target Program;" Kubitschek’s Five-Year Development Plan
PSP- Social Progressive Party (Partido Social Progressita)
PTB- Brazilian Labor Party (Partido Trabalhista Brasileira)
PSD- Social Democrat Party (Partido Social Democrática)
Point Four- Act for International Development (1950)
Rio Conference (1942)
Rio Economic Conference (1954)
Rio Treaty- Inter-American Treaty of Reciprocal Assistance (1947)
SALTE Plan- Dutra’s Development Plan (1950)
San José Conference (1960)
Santiago Conference (1959)
SUDENE- Superintendency for the Development of the Northeast
SUMOC- Superintendency of Money & Credit
Técnico- technocrat
UDN- National Democratic Union (União Democrática Nacional)
UN- United Nations
UN-ECOSOC- United Nations Economic and Social Council
USIA- United States Information Agency (propaganda)
USIS- United States Information Service (propaganda)
Volta Redonda- site of steel mill constructed in World War II with EXIM loan
Washington Conference- Fourth Inter-American Meeting of Foreign Ministers (1951)
INTRODUCTION:

THE END OF THE SPECIAL RELATIONSHIP

Tell me not, Sweet, I am unkind,
That from the nunnery
Of thy chaste breast and quiet mind
To war and arms I fly.

True, a new mistress now I chase,
The first foe in the field;
And with a stronger faith embrace,
A sword, a horse, a shield.

Yet this inconstancy is such
As thou too shalt adore;
I could not love thee, Dear, so much,
Loved I not Honor more.

Richard Lovelace,
TO LUCASTA, GOING TO WAR

One of the most sacrosanct maxims of the realist school
is that "nations do not have friends, they have interests."
While the maxim is generally correct, the history of United
States foreign policy in the twentieth century offers
exceptions to this assertion. This is a story of two such
"friends", Brazil and the United States, that maintained a
mutually satisfying alliance, or rather special relationship
for a half century, only to have that relationship sadly
eroded because of new situations and circumstances that arose following the Second World War.

This work investigates why Brazilian-American relations deteriorated between 1945 and 1964. Although the main focus is on political relations, the many factors conditioning the political relationship, will also be examined. Most of these factors are economic: trade, aid, and investment constitute the most important issues shaping the political relationship. Military relationships must also be examined due to the enormous influence of the Brazilian military on its political system, the unique relationship between the American and Brazilian military establishments, and the course of post-1964 Brazilian history. Besides economic and military factors, psychological and cultural factors must as well be explored to understand the relationship. Although such factors are admittedly difficult to evaluate, several studies suggest that stated policy is often less important than the perception of policy, or how participants perceive policy. Thus, at times, even an enlightened or preferential policy can be perceived as hostile or negative in nature by a recipient.1 Unfortunately, such was the case at times in postwar Brazilian-American relations.

While most students of Latin American history and United States foreign policy are aware that a serious deterioration occurred in postwar United States-Latin American relations,
surprisingly, there have been few bilateral or country studies of this deterioration. At present, the only works specifically dealing with the decline in Brazilian-American relations during the 1945-1964 period (the life-span of the Democratic Republic) are an article by Stanley E. Hilton and a short monograph by Phyllis Parker. While both are excellent studies, neither satisfactorily explains why the relationship changed from cooperation and alliance before 1945, to suspicion and hostility by 1960.2

Although this work investigates the 1945-1964 era, my research indicates that the critical period of the relationship occurred between 1950 and 1961. As late as 1950, enough goodwill, cooperation, and compatibility of interests existed to place on hold what was by then a noticeable potential for decline in the relationship. In that year, however, the onset of the Korean War, the growth of McCarthyism, the return of Getúlio Vargas to the Brazilian presidency, and the growth of populist politics in Brazil changed both the context of domestic politics in both nations and their relationship. By the time of the inauguration of John F. Kennedy and Janio Quadros in January, 1961, Brazilian-American relations were strained severely. By 1961, Brazil had already embarked on a neutralist, or "independent" foreign policy, and moreover, was wracked by the social, political, and economic crises
that eventually resulted in the military's assumption of power.

As students of United States-Latin American relations are aware, for the first half of the twentieth century the United States and Brazil were characterized as having a "special relationship" or "unwritten alliance." Prior to the overthrow of the monarchy in 1889, Brazilian-American relations were cordial, but not close. United States politicians considered the existence of a monarchy in a "republican" hemisphere an anomaly, but the main factor inhibiting closeness was the lack of significant trade and cultural exchange to bind the two nations together. With the resurgence of the coffee industry, this situation began to change toward the end of the century, and with the promulgation of the republic a turning point occurred in the relationship. The U.S. became the first non-Latin nation to recognize Brazil's new government and immediately afterward signed a trade treaty that made the U.S. the principal buyer of Brazilian exports. American assistance in suppressing a rebellion to restore the monarchy in 1893 further advanced amity.

The man most responsible for nourishing the development of the special relationship was José Maria da Silva Paranhos Jr., the Baron of Rio Branco. A scholar and diplomat from a prestigious family, Rio Branco became Minister of Foreign
Relations in 1902. After 1902 Brazil shifted its diplomatic axis from London to Washington. Friendship and cooperation with the U.S. became the means to achieve Brazilian foreign policy objectives. In return, Brazil received preferential treatment in U.S. Latin American policy. Examples of the cooperation include Brazilian support for Panamanian independence, the Roosevelt Corollary to the Monroe Doctrine, and Pan Americanism. In return for this support, most Brazilian goods entered the U.S. duty free, including coffee, rubber, and cacao, the three principal exports of the early twentieth century. In addition, the U.S. supported Brazilian initiatives in the acquisition of Acre from Bolivia and other territories to finalize the present boundaries.

Rio Branco's successor's transformed his tactical alliance into a strategic objective and the evolving special relationship continued throughout the major crises of the early twentieth-century: Brazil became the only major Latin American nation to declare war on Germany in World War I and resigned from the League of Nations shortly after the U.S. refusal to enter became final. While the Great Depression disrupted markets and caused domestic upheavals in both nations, the alliance held firm and after withstanding its severest test during the Great Depression of the 1930's, reached its apex during the Second World War.
The twin foundations of the alliance were compatibility or mutuality of interests and reciprocity. Since the late nineteenth century, the U.S. has been the largest market for Brazilian goods and the major supplier to Brazil. Both nations welcomed this trade and worked to create cordial political relationships as well. For most of the twentieth century, their economies complemented each other; the United States had an industrial-based economy, while Brazil was more agriculturally based. Moreover, Brazil's tropical exports did not compete (except cotton) with American agriculture. Another significant ingredient in cementing the relationship was their shared sense of separateness from Spanish America. Both nations embraced Pan Americanism, in part, because the two hemispheric giants realized they were not trusted by their sister republics. Their size and sense of cultural separateness encouraged them to support each other in inter-American forums. This cooperation, or reciprocity, became the glue of the alliance.

After the Second World War, quite abruptly, the U.S. virtually abandoned the alliance. Although continuing to eulogize the special relationship publicly, the special relationship was no longer pursued by the U.S. or perceived to be in its interests after 1945. At the same time, the cold war crises led American officials to expect continued Brazilian adherence to U.S. policies. As the cold war crusade
became institutionalized, Washington viewed all unorthodox policies as hostile and antagonistic to its interests.

Although Brazilians recognized the unilateral changes in U.S. policy, they did not immediately abandon their supporting posture. While pursuing their own interests, Brazilian officials did their best to be supportive of the United States. As a prominent writer noted in 1956:

Brazil is almost unique in its almost desperate desire for intimate relations with the United States, in its constant search for policies which will bring the two giants of the inter-American community closer. Brazil's failure to be alienated despite the absence of mutuality... accounts for Washington's belief that it can indefinitely continue its policy of rejecting Brazilian overtures... and its failure to offer a quid pro quo as would be tendered any other nation... 5

This support was not given because of sentimental reasons, but arose from the realization that only the United States could provide the capital and technology Brazil needed and also because Brazil felt a sense of obligation to support the cause of "Christian democracy" in the emerging cold war. There existed also a hope that the U.S. would come to its senses and return, more than rhetorically, to the special relationship. Only after repeated frustration and the emergence of the non-aligned bloc in the Third World did Brazil abandon the alliance and tentatively explore alternative positions.

To determine why Brazilian-American relations deteriorated after World War II and why the U.S. abandoned the
alliance, one must look at the general setting of U.S. foreign policy. After 1945 the U.S. underwent a "revolution" in shaping its foreign policies, a revolution that had profound implications for Latin America. Although there are several important aspects to this "revolution," such as the departure from non-alignment to permanent military alliances, by far the most important change for Brazil was the globalization of U.S. interests. Globalization meant the abandonment of Pan Americanism in a very real sense. President Eisenhower's Council on Foreign Economic Policy admitted as much in 1953:

The 'special relationship' with the other American Republics that has been so largely responsible for the development of the Inter-American system was closely related to our policy of national or hemispheric isolationism, which persisted in dominant form until World War II. That policy has now been rendered invalid and obsolete. A major problem for our Latin American policy today, therefore, is how to conserve the advantages of our historic 'special relationship' with the countries of this hemisphere now that the isolationist basis therefor no longer exists.

State Department officials, formerly attentive to hemispheric concerns now became preoccupied with European and Asian considerations and placed Latin American affairs on the back burner. As a "safe" area not immediately menaced by Communism and not destroyed by war, U.S. officials, felt that for a time it was safe to neglect Latin America. Although this neglect stimulated grave repercussions throughout Latin America, nowhere was resentment and disillusionment felt more
strongly than in Brazil, a nation priding itself as superior to and different from the other nations of the region, as well as closer to the United States.

Brazilian foreign policy goals remained constant throughout the twentieth century. While internationally projecting an image of a foreign policy based on values (peace, justice, juridicial equality), in part to achieve prestige, Brazilians have been preoccupied with the Rio de la Plata area and fearful of Argentine military power. Thus, the most important goal focused on the neutralization of Argentina. A second goal has been securing an assured market and price stability for exports, an especially important goal given the export-orientation and boom-bust cycles of the economy. The third goal has been the desire for increased power, prestige, and status, which after 1945, increasingly came to be linked to economic development.9

But by the end of World War II Brazil also changed in ways so as to reduce the likelihood of a continued special relationship with the United States. Brazilian growth and concurrent Argentine instability resulted in Brazil becoming the dominant power in South America, thereby reducing the need for U.S. diplomatic, although not military and economic support. Also, the Great Depression temporarily reduced coffee prices, lessened the ability to import industrial goods and forced Brazil to industrialize. By 1945 this
import-substitution industrialization already was far advanced. The war likewise convinced the Brazilian elite of the necessity of accelerating industrialization and becoming an economically advanced society. Thus, the quest for development, propelled by the masses' "revolution of rising expectations," made Brazilian and American interests less compatible. Economic development strategy became the most important political issue in Brazil and by the 1950's the debate affected foreign policy, which had been insulated previously from partisan politics. By the election of 1960, the question of alignment with the U.S. had become one of the most divisive and salient issues in the campaign.

The relationship deteriorated despite several factors arguing for continued cooperation. As the only available source of capital and technology, American goodwill was crucial to securing the economic development and strategic interests of Brazil. Although Brazil initiated moves toward greater trade with Africa, Asia, and the Soviet Union and also attempted to re-establish commercial links with European nations in the 1950's, there was no practical alternative to dealing with the United States. Likewise, Brazil, even in the era of globalization, was important to the United States. As an American official wrote in the mid-1950's:

The maintenance of close and friendly relations with Brazil has become a keystone to our Latin American policy because: Brazil is the one Latin American country on the verge of emerging as a
world power; its geographic location is of great strategic significance; and its vast territory contains a wealth of virtually untouched resources. For these reasons it is highly important that: Brazil be a prompt and willing ally of the United States in the event of war; its growing prestige and influence should support United States policies and objectives in world councils; its potential as a source of strategic imports, as a market for exports and as an outlet for private investment capital be more fully exploited; and its political orientation and economic policies be sound and compatible with our own.  

Thus, while interests were no longer completely parallel and the economies no longer so nicely complementary, deterioration was not foreordained or irrevocable. Yet while U.S. officials realized Brazil's importance, they also refused special consideration for Brazilian concerns. Indeed, the U.S. adopted the role of a stern parent or husband. As a State Department officer wrote:

I go along part way in believing that Brazil, like many women, requires frequent attentions and much patience. She may allow herself to be seduced occasionally by one or another of these suitors, but we pay her bills and I believe she recognizes that none of them can support her in the style to which she would like to become accustomed. I think she realizes she'd be raped if Russia caught her in a dark alley when we weren't around, but she takes our protection for granted and is not above flirting with Russia while the lights are on. She is jealous of the time we have to spend at the office in Europe and jealous of our associates over there. She suspects us of philandering, and thinks we wasted money playing poker with the boys when we should have spent it on her. Brazil has a vital interest in keeping us from leaving home, even though living under the same roof is a bit nerve-wracking for both of us at times, particularly when we complain about her overspending her budget and then refuse to pick up
the check for new appliances until she balances her accounts.
I don't think we could ever completely satisfy Brazil even with the most lavish gifts, which incidentally, we can't afford. The best we can do is reassure her from time to time of our love, give sympathetic attention to her aches and pains, and hope she reaches maturity soon so life with her will be less hectic. With all of her shortcomings, she is a good wife and we need her. I wouldn't trade her in on a new model because, after all, she is attractive and should be a good companion when she grows up.11

Needless to say, thoughtful Brazilians resented this paternalism and viewed the lack of preferential treatment as discrimination. By the early 1950's, ambivalence characterized relations. Although still generally supportive of the U.S. in the United Nations and the Organization of American States (OAS), Brazil refused to lend military support in the Korean War and excluded foreign corporations from the exploitation of petroleum. Brazilian complaints over perceived neglect and inadequate aid and credit became more vocal. The pattern of growing hostility and divergence of interests continued through the second Eisenhower administration, as evidenced by Eisenhower's cool response to President Juscelino Kubitschek's initiative, Operação Pan Americana and became public with the breakdown of negotiations with the International Monetary Fund (IMF) in 1959.

Although there was no one incident that caused or even marked the decline in relations, the dominant issue was Brazil's strategy for rapid economic development. With its
Iberian and Catholic traditions and lack of available capital and expertise, most Brazilians, while not opposed to foreign investment, favored a greater role for the state than U.S. officials and businessmen thought appropriate. Moreover, several highly qualified Brazilian economists questioned whether foreign capital and technology benefited Brazil, and advocated strict control over private foreign investment. By the 1950's, groups opposing orthodox economic policies, the developmentalist-nationalists and the radical-nationalists, clearly outnumbered traditionalist economists. Coalescing in the Higher Institute of Brazilian Studies (ISEB), the developmentalists won the support of two of the political parties, the PTB (Brazilian Labor Party) and the PSD (Social Democratic Party). Traditionalists opposing ISEB joined organizations such as the ESG (Higher War College) and after 1961, the IPES (Institute of Social Research and Study) and the UDN (National Democratic Union) party, giving the debate a partisan political flavor.

Given the dogmatism of cold war Washington, the importance U.S. policymakers placed on Brazil's economic orientation, and the importance of the issue within Brazilian politics, it was perhaps inevitable that economic development issues (trade, aid, credit, commodity prices, role of the state, etc.) embroiled the U.S. in Brazilian politics and relations with the U.S. became a partisan political issue.
within Brazil. The linkage of these factors and the emergence of a large nationalist and reformist group that also was statist and neutralist (and thus anathema along the banks of the Potomac) seemed to threaten U.S. interests and led the U.S. to assist the military regime coming to power in 1964.

One other important, although seemingly obvious factor in influencing the relationship must be kept in mind. While Brazil continued to be the cornerstone of United States-Latin American policy in the postwar era, the relationship was not one of equality. Brazilians did influence American policymakers, but were influenced much more by what the U.S. did or did not do. The author was reminded of this very poignantly last year. Toward the conclusion of an interview with Miguel Osorio de Almeida, I asked the Ambassador to name the major source of problems between the United States and Brazil during the 1950's. "The problem with the relationship is in this picture," the Ambassador announced as he began strumming through a book. "Here, I solved it for you," he said grinning widely. I looked at the picture, and was surprised to see a gorilla with his arm around a man. "The United States is a gorilla?" I inquired. Miguel Osorio laughed, "No, the problem is the United States is too big, there is too much disproportion between the two. A friendly tap on the shoulder might break a bone."
Indeed, there were many friendly taps and broken bones in Brazilian-American relations during the Democratic Republic (1946-1964). While not malicious, the U.S. taps were not playful either. In the crucial issue separating the two nations, economic development strategy, I do not believe the U.S. opposed Brazilian development or industrialization, as some state. Yet, the U.S. did try to influence the ways Brazil developed and when Brazil's resistance to American policy became obstinant, the U.S. abandoned the principles of non-intervention and promotion of democracy to "break some bones."

We will now turn to examine the Brazilian-American relationship immediately after the Second World War in order to indicate their areas of broad cooperation and to point where the strains began to show.
ENDNOTES


6. Two excellent works by former State Department officials reveal to what an extent there really was a revolution in thought and commitment. See: Joseph M. Jones, The Fifteen Weeks (New York, 1955); Louis J. Halle, The Cold War as History (New York: Harper & Row, Publishers, 1967), pp. 99-122. By 1950 U.S. officials considered Brazilian desire to maintain the special relationship as the main stumbling block to good relations. See: Johnson to Kidder, 10/13/50, File 732.00, Box 3333, Record Group 59, Records of the Department of State, National Archives, Washington, D.C.

8. State Department officials were aware of the stagnation and also a significant "brain drain" from the American Republics division to Europe and Asia, but felt powerless to stop the drain. See: Council on Foreign Relations, Study Group on Inter-American Affairs, General Observations on Inter-American Relationships, 2/10 & 2/15/1949, Papers of Edward G. Miller, Box 3, File Personal, Harry S. Truman Library.


11. Sterling Cottrell to John Moors Cabot (Assistant Secretary of State) 10/21/53, file 611.32, State Department archives.

CHAPTER I

...I have got Brazil onto a democratic basis without violence or bloodshed and she has peace, freedom, and a clear opportunity to solve her own problems by men of her own choice. A new era is plainly beginning....

-Adolph A. Berle to Harry Truman, 11/26/45

Although few were aware of impending changes, the joyous victory parades that greeted the return of the Brazilian Expeditionary Force (FEB) in 1945 marked the end of a half-century of close collaboration or unwritten alliance between the United States and Brazil. Although this unwritten alliance had served both nations well, the new administration in Washington, faced with global responsibilities and perspectives, abandoned this special relationship and began a process which led to worsening relations and culminated in American assistance to the Brazilian military coup of March 31, 1964. Within but a few years the enormous amount of Brazilian-American goodwill constructed over many decades, had been dissipated and a growing ambivalence characterized Brazilian-American relations.
Although aware of increasing Brazilian resentment by the late 1940's, American policymakers seemed unwilling to take measures to curb growing anti-American feeling, and were really not alert to the extent of the problems and grievances of Brazilians. There are several explanations for the apparent willingness of U.S. policymakers to allow relations to deteriorate. Throughout the early postwar period, Brazil remained a staunch supporter of United States positions in the United Nations, the Pan American system, and U.S. cold war policy. Close ties between the military establishments created during the war were extended after the war, and the Brazilian military became the focal point of pro-American sentiment in Brazil. With the exception of the oil industry, American corporate investment and penetration into the Brazilian economy continued throughout the period, as American investment in Brazil doubled in the decade after the war. Thus, throughout the period, Americans investors and military planners continued to achieve their vital goals.

THE GOOD NEIGHBOR POLICY: A NEW DEAL FOR BRAZIL

To understand the reasons relations between the two hemispheric giants worsened in the post-World War II period, one must first examine in greater detail their relations in the decade prior to the end of the last global war. To a large degree, the problems in Brazilian-American relations
after the war resulted from the success of U.S. policymakers during the New Deal era. Their policies created unrealized expectations that caused postwar disillusionment.

The administration of Franklin D. Roosevelt brought an unusual continuity to American foreign policy, especially in the hemisphere. The dynamic president was active in policymaking and his policies were executed ably by Secretary of State Cordell Hull (1933-1944) and Assistant/Under Secretary of State Sumner Welles (1934-1943). While characterized as the Good Neighbor Policy, Roosevelt's first priority in hemispheric foreign policy was to expand trade for U.S. products whose sales suffered from the Depression. The necessary components of an effective Good Neighbor were to renounce intervention, first made at the Montevideo Conference of 1933, and to eliminate trade barriers through Reciprocal Trade Agreements. In January 1942 the considerable political wisdom of this new policy of accommodation bore fruit when, at an emergency conference in Rio de Janeiro, the Latin republics unanimously passed a resolution calling for a break in relations with the Axis powers, an unimaginable solidarity in the big-stick era.

During these depression and wartime years Brazil also experienced unusual continuity in leadership. From 1930 to 1945, the Brazilian chief executive was Getúlio Vargas, who like FDR was the central figure in shaping his nation's
foreign policy. With a leadership style similar to FDR and in a nation torn by competing ideologies, Vargas cautiously guided Brazil away from the fascist powers and into the U.S. camp before Pearl Harbor, despite the pro-Axis sympathies of the military and the generous terms of trade offered by Hitler's Germany. The decision to side with the Americans instead of the Axis was due, in part, to the enormous influence and prestige of Vargas' close friend Oswaldo Aranha, onetime Ambassador to the U.S. (1934-1937) and Foreign Minister from 1938 to 1944.

The extreme closeness in Brazilian-American relations in the Roosevelt era was in many ways due to the personal relationships established between the respective policy-makers. Roosevelt and Vargas wrote often, met twice (1936, 1943), communicated easily, and held each other in high regard. Likewise, Welles and Aranha became close friends. In addition, the U.S. ambassador in Rio, Jefferson Caffery, served eight years (1937-1945), an unusually lengthy stay for a career officer. Caffery was privy to a great deal of information not usually granted to a foreigner. Finally, the Brazilian ambassador to Washington, Carlos Martins, also served eight years (1938-1946) and was well-liked in Washington.

The compatibility of Brazilian and American goals also facilitated close relations. Although briefly flirting with
fascism in domestic politics and Nazi Germany in foreign policy, Vargas and Aranha continued the policies of Rio-Branco. Vargas' goal of industrialization was not antagonistic to Hull's Reciprocal Trade Agreements and Brazil was the second nation to sign Hull's treaty. American policymakers, especially Welles, were aware of Brazil's influence with other Latin American nations, but also its sense of alienation from the Spanish-speaking nations and thus consulted with the Brazilians before taking any important actions affecting the hemisphere. For the important 1942 Foreign Ministers Conference, called to consider severing relations with the Axis, the U.S. chose Rio de Janeiro because Aranha would preside over the conference. Aranha was able to use his influence to re-word the draft declaration at key moments and achieve a unanimous declaration. At the close of the conference, Vargas announced dramatically that Brazil had severed relations with the Axis and by August declared war on Germany.

After the war began, Brazil continued to be the most important nation in Latin America. Brazil supplied the "Arsenal for Democracy" with many of the materials the U.S. factories and military needed for victory. With many of the previous sources of materials controlled by the Axis, Brazil's importance increased. In addition to the usual commodities such as coffee and cacao, Brazil sent large
quantities at fixed prices of rubber, manganese, quartz (radios, gunsights, precision instruments), tantalite (radar, condensers), diamonds (machine tools), iron, hardwoods, corn, and cotton. After the Washington Accords (2/42), the U.S. received 100 percent of Brazil's strategic materials at non-competitive prices.5

Brazil's importance to the war effort was strategic and psychological as well as material. Bordering nearly every South American nation and endowed with a long coast, Brazil's entrance into the war served to aid the Allied naval efforts in the Atlantic and to shield the other South American nations from Axis invasion. Brazil's northeastern bulge became the "trampoline to victory," for the provisioning of the Russian and East Asian fronts. In addition, the FEB was visible proof to the rest of Latin America that Latin support was vital to Allied success.6

Brazil's contributions to the war effort did not go unrewarded. Brazilians lacked the infrastructure and technical skills to exploit their resources effectively. Antiquated railroads and ports, unpaved roads in the rich interior, and an illiterate and diseased population presented tremendous difficulties and required large-scale aid. The United States sent large amounts of equipment, capital, and technicians through such agencies as the Institute for Inter-American Affairs, which contributed to sanitation,
farming methods, and rural health services. Brazil received $360 million of the $500 million lend-lease aid sent to Latin America during the war. In 1942, the U.S. sent 15,000 tons of rail to all of Latin America; Brazil received 13,000 tons. In addition to military aid, Brazil received $200 million in economic assistance. Throughout the war, Brazil received special treatment in material allocations. Welles and FDR even supported building a steel industry in Brazil during the war, despite scarce resources. Situated at Volta Redonda (near the Rio de Janeiro-Sao Paulo border) and built with U.S. capital and technicians, Latin America's first steel industry became a symbol of inter-American cooperation and Brazil's "coming of age."  

Increased interaction and cooperation during the war had a profound impact on postwar relations. Wartime economic relationships increased Brazil's economic dependence on the U.S., as Brazil import needs now included capital goods. Also, many Brazilians received their first close experience with Americans and a more realistic image replaced the Hollywood stereotypes. "American" became an adjective for anything new or modern. Brazilians also became aware of their own deficiencies; all too often, American money and experts were responsible for advances, not Brazilians. America's increased presence resulted in renewed aspirations for democracy and resentments grew toward the Vargas dicta-
torship. Resentment toward Americans also grew, however, and for the same reasons. Although admired, Americans reminded Brazilians they were not as advanced or powerful as desired, that they were dependent.10

The Brazilian-American alliance of the first half-century was based on compatible goals, mutual assistance, and the understandings and personal relationships of leaders. Like all lasting relationships, the alliance was mutually advantageous. Although Brazil had supplied large quantities of primary products at low cost, it received in return enormous amounts of capital equipment, military supplies, and technical and planning assistance, enough for Brazil to overtake Argentina as the region's most powerful nation. Perhaps the best example of the many technical missions and the special treatment given to Brazil during the war was the Cooke Mission (1942-1943). FDR sent his close friend Morris Cooke and gave him a free hand to recommend anything that he and his 125 experts deemed necessary to encourage Brazilian economic development. Working with Brazilian experts, the Cooke Mission gave Brazil its first systematic analysis of Brazilian resources and needs. No other Latin nation received such a mission.11

The war years represented an enhancement of the relationship of the previous decades and led to even higher expectations on the part of the Brazilians. That such
expectations were not realized became the major reason relations became strained by 1950.

THE NEW STATE DEPARTMENT

By the end of the war, the politicians most responsible for the harmony and cooperation of the previous years no longer made policy. In 1943, Sumner Welles resigned for personal as well as policy matters. Welles' departure left the U.S. without a strong advocate for Latin American concerns. In November 1944, Welles' longtime rival Cordell Hull, also resigned, for reasons of health. These key personalities were replaced by the "dollar a year men," Nelson Rockefeller who became Assistant Secretary for Latin American Affairs and Edward Stettinius who became Secretary of State. Although these men lacked the experience to understand fully Brazilian aspirations, they were not unsympathetic to Brazilian problems. Both came from business backgrounds, however, and were apt to believe that private enterprise provided the best system to encourage national economic development, not a welcome notion among many Brazilian policymakers. In January 1945, Jefferson Caffery was re-assigned to France, destroying a valuable link. His replacement, Adolf Berle, former Assistant Secretary of State and New Dealer who initially viewed his Brazilian assignment as a banishment from Washington, was able, but inexperienced on Brazilian politics and unsympa-
thetic to Vargas. In his first public address, Berle delighted the opposition and insulted the president by not even mentioning the Vargas name.13

Brazil also changed key personnel. In August 1944, Getúlio accepted the resignation of Aranha, who left to join the growing democratic opposition.14 He was replaced by Pedro Leao Velloso, a colorless career diplomat who had never served in the Western Hemisphere. Under increasing political pressure, Vargas in March 1945, finally bowed to public opinion, called for a November presidential election, permitted the formation of political parties, and announced he would not be a candidate. His announcement produced considerable turmoil and political confusion which would have taxed even a knowledgeable observer such as Caffery. But Berle, with all factions seeking his approval, unwisely allowed himself to be swept into the campaign.

In Washington, American foreign policy was in a state of flux. Roosevelt's death in April saddened the world and resulted in a scramble to define U.S. policy under President Harry S. Truman and in a situation of growing uneasiness over Russian intentions. Within a few months, James Byrnes replaced Stettinius as Secretary of State and soon after, Spruille Braden, the Ambassador to Argentina and an aggressive promoter of liberal democracy, replaced Rockefeller as Assistant Secretary of State for Latin America.
Within a few months in 1945, American foreign policy toward Latin America and toward Brazil in particular had changed substantially. Yet the change was not immediately perceptible to Brazilians, or to the American public, for the new policymakers retained the rhetoric of the Good Neighbor Policy. The United States still pledged support for economic development, inter-American cooperation and defense, the promotion of democracy and human rights, non-intervention, and the elimination of trade barriers. However, the priorities of these goals, the methods for achieving these goals and even the meaning of the goals had changed. After FDR, the elimination of trade barriers and the promotion of development came to mean providing unlimited investment opportunities by American corporations in Latin America. Inter-American cooperation and defense came to mean support for the U.S. at the United Nations. Promoting democracy came to signify adopting constitutions modeled after the U.S., while intervention now meant refraining from invasion but not from meddling in local politics. In short, after FDR, the U.S. gradually sought to impose a more direct control over the entire region, as it had in Central America and the Caribbean for many years.15

Issues that dominated Brazilian-American relations during the onset of the cold war appeared early in 1945. At the Chapultepec Conference, called at Latin insistence, the
United States and Brazil also set the tone for future relations. Throughout the conference, the Brazilian delegation played their customary role of conciliator between the Latin and North Americans. The conference produced a resolution calling for further cooperation until final victory and support of the Dumbarton Oaks Agreements (despite Latin resentment over not being consulted). Additionally, through the insistence of Latin America, the good offices of Brazil, and the efforts of Nelson Rockefeller, an independent-minded Argentina returned to the inter-American system, and the United Nations.16

More important to Latin Americans were the considerations of economic and social problems created by the war and economic cooperation for development after the war. The high inflation caused by shortages due to the war resulted in massive social unrest throughout the region, and the fixed rates for commodities established in 1942 resulted in severe economic problems. Furthermore, the entire region faced enormous infrastructure repair problems. For example, inadequate road and rail systems had deteriorated severely while everyone concentrated upon efforts to feed the American war machine. Latin Americans believed the U.S. had an obligation (because Welles had promised such at the 1942 Conference) to aid economic development in return for their wartime sacrifices and they thus demanded grants, low
interest loans, and new import controls to protect their infant industries. Even the Brazilians supported a resolution calling upon the rich nations to recognize their "duty" to aid the poorer nations.17

Despite several reports from technical officers that Latin demands were not unreasonable, that after the war the competitive position of the region would be worse, and that the U.S. had little to lose and much to gain in leading the movement for new commodity agreements, the Assistant Secretary of State for Economic Affairs, William Clayton, urged a resolution to end economic nationalism.18 The resulting impasse was broken with the help of the Brazilians, who drafted a vague resolution committing the U.S. to nothing specific. In the compromise arrangements, the U.S. pledged not to terminate wartime contracts abruptly, that Latin America would receive fair allocations of goods and capital, that the EXIM bank would fund sound projects, that new commodity agreements would be studied, and that an economic conference would be held in June of 1945. In return, the Latins supported U.S.-sponsored resolutions on free trade and private investment.19 As things turned out, the United States continued until 1957 to postpone the economic conference and terminated wartime contracts without notice before the end of 1945, but always insisted upon the
sanctity of the free trade resolutions to justify withholding grants and loans to difficult nations.

FDR's death destroyed the vital link in the Brazilian-American alliance, or so it seemed to Brazil. At their 1943 meeting at Natal, Roosevelt promised Vargas a permanent seat for Brazil on the still unborn United Nations Security Council. When the British balked at Brazil's inclusion at the San Francisco Conference, the Americans readily abandoned Roosevelt's promise.20 Despite this keen disappointment, Brazil remained a close supporter of the U.S. at the historic conference. Then in June, the Foreign Economic Administration refused a request for spare parts and equipment to finish construction of a Brazilian airplane engine factory. Later, the U.S. sold unwanted surplus aircraft to the Brazilian military. Also in June, the State Department refused to allow the sale of quartz cutting equipment in order to enforce continued exports of the mineral to American factories. After the German surrender, the abrupt termination of lend-lease equipment forced Brazil to declare war on Japan in order to continue receiving the aid. By the end of 1945, the U.S. terminated the wartime rubber-for-wheat-barter contract, forcing the inefficient Brazilians out of business. Compounding the disruption in lost markets was the loss of wheat, necessitating the use of precious exchange to import this necessary grain.21
Roosevelt's death resulted in a reversal in American policy on political matters as well. More concerned now with European affairs, both Stettinius and Byrnes entrusted Latin American affairs to subordinates. Toward the end of 1945, Spruille Braden became responsible for the supervision of Latin American affairs. Braden's disastrous intervention in Argentine politics is well-known and a is striking example of the new direction in policy. Intervention was not limited to Argentina, however. After the death of FDR, Americans disassociated themselves from Vargas in order to have good standing with his successor. By mid-1945, the political carnival in Brazil became even more confusing. Mass demonstrations began in support of Vargas' candidacy and the dictator refused to discourage them. Indeed, the opposition UDN (National Democratic Union) charged Vargas with encouraging the demonstrations as he had done in 1937 before his seizure of total power. According to Berle, if Vargas declared himself a candidate, he would win the election easily.

On September 29, Berle made a speech to opposition journalists, praising Brazil's imminent scheduled return to democracy and stating the U.S. would not support dictatorship in the hemisphere. Although clearing the speech with Getúlio, Berle's Portuguese was so poor that his intent (to prevent Vargas' machinations and insure peaceful elections),
was lost on the president. Berle's speech seemed to place the U.S. firmly on the side of the opposition and caused an immediate uproar in Brazil by appearing even to sanction opposition plots to remove Vargas before the elections. Although Berle denied repeatedly he intended the speech to be used to overthrow Vargas' Estado Novo, officials in Washington were upset that he had "pulled the trigger" on a loyal ally. Yet Berle was not recalled immediately, a sign of drift in Washington. Within a month of the speech and a month before the election, an army coup temporarily removed the dictator. In 1950, Vargas still blamed Berle and Braden for the coup and claimed that had FDR been alive, the affair would not have happened. After the speech Vargas never completely trusted Americans. Shortly after the election of General Eurico Gaspar Dutra (Vargas' War Minister), Truman removed the unhappy Berle.

STAGNATION

The foreign policy of the Dutra administration (1946-1951) did not differ significantly from that of his former mentor. Suspected of Nazi sympathies by American policy-makers before the war, Dutra was certainly a staunch anti-Communist. In both his domestic and foreign policies, Dutra aligned himself with U.S. goals. In 1947, Dutra broke off relations with the Soviet Union (begun only in 1945 with Stettinius' encouragement), outlawed Latin America's largest
Communist party, and declared void the mandates of ten Congressmen and one Senator freely elected in 1945. Although a military man and nationalist, Dutra cooperated with the War Department in cementing the American monopoly in weapon's supply and training. The U.S. did not give Dutra all the war material he requested, however, and further angered Brazilians by granting arch-rival and Axis-sympathizing Argentina weapons of similar quality and quantity.

Throughout the Dutra years, Brazil continued to be important to the United States in the United Nations. In 1947, the Brazilian representative, Oswaldo Aranha was elected almost unanimously to the Presidency of the General Assembly with enthusiastic U.S. support. Aranha's influence was decisive in rallying support for the crucial vote which led to the creation of the state of Israel. Brazil was not a rubberstamp, however. In 1949, Brazil voted against the U.S. for the admittance of Spain into the world organization. Yet one must say that throughout this period Brazil proved a consistent supporter of the U.S. positions on the cold war and colonial issues; in the 1946-1955 period, only Somoza-led Nicaragua voted with the U.S. more consistently than did Brazil. In return for this support, the U.S. lent crucial support for Brazilian membership on the Security and the Economic and Social Councils.
The height of postwar inter-American relations and Brazilian-American cooperation came at the Inter-American Conference for the Maintenance of Continental Peace and Security in 1947. Meeting in a suburb of Rio de Janeiro, the American nations signed the "Rio Treaty." The treaty declared the solidarity of the Western Hemisphere, stated that an attack on any one of the nations was an attack on all, and pledged immediate consultation in cases of extracontinental aggression. Essentially the pact outlawed war within the hemisphere and provided a multilateralized version of the Monroe Doctrine, ie a united front to the rest of the world. Chaired by Brazil's Foreign Minister, Raúl Fernandes, the Brazilian delegation sided with the U.S. on every issue, and the treaty submitted by the Americans passed virtually unaltered. The conference was highlighted by a visit to Brazil of President Harry Truman. Truman was cheered as the inheritor of Roosevelt's mantle, and he was even invited to address the Brazilian Congress.

Truman and the new Secretary of State, George C. Marshall, both promised at Rio that some consideration for the region's economic problems would be forthcoming at the next Pan American Conference, held in Bogotá, Columbia in the spring of 1948. On the non-economic issues, the Bogotá conference proved to be fairly successful. Although failing to condemn Communism as the major threat to hemispheric
security as the U.S. wanted, the conference did produce the "Pact of Bogotá," or American Treaty of Pacific Settlement. This treaty pledged all American nations to resolve disputes by pacific means, and it virtually nullified United Nations authority in addressing inter-American affairs. It was a great victory for the U.S. The conference also produced the reorganization of the inter-American system, created the Organization of American States (OAS), and passed as well several resolutions concerning human rights. As in previous conferences, Brazil supported the non-economic positions of the United States, including abstaining on the Argentine-Guatemalan resolution to eliminate colonies in the New World.29

Severe rioting following the assassination of the noted Colombian leftist politician, Jorge Elíseer Gaitán, marred the conference. The rioting underscored the bitterness and deep divisions within the Americas concerning economic issues and the increasing resentment and despair of the Latin American people. Latin American leaders had come to Bogotá hoping for a Marshall Plan for their region. Even the conservative Raúl Fernandes claimed U.S. aid was the only sound basis for peace.30 Instead, State Department spokesmen and World Bank President, John J. McCloy, insisted that both the EXIM and IBRD were already funding all "sound projects," and opposed the creation of an Inter-American Development
Bank, an Inter-American Institute of Commerce to promote stable commodity prices. Furthermore, at the plenary session, Secretary Marshall dashed all hopes by telling the delegations that Europe came first, that European recovery would stimulate Latin development, and that the secret to U.S. strength was its openness to foreign investment.31 Offended by these messages, the Latin Americans proceeded to reject unanimously the U.S. position that foreign investors deserved the protection of international law. A Brazilian newspaper called the Marshall speech "a tremendous blunder in good faith."32 Others were not so kind. Despite the successes of the conference, anti-Yankee sentiment in the region soared.33

TRADE AND AID: THE SOURCE OF ANTAGONISM

To a large extent, the history of United States-Brazilian relations in the postwar period revolved around economic issues. Throughout the period, Brazil supported U.S. policies on military, cultural, ideological, and even certain economic issues to prove its reliability as an ally and thus felt itself entitled to the massive aid promised after the war. When this aid did not materialize and when other seemingly less important and deserving nations (not to mention former enemies of the Allies), received equal or even more assistance than Brazil, Brazilians felt betrayed.
By 1950 they were ready to re-evaluate tactics, if not policy.

At the close of the war, Brazil's development needs were evident and pressing. With the first stage of industrialization completed, Brazil needed massive investment in public works and infrastructure in order to increase exports and expand the national market. The United States was the only available source of capital and so in 1946 Brazil presented the U.S. with a request for a $200 million loan or grant for the modernization of its railroads. Brazilians had good reasons to expect American compliance. Cooke's Mission in 1942-1943 had recommended massive investments in infrastructure, although in order to maximize assistance to the Allied war effort, Brazil delayed making the necessary requests until after the war. Also, Truman pledged American support and a sympathetic hearing for Brazilian requests to Dutra early in the year. Furthermore, as the major market for U.S. goods in Latin America, as well as being the largest Latin supplier of the U.S. market, such project assistance would help Brazil export more products to the U.S. and reduce the costs of exports. Both nations seemed likely to benefit if Brazil's transportation system was improved. EXIM Bank and State Department officials, however, did not agree. EXIM Bank officials worried that large-scale Brazilian purchases from the U.S. would stimulate U.S.
inflation, already high, while the State Department refused Brazil's request in order to maximize leverage for the claims of American bondholders who had lost their holdings when Brazil went into default in 1937. Despite the positive recommendations from the Division of Brazilian Affairs, the State Department suggested Brazil use its gold reserves or go to the World Bank.34

This test case proved to be indicative of U.S. reluctance to support Brazilian development. Throughout the 1945-1950 period, the United States refused to provide large amounts of assistance, arguing that private capital would flow in to meet Brazil's needs if only she would provide a "favorable climate" for investment. Brazilians replied that private capital was coming, but that infrastructural deficiencies, not policy, limited the flow of U.S. capital. By the time Dean Acheson became Secretary of State, continued Brazilian complaints provoked angry State Department expositions that "friendship was not determined by the amount of aid given." Acheson even refused to acknowledge an obligation for Brazilian development and blamed the Brazilians for their lack of development assistance and progress.35 To such criticism, Brazilian officials pointed out that their great importance and long-term friendship warranted them more aid than nations such as Ireland, Yugoslavia, Poland and Chile. In fact, in per capita terms, Brazil
received less than even most other Latin American nations for the 1945-1950 period, a bitter pill indeed given her loyalty and support during and after the war.36

In addition to the problems and ill-will created by the aid issue, the price of Brazilian commodities and the Brazilian government's oil policy served to cool relations. Coffee prices were subject to the 1942 commodity agreement, an agreement which assured the U.S. steady supplies for fixed prices. By 1945 inflation had caused severe problems for producers. Brazilian efforts to persuade the Americans to pay a higher price for coffee were met first with the State Department increasing the allocations of coffee for Brazil's competitors, Colombia, Guatemala, and Haiti. By 1946 even these nations demanded a higher price; Brazil called insistently for decontrol of prices. Fearful that the price would jump six to eight cents per pound (unacceptable to American consumers), the State Department negotiated a three cent increase with Brazil's competitors. When the Brazilians complained of the new agreement, Assistant Secretary of State Dean Acheson attempted to force the Brazilian ambassador into accepting the new price level. But even this new agreement was held up by the Office of Price Administration and War Department until the War Department had sufficient time to dump its surplus stockpiles onto the American market. By the end of 1946, Brazil and Colombia
agreed to withhold all supplies until coffee prices were decontrolled. This bold action proved successful; by 1949, coffee prices rose to over fifty cents per pound, while Brazil exported 19.4 million bags and eliminated its excess stockpile.37

As troubling as the coffee issue proved to be, the question of American corporate involvement in the development of Brazil's oil reserves became probably the greatest source of friction between the two nations and the main concern for the State Department. Oil became the symbol of economic independence in Latin America in the 1930's, when Mexico and Bolivia nationalized the holdings of foreign companies. Throughout the war Vargas refused to allow U.S. corporations into petroleum exploration and refining, the most potentially lucrative fields, and in 1945 he promulgated a decree limiting U.S. oil corporations to marketing. Yet Brazil did not have the technical skills to develop the industry by itself. Thus, throughout the war Brazil imported oil from the United States. Since the top priority for petroleum went to the military, Brazil's domestic economy faced severe shortages and rationed supplies. Despite limited supplies and its activities restricted to distribution, Standard Oil of New Jersey made a 114% profit in 1944.

Brazilian nationalism and the concern about foreign control of the resource wealth of Brazil made oil a sensi-
tive political issue. Dutra wanted to welcome American corporate involvement and thus reduce imports that drained exchange, and even repealed the Vargas decree against American corporate participation in the oil industry, but he was unable to persuade Congress to pass the necessary legislation. Instead, Congress gave valuable refining concessions to three undercapitalized Brazilian corporations. The oil controversy continued until 1953 when Congress finally authorized Petrobras, a government-owned monopoly.38

The controversy over the exploitation of oil resources became a great source of irritation between the two nations. U.S. corporate influence on governmental policy regarding the petroleum question, as well as the corporations' heavy-handed lobbying in favor of a "liberal" oil policy, shocked even Berle. An indignant public within Brazil soon resulted in the petróleo é nosso (the oil is ours) campaign to stop Brazil's "regression to colonial status." Even so, the U.S. did not deviate from its insistence that American corporations be allowed to participate in oil exploitation, and it used the Chapultepec Conference resolutions to accuse Brazil of bad faith. Brazilians meanwhile pointed to U.S. insistence on involvement as proof of hegemonic intentions. Ironically, it was only with the development of off-shore
exploration techniques in the 1970's that Brazil found any sizeable reserves.39

By 1948, Brazil's economic problems had reached crisis proportions. Economic growth ceased, the nation used its gold reserves accumulated during the war on a shopping spree of unnecessary consumer goods, inflation remained at high levels, and social unrest became widespread. Although the largest and potentially wealthiest nation in Latin America, Brazil had difficulty obtaining any kind of financial aid from the United States. To better understand Brazilian problems, as well as to help Brazilians help themselves, the U.S. agreed to participate in a Joint Brazilian-American Development Commission. Known in the U.S. as the Abbink Commission, the American head of the Commission, John Abbink (Chairman of McGraw-Hill International) and 100 experts went to Brazil in 1948. Their recommendations modified, but did not substantially alter the Cooke Report of five years earlier. As part of its charge the Commission looked at specific factors that both retarded and promoted Brazilian development, giving special attention to natural and capital resources, labor supply, fiscal and banking systems, international trade, and measures to encourage private investment. Hailed by the American press for its soundness and especially for its call for increased private invest-
ment, Abbink also recommended a five-year development program to increase production.40

Given the policies pursued by Truman and Dutra, the Abbink Commission’s findings were of no surprise. Among the specific recommendations were to stimulate food production in order to reduce inflation and social unrest and to improve transportation facilities, a proposal the EXIM bank earlier refused to fund. The Abbink report also contained several suggestions that proved politically difficult to implement. In the forefront were tax reform, financial stabilization, and handling the balance of payments problem by reducing imports, increasing exports, and devaluing the cruzeiro. As to the many recommendations for the U.S. government, Abbink stressed the U.S. must aid the flow of private capital by eliminating double taxation on American corporations, providing tax concessions for investors, and guaranteeing the transfer of capital. Abbink warned that mere declarations in favor of private investment in underdeveloped areas hurt U.S. prestige and thus urged substantial government loans to Brazil to get investment started. Abbink also urged increased technical assistance, especially in agriculture and public health.41

Unlike its reception in the United States, the Abbink report did not receive great acclaim in Brazil. The report especially displeased officials who hoped for concrete
results, namely an increase in aid. While some unfairly criticized the report for ignoring industry (not part of the request or mission), the Commission's findings were either too general or politically inexpedient to produce many concrete results. Dutra adhered to one of the recommendations by submitting a five-year development plan to Congress in 1949. Known as the SALTE Plan, it focused on public health, food production, transportation, and power development (SALTE is an acronym using the first letter of these items in Portuguese). After much debate and disagreement, the Brazilian Congress finally passed the SALTE Plan in 1950. In formulating the recommended plan, Brazil asked for a U.S. loan of $250 million; it received $25 million.

In his inaugural address in January 1949, Harry Truman revealed United States policy for the lesser developed and more peripheral areas of the cold war containment policy. Popularly known as Point Four, Truman called for increased technical assistance for the entire world. Point Four had a simple rationale: although the U.S. could not provide the amount of aid that each nation desired, it could send persons with skills to help lay the basis for future private investment and economic development. The American Congress passed the Act for International Development in 1950. Although popular and well-intended, the Point Four Program did not result in increased U.S. aid to the area most angry
about American neglect. For several years prior to Point Four, the U.S. provided technical assistance to Latin America through the Institute of Inter-American Affairs, which had remained in operation since the war. Truman's announcement and obvious interest in the program did, however, raise expectations for a time, expectations that only increased tempers when aid did not materialize.43

By 1949 Brazilians felt a sense of exasperation with the seemingly indifferent American attitude toward the relationship. Like a suitor after a long courtship with an encouraging, but uncommitted person, the Dutra administration's reaction was to intensify its protestations of fidelity and worthiness. But America's response to Brazilian demands for material rewards for its commitment to the alliance was to resort to symbolic gestures, such as Truman's invitation to Dutra to visit the United States in May, 1949.

Although perhaps only a symbolic gesture on the part of Truman, the Dutra trip was politically important for the Brazilian President. Accompanied by Foreign Minister Fernandes, Dutra came to the U.S. seeking concrete material rewards for his policy of alignment. Ambassador Herschel Johnson in Rio wrote on the importance of the trip: "If President Dutra returns empty handed, with nothing but oral reiteration of our ancient friendship, he will be the object
of bitter political criticism." Johnson's pleas for even a token grant went unheeded, as Dutra returned only with a barren proposal for a treaty of friendship.44

On the eve of his return, Fernandes met Under Secretary of State James Webb in what was to be a routine courtesy farewell conversation. Fernandes shocked Webb with an angry exposition of American-Brazilian relations since the war. The aged Foreign Minister condemned the equal treatment given to Axis-loving Argentina, the use of U.S. aid by Europe to develop coffee in Africa, the inadequate EXIM and IBRD loans to Brazil, and the incompleteness of the Abbink Report. When advised that increased technical assistance might be available, Fernandes pointed out that capital was more necessary than technicians. When asked what would solve the problems he had presented, the Brazilian suggested a joint program to insure increased cooperation in loan applications. He further shocked the Under Secretary by indicating $600 million was a suitable figure with which to begin negotiations.45

The American government did not react immediately to Fernandes' urgent demand, although by then even the most inept American official understood the sense of dissatisfaction from its major ally in Latin America. Within a month of Dutra's visit the State Department once more reorganized the hierarchy of the American Republics Division, and placed
Edward G. Miller, a New York lawyer and close friend of Nelson Rockefeller, in charge of the region. Under Miller's direction, policy toward Latin America became less dogmatic, and although continuing to place a great emphasis on the role of private investment and the need for fiscal responsibility in Latin America, the State Department gradually and temporarily came to favor a more pragmatic policy toward development assistance.

The changes in the State Department came too slowly to suit an administration running out of time, however, and with the Brazilian presidential election less than a year away, Brazilian complaints became more vocal. In an address to the American-Brazilian Association in New York, U.N. Ambassador Cyro Freitas-Valle expressed the growing disenchantment, restating the same points privately expressed by Fernandes. Despite the fact that Freitas-Valle prefaced his remarks with glowing praise of U.S. policies and Brazilian-American friendship, the speech was the first public criticism of the U.S. by a Brazilian official in a long time. Fernandes followed the speech with a "memorandum of frustration" sent to Ambassador Johnson. Johnson relayed the memorandum to Washington and suggested opening informal, but substantive talks to alleviate Brazil's economic problems and to discuss mutual interests.
Negotiations began in June between Embassy Counselor Sheldon Mills, First Secretary Charles Adair, Brazilian economist Eugenio Gudin, and Octavio Gouvea de Bulhões of the Finance Ministry. Although informal, the talks became urgent for both sides due to several factors. On April 18, 1950 Getúlio Vargas announced his long-anticipated candidacy for the presidency. His expected strong showing concerned both Dutra and the U.S. Since his removal, Vargas had been one of Dutra's most vociferous critics, and while he refrained from overt criticism of the U.S., the candidate attacked Dutra's alignment because it was without reward. To the U.S., Vargas' nationalist pronouncements and the memory of the Berle debacle indicated a difficult road should the ex-dictator succeed in recapturing the presidency.47

The U.S. Congress provided still another irritant when the U.S. Senate Committee on Agriculture and Forestry held hearings in early 1950 on consumer coffee prices. Headed by Senator Guy Gillette of Iowa, the Committee attacked Brazil's policies designed to bolster export revenues. Despite vigorous protests by Miller, the Senate released the Committee's findings late in June. In Brazil, the reaction against the report was immediate and widespread; even conservative newspapers expressed anger. With the nation already experiencing balance of payments difficulties, amid reports of Marshall aid subsidizing African production of
coffee, and with the war experience of price fixing to
Brazil's disadvantage, the Gillette Report was a bitter
blow. Moreover, with the U.S. government in effect subsidi­
zizing Bolivian tin, Chilean copper, and Cuban sugar with
purchase agreements or quotas, and the U.S. participating in
an International Wheat Agreement, Brazilians felt the U.S.
had singled them out unjustly in the crusade for orthodox
economic policies.48

Finally, on June 24, 1950, North Korean armies crossed
the 38th parallel and started the most serious crisis yet
for the Truman administration. Although Brazil supported the
U.S. in the U.N. Security Council in condemning the inva­
sion, Dutra politely but firmly refused to accept the
American call to arms, stating it would be imprudent to
saddle his successor with such a momentous decision. Dutra's
refusal underscored how much the relationship had deterio­
rated in the previous five years.49 Neither Dutra nor
Truman, of course realized in 1950 that the era of strained
relations was just beginning.
ENDNOTES

1. In his 1936 trip to Brazil, FDR claimed Vargas had instituted the "South American New Deal." In their 1943 meeting at Natal, after the Casablanca Conference, Vargas left his son’s deathbed to talk with FDR. They conversed in French without interpreters. For an indication of their relationship, see: Frank D. McCann, The Brazilian-American Alliance, (Princeton: Princeton University Press, 1973), pp. 306-312; John W.F. Dulles, Vargas of Brazil: A Political Biography, (Austin: University of Texas Press, 1967), pp. 211-219. Vargas told Caffery: "As long as I am in office the U.S. can count on my sympathy and cooperation. I have entire confidence in the goodwill and good intentions of President Roosevelt. I know Brazil will get a fair deal at his hands."

2. According to McCann, Vargas made a special request to allow Caffery to remain as Ambassador. p. 285. Former Vargas advisor Cleantho de Paiva Leite said Vargas & Aranha’s relationship with Caffery was "extraordinary," and never duplicated. Author interview, 5/6/86.

3. Cuba was the first nation to sign a RTA, but did so in order to get out of the Platt Amendment. Brazil was the first major nation to sign.


5. "Brazil Has Started!" Rotarian, January, 1948. p. 22. This article also asserts that during the war, Brazil possessed 90% of the world's supply of quartz and tantalite. Had Germany received these minerals instead of the U.S., victory might have gone to the Axis. An exaggeration, no doubt, but the point is made. McCann, Alliance, pp. 267-271; Dulles, Vargas, pp. 220, 225-227. According to Lawrence Duggan of the State Department, Latin American exports to the United States during the war constituted a "three billion dollar, non-interest bearing loan," that helped fuel Latin inflation. Found in David Green, The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy, (Chicago: Triangle Books, 1971), p. 117.

7. Nelson Rockefeller served as the head of the Institute of Inter-American Affairs in the early 1940's. He was an excellent choice because of his interest, through the Rockefeller Foundation, in technical assistance. The Institute of Inter-American Affairs was the precursor of the Point Four Program under the Truman administration. See: Claude C. Erb, "Prelude to Point Four: The Institute of Inter-American Affairs," *Diplomatic History*, Vol. 9, No. 3 (Summer, 1985), pp. 249-270.

8. Green, *Containment*, p. 179. On the U.S. use of aid to Brazil as a tool to pressure Argentina, see: Gary Frank, *Struggle for Hegemony in South America: Argentina, Brazil and the United States during the Second World War*, (Coral Gables: University of Miami, Center for Advanced International Studies, 1979), pp. 9-16, 55-82. Frank asserts that the U.S. made Brazilian economic development and military buildup a priority in order to persuade Argentina that neutrality was not sensible. The net result was to make Brazil the dominant nation in South America. If one accepts his position, U.S. postwar policy, which abandoned the special relationship after the war and attempted to balance Argentine and Brazilian interests, becomes more logical, until one remembers the special relationship had lasted a half-century. On railroad aid, see: McCann, *Alliance*, p. 283. Volta Redonda was built on funds secured at FDR's insistence from the EXIM Bank, specifically as payment for Brazil's entrance into the war. A great deal of manpower and shipping were diverted from the war effort to build the plant. See: McCann, *Alliance*, pp. 193-199.


10. The U.S. trained and equipped the FEB, including boots. During the war, the economic and cultural dependence that had been spread around by several European nations (France, Britain, Germany, Italy, Portugal) was replaced by U.S. hegemony even in cultural matters. For growing resentment against the U.S. during the war, see: Hernan Tavores de Sa, "Camouflage of Harmony," *The Inter-American*, Vol. 3, No. 8, August, 1944, pp. 10-13. Ironically, Sa credits Vargas for holding resentment to a minimum by frequent announcements of solidarity and support of the U.S. Moura also deals with
growing resentment in Tio Sam, although it is not a main part of his thesis.

11. McCann, Alliance, pp. 385-387; also: Interview with Miguel Osorio de Almeida, July 1, 1986, Rio de Janeiro. Miguel Osorio served with the Cooke Mission and is critical of it, claiming Cooke and his assistants were not as well-trained as necessary. He also condemned the Mission for refusing to reveal the conclusions of their study with Brazilian authorities, although he revealed that he and some colleagues stole the report and gave it to Vargas. But Miguel Osorio also praised the Cooke Mission for its surveys. Morris Cooke wrote a book of his experiences with the Mission entitled: Brazil on the March: A Study in International Cooperation, (New York, 1944).

12. Unfortunately for the U.S., Vargas and most Brazilians did not trust American business nearly as much as government officials. This attitude of mistrust of American business, especially "the Trusts," explains Brazil's insistence on government grants or loans instead of private investment in key industries.

13. Frederico C. del Villar, "Brazil Turns the Corner," The Inter-American, Vol. 4. No. 5, May, 1945. p. 13. In most respects, Berle was just as disastrous as his more infamous contemporary, Spruille Braden.

14. Aranha was a supporter of democracy despite his close friendship with Vargas. He also had presidential ambitions. During his long association with Vargas, he frequently resigned his various cabinet posts in outbursts of temper, but this time Getúlio accepted the resignation. The loss of Aranha hurt Vargas' credibility both home and abroad, as well as weakening Brazilian policy. McCann claims Aranha would have noticed the subtle shift in U.S. policy and protected his nation better. See: McCann, Alliance, pp. 337-340. On the relationship between Vargas and Aranha and the internal repercussions of Aranha's defection to the democratic camp, see: John W.F. Dulles, Vargas of Brazil, pp. 251-260.

15. This view is shared by many, including McCann, Alliance, p. 341; Sumner Welles, Where Are We Heading? (New York: Harper & Brothers, 1946), pp. 182-240; and Samuel Bailey, The United States and the Development of South America. op. cit.; Dick Steward, Money, Marines, and Mission: Recent United States-Latin America Policy, (Lanham, Md., University Press of America, 1980).


19. Rabe, "Elusive Conference," p. 282; FRUS, 1945, Vol. IX. p. 141. Although economic issues continued to dominate inter-American relations for the next several conferences, the U.S. sought to avoid such an obvious and vicious split between itself and Latin America and prevented an Economic Conference until the one at Buenos Aires in 1957. In November, 1954 in Rio de Janeiro the Finance Ministers of all 21 nations met to discuss various economic problems, but Latins refused to consider the meeting a "conference."

20. McCann claims the Soviets opposed Brazil's permanent seat, but Vargas' son-in-law and prominent politician Ernani do Amaral Peixoto claims that the British were most obstinate. See: Alliance, p. 458. Oral History Interview with Ernani do Amaral Peixoto, Fundação Getúlio Vargas, Centro de Pesquisas de História Contemporânea (hereafter referred to as FGV/CPDOC), p. 394. Amaral Peixoto claims that the British also opposed China's inclusion, but gave in to U.S. pressure, a clear inference that the U.S. could have pressed Brazil's case, but refused.

21. McCann, Alliance, pp. 455-458.; FRUS, 1945. Vol. IX. pp. 625-628. To be fair to the U.S., not all of this was deliberately underhanded. Indeed, many if not most of the postwar actions were taken without regard to anything except returning the nation to normal, prewar activity. The actions showed an inexcusable lack of consideration to new realities, however, and had bad effects on the Brazilian economy. It must also be added that the U.S. in its haste to return to
normal activities, also left several million dollars worth of military supplies in Brazil.


23. Truman was very angry at Berle for undercutting Vargas' position. A few days after the incident he wrote Berle and condemned his intervention, stating Vargas was a good ally. Unfortunately, by that time Vargas had only another month left. Perhaps Truman could have publicized the letter. See: Truman to Berle, 13 September 1945, Papers of Adolf A. Berle, Franklin D. Roosevelt Library. Interestingly, Berle’s speech came just a few days after he met Braden in Rio. Braden was on his way to assume his duties as Assistant Secretary of State for Inter-American Affairs. On Berle’s speech, see: Beatrice Bishop Berle and Travis Beal Jacobs, *Navigating the Rapids, 1918-1971: From the Papers of Adolf A. Berle*, (New York: Harcourt, Brace Jovanovich, Inc., 1973), pp. 548-553, 10/145, 10/6/45, 10/8/45.; Berle to Truman, 8/13/45 & 10/1/45, Truman Office File, OF 1945-1948, Harry S. Truman Papers Truman Library; Telephone conversation, Ernie Cuneo to Tom Corcoran, 10:20 AM, 10/31/45, Truman Papers, President’s Secretary’s Files, Box 335, File: Summary of Conversations, October, 1945, Truman Library. In this conversation, Cuneo asked Corcoran if Berle was going to be relieved and Corcoran replied, "I don't know. Of course, that Brazilian situation turned out pretty badly...and this guy (Vargas) was our friend, and Adolf sort of pulled the trigger. ... Adolf, just to make sure that Spruille Braden didn't get more headlines than he did, just pulled the trigger on the guy." On Vargas' accusations against Berle and Braden, see: "Pulling the Eagle's Tail," *Newsweek*, 1/23/50. On Berle's unhappiness in Brazil, see: Dean Acheson, *Present at the Creation: My Years in the State Department*, (New York: Signet Books, 1969), p. 334. For a critical view of Berle's intervention in Brazilian affairs, see: Sumner Welles, *Where Are We Heading?*, pp. 223-224.

24. Dulles, *Vargas*, p. 257. Stettinius came to Brazil in February 1945 after the Yalta Conference in order to brief Vargas on the conference and to coordinate delegations for the Chapultepec Conference. U.S. aid to Argentina, whom Brazilian accused with justification of getting rich off of neutrality during WW II, particularly angered Brazilians. At a time when Perón was arming Argentina to the teeth, U.S.

25. Aranha even has a street named after him in Tel-Aviv. In his personal papers at FGV/CPDOC, there are many letters from Jews praising him for his actions on behalf of Israel. For his efforts in the U.N., Aranha was nominated for a Nobel Peace Prize and made "Man of the Year" by United Nations World.


32. Rabe, "Elusive Conference," p. 287. Most Brazilians were not opposed to American corporate investment. As Correio da Manha correspondent Augusto Frederico Schmidt (later architect to Kubitschek's Operação Pan Americana) stated: "We need, ask for, and hate foreign capital at the same time... Yankee foreign business has a colonizing effect, unintentional, yet profoundly contradictory to the idealism and generosity of that great country." Quote in Donald M. Dozer, Are We Good Neighbors?, (Gainesville: University of Florida Press, 1959), p. 354.


35. Rabe, "Elusive Conference," pp. 290-292; FRUS, 1950, Vol. II, pp. 764-775; Dean Acheson, "Waging Peace in the Americas," Department of State Bulletin, Vol. 21, 9/26/49, pp. 462-466. A standard State Department complaint in the 1940's was that Brazilian project applications were technically faulty. One of the major problems with the U.S. suggestion that Brazil create a favorable climate was that Brazil was in fact doing everything the U.S. asked, except in petroleum. The number of U.S. corporations coming to Brazil, even in the 1940's, to determine whether to make an investment is staggering: Gulf and Standard Oil of New Jersey, Sears, Wilys-Overland, Quaker Oats, etc. The lack of electricity, railroads, storage facilities, etc., and the amount of opportunities elsewhere were the major impediments to increased corporate investment.

36. FRUS, 1949, Vol. I, p. 754. Brazil received less aid than many avowed neutralist nations without previous close ties, such as India, Pakistan, Egypt, and Iran, and also several
Communist bloc nations, such as Finland, the USSR, and Czechoslovakia.


39. Moura, Companhia, especially pp. 19-29; Smith, Oil and Politics, pp. 60-68 & 170-188; Dulles, Vargas, p. 297; Berle and Jacobs, Papers of Adolf Berle, 11/24/45, pp. 559-564. Berle claimed Standard Oil opposed a Brazilian refinery, but was forced to reconsider after Gulf-Ipiringa decided to go ahead. As late as 1951 Standard refused to build a refinery without exploration rights. Berle wrote in his diary that Standard's action were a "shocking invasion of Brazilian sovereignty," and condemned State Department support of Standard's position. Although Vargas favored foreign involvement, he added to nationalist's campaign by declaring: "Those who turn their petroleum over to others alienate their own independence."


42. Ibid., pp. 582-584; "Brazil Suggests Pattern for Point Four Investment," Department of State Bulletin, 6/3/49.

Preasi 1973), pp. 43-49. Packenham claims that Point Four exaggerated the ease and speed which the Third World could achieve economic development. Truman considered Point Four to be one of his most constructive programs. See: Harry S. Truman, Years of Trial and Hope, (New York: Signet Books, 1956), pp. 272-276.


46. Johnson to Clark, 1/17/50, file 832.00, State Department archives. The letter also contains enclosures of Fernandes memorandum and Freitas-Valle's speech.

47. The U.S. government expected no major problems with Vargas, but did expect more difficult negotiations, harder bargains for support, etc. The U.S. government had monitored Vargas' behavior for several years through the FBI and presumably the CIA. See: J. Edgar Hoover to Maj. Gen. Harry H. Vaughn, 12/5/46, Harry S. Truman Papers, President's Secretary's Files, File: Brazil; Acheson to Truman 5/1/50, same as above. In his memorandum for Truman, Acheson calls Vargas astute and realistic, that he expected no deterioration, but aggressive and persistent claims on the U.S. for assistance. The State Department also was very concerned with the election. See: State Department Memorandum of Conversation, 6/29/50, file 732.00 State Department archives. Conversation between Walder de Lima Sarmanho and Du Wayne G. Clark. Clark writes that Sarmanho apparently does not consider Getúlio's candidacy to be a disaster as do Ambassador Nabuco and Minister-Counselor Afranio de Mello Franco.

49. Stanley E. Hilton, "The United States, Brazil and the Cold War, 1945-1960: End of the Special Relationship," p. 607. Soon after the war began Fernandes issued a statement that Brazil had no intentions of entering the war, but might if the war spread to Europe. See: Keeler to State Department, 8/12/50, file 732.00, State Department archives.
CHAPTER II

TRUMAN ATTEMPTS TO SALVAGE THE SPECIAL RELATIONSHIP

...I believe that the Joint Commission, with the strong support of both of our governments, will make a positive and constructive contribution to the economic development of Brazil. This will be not only a further extension of the history of successful collaboration between two countries but will also be mutually beneficial to the increased prosperity of each....

—Harry S. Truman to Getúlio Vargas, 4/9/51

North Korea's invasion of South Korea in June 1950 presented the Truman Administration with what proved to be its most difficult foreign crisis. Many assumed that the Korean conflict was merely a prelude to World War III. Anti-communist hysteria was certainly a factor in building fear of imminent global conflict, but a succession of foreign policy disasters the year prior to Korea also lent credence to the belief. American officials, seeing themselves as global firefighters, simultaneously sought to repel the Korean invaders, build European defenses, and to mobilize Latin American support for a possible global war. With Argentine dictator Juan Perón advocating a "third position,"
or neutrality in the superpower conflict, Brazil once again became the focus of U.S. efforts to win active support from the region. For two years Truman officials sought to recreate a "special relationship" with Brazil. They were only partially successful, due to Brazilian perceptions of the Korean conflict and mistrust of the U.S., an attitude engendered by the postwar experience and a heightened sense of Brazilian nationalism.

The year prior to the onset of the Korean War had been extremely stressful for American policymakers. President Truman and Secretary of State Marshall acted forcefully during the initial stages of the cold war with innovative policies such as the Marshall Plan, the Berlin Airlift, and the formation of the North Atlantic Treaty Organization (NATO), all designed to contain a perceived aggressive and ambitious Soviet Union. Beginning in mid-1949, however, a series of events shook the administration and the American people's confidence in holding the line. In August, the Soviets successfully exploded a nuclear device, ending the American nuclear monopoly. Then on October 1, the People's Republic of China came into being, as Communist forces under Mao Tse Tung emerged victorious over the exhausted and demoralized army of Chiang Kai-Shek.

Communist victories abroad soon generated ready scapegoats at home. In January 1950 Alger Hiss was convicted of
perjury. Public fear of Communist subversion within the government soared in February after Republican Senator Joseph McCarthy told a Wheeling, West Virginia audience he possessed a sizeable list of Communists still employed by the State Department. Almost overnight it seemed, popular belief in American internal stability and external invincibility changed to fear and question marks. Within weeks a great witch-hunt ensued, severely crippling the State Department and reorienting American foreign policy toward a more active support of anti-communist dictatorships. McCarthyism, or the "national competition in exaggeration," when grouped with the shocking advent of Soviet atomic weapons and the "loss" of China gave the appearance of Communism on the march.2

When North Korea invaded South Korea amid a highly publicized Soviet boycott of the United Nations, most Americans believed Korea was merely a prologue to Russia's attempted conquest of Europe. Truman therefore shaped policy simultaneously to resist the invasion of Korea and to prevent or prepare for the European expected invasion. As in World War II, Latin American raw materials were crucial to projected American military efforts and Latin American support was therefore ardently sought.

At the United Nations Brazil worked closely with the U.S., holding regular consultations about Soviet intentions
even before the invasion. Although seven Latin American nations abstained from the collective action proposals, Brazil, in the early stages of the crisis, supported the U.S. But although supportive in New York, Fernandes announced Brazil would wait until after her presidential election to decide whether to send troops. Whatever feelings of solidarity Brazil initially felt toward its cold war leader were undermined by an American delay in approving a $25 million EXIM loan to Volta Redonda for expansion of the steel plant. At about the same time, and immediately preceding the invasion, the U.S. approved a $125 million loan to Argentina, whose "gratitude" was shown with an abstention in the crucial U.N. vote. Washington attempted to soothe Brazilian feelings by supporting their candidacy for reelection to the U.N. Economic and Social Council and approving the EXIM loan, but gave Brazilians another jolt by announcing a $150 million EXIM loan to Mexico, thereby killing any hope of Brazilian assistance before the election.3

Neither the Korean War nor relations with the United States dominated the 1950 Brazilian presidential election. Instead, attention focused on Brazil's economic malaise and on the ex-dictator, now democratic champion, Getúlio Vargas. Running on a platform of accelerated industrialization and social welfare (trabalhismo), Vargas ran a spirited and highly nationalist campaign.4
American officials had ambiguous feelings about the campaign. Both of Vargas' major opponents, Eduardo Gomes of the União Democrática Nacional (UDN) and Christiano Machado of Dutra's Partido Social Democrática (PSD) were anti-communist and pro-American. Gomes was the former head of Brazil's Air Force and had cooperated with American officials during World War II. He also advocated private foreign investment to solve Brazil's oil shortage. Machado, a more obscure candidate, also was open to foreign investment.

Vargas was seen as a chameleon by American officials. Although he had been a reliable ally, his nationalistic campaign rhetoric concerned Americans, as did the Peronist elements supporting his candidacy. At times, Vargas seemed to propose a socialistic and Peronist "third force" position for Brazil; his campaign statements proved him to be a master of ambiguity. Realizing U.S. ambivalence concerning his candidacy, Vargas sent emissaries such as Walder Sarmanho and Oswaldo Aranha to assure American officials of his continued goodwill. He stressed his support for Pan Americanism, wartime cooperation and downplayed his lingering hostility to Berle, stating that the "traditional and permanent relations of friendship and cooperation between the United States and Brazil were in no way affected by the attitudes of any individual official who may have misinterpreted those ideals and served them badly." He likewise
welcomed private foreign investment, stating he opposed only "usurious and opportunistic capital which exploits Brazil." But Vargas also refrained from criticizing the Soviet Union and rejected the idea that Brazil should send troops to Korea. American officials saw these positions as an attempt at fence-straddling, "to be all things to all people."6 Two weeks before the election, General Douglas MacArthur's dramatic victory at Inchon seemingly turned the tide in Korea and appeared to end the war as a potential source of antagonism.

Vargas' smashing victory (his vote nearly equaled Gomes and Machado's combined) surprised American policymakers, who variously called the race too close to call or predicted a Machado victory. Getúlio's victory was due to his intimate knowledge of Brazilian voters, but more importantly his victory proved the appeal of populist candidates and techniques. Populism, a natural outgrowth of open democratic politics, an inexperienced electorate, an urbanizing nation, and an immature party system, was essentially machine politics joined with emotional appeals and personalism to mobilize voters. Populism changed Brazilian politics as much as industrialization changed the economy or urbanization Brazilian society. Vargas and his successors' adroit use of patronage, and emotional, nationalistic appeals, mobilized
but did not educate people. Populism tended to polarize politics, making compromise more difficult.7

Once elected, Vargas judiciously selected his cabinet. Those afraid of a socialist or peronist regime found their concern unjustified. Stressing the need for national unity to fulfill his great expectations, Vargas invited all parties to share in governing Brazil. Although Vargas had been endorsed by the Partido Social Progressista (PSP) and Partido Trabalhista Brasileira (PTB), these parties received but one position each, although the PSP also controlled the important Banco do Brasil. One ministry even went to the virulent anti-getulista UDN. Moderate conservatives of the PSD received the majority of posts, including Horácio Lafer (of the wealthy Klabin family) as finance minister and João Neves da Fontoura (an ex-chancellor and Vargas campaign manager) as foreign minister. The new cabinet revealed Vargas' electoral debts, but also showed the president's policy direction. If Vargas wanted to radicalize Brazil, he could not have chosen a less appropriate cabinet.8

THE JOINT BRAZIL-UNITED STATES ECONOMIC DEVELOPMENT COMMISSION

A few days after the election, Ambassador Mauricio Nabuco requested a personal interview with Truman to discuss ways to stave off what was by then viewed in Brazil as a crisis in relations. The audience with Truman had its desired effect. Truman reiterated his desire to maintain the
special relationship with Brazil, and he declared he would take a personal interest in Brazilian loan applications and in the negotiations to sell cruisers to Brazil. Less than two weeks later, Brazil received the cruisers and the American Embassy in Rio verbally accepted the Brazilian proposal for a joint technical commission. Within days, World Bank President Eugene Black informed State Department officials the IBRD could grant up to $250 million in economic development project loans to Brazil. On December 19, 1950 an exchange of notes established the Joint Brazil-United States Economic Development Commission.9

Both sides saw the Joint Commission as the perfect vehicle to improve relations. As a technical assistance program charged with formulating and prioritizing specific projects for the EXIM and IBRD, the JBUSEDC addressed the main complaint of the Dutra Administration--the lack of government loans. Because the Commission was the first to be announced in support of Point Four goals, it enhanced Brazil's prestige and gave the appearance of a special relationship. Moreover, as an integral part of the Point Four program, the JBUSEDC attracted the personal interest of President Truman.10

From its earliest days, Brazilians determined the JBUSEDC's priorities, both in sectors and geographical distribution of the projects. As Brazilian head of the
Abbink Commission, Bulhões borrowed heavily from the recent document. In line with the Abbink Report, Bulhões and Gudin selected as priorities those sectors most likely to have multiplier effects for continued growth: transportation (primarily railroads), electric power, port modernization, and agriculture (primarily warehouse construction). The area to receive the bulk of JBUSEDC funds was the Sao Paulo-Belo Horizonte-Rio de Janeiro "triangle." As with the Abbink Commission, the main goal of the JBUSEDC was to eliminate obstacles to increased private investment, both Brazilian and foreign. Bulhões and Gudin did not encourage the Commission to construct a comprehensive development plan or a plan for industrialization; that was the prerogative of entrepreneurs.

Although the JBUSEDC resulted from Dutra and Fernandes' painstaking efforts, Dutra left office only a month after signing the note, and therefore the Commission's success depended on its support by Vargas and Truman officials. Washington's support, in turn, depended on fortunes in Korea, which would serve to indicate just how much the U.S. needed Brazilian support. China's December 1950 intervention in the Korean War and the ensuing American defeats renewed desire in the Defense Department to secure Latin American troops. On December 16 Dean Acheson called for a special meeting of hemispheric foreign ministers. Just three days
later, Ambassador Johnson and Fernandes signed the JBUSED agreement.12

Vargas supported the Commission wholeheartedly. He chose Dr. Ary Torres, another Abbink veteran, as president of the Brazilian Section. As evidence of the extreme importance Brazil placed on the Commission's work, Torres chose a top team of young tecnicoB. Among the Brazilians chosen were Lucas Lopes, Glycon de Paiva Teixeira, Roberto de Oliveira Campos, Octavio Augusto Dias Carneiro, Hélio Jaguaribe, and Valentim Bouças. State Department officials had a difficult time recruiting someone with the competence and stature necessary for the position, but finally selected Francis Adams Truslow, President of the New York Curb Exchange. Truslow had lead an IBRD mission to Cuba in 1948 and was prominent in the Democratic Party, thus giving him good contacts with two key organizations. In order to by-pass State Department salary limits and attract qualified technicians, the State Department contracted the project to engineering firm Gibbs and Hill. Consultants chosen included experts in mining, agriculture, industry, finance, economics, railroads, and shipping.13

THE WASHINGTON CONFERENCE

Shortly after Washington began preparations for the inter-American minister's conference, Ambassador Herschel Johnson delivered to the Brazilian president-elect a
memorandum with the conference agenda. As in 1942, U.S. officials hoped Vargas would influence Latins to support United States positions. There were several reasons for consulting with Vargas; Brazil's historic role as arbitrator in Pan American conferences was just one. More importantly, Brazil possessed many of the minerals essential to war production. Brazil could also supply a division to relieve American troops more quickly than other Latin nations because it had more U.S. equipment due to its World War II expeditionary force.14

Vargas sensed Brazil's strengthened negotiating position but also he was anxious not to repeat the mistakes made in the previous war. João Neves da Fontoura, already acting as foreign minister, stressed to Johnson Brazil would cooperate only if the United States gave immediate support to its industrialization with credit, machinery, and higher coffee prices. Brazil's reply, known in the State Department as the "Vargas Document," also listed fourteen specific development projects (hydro-electric plants, oil refineries, steel expansion, railway improvements, etc.) deemed urgent, and demanded a supply agreement, or delivery guarantees in case the emergency deepened.15

Although Brazil had presented a large shopping list, Brazilians expected American acceptance for several reasons. First, they considered the demands reasonable. Also, most
items were either long-standing needs or correctives based upon the World War II experience. Neves assured the U.S. of Brazil's desire for increased American corporate investment, and even requested U.S. government action to help stimulate investment. Vargas and Neves promised delivery of necessary raw materials. The Brazilians concluded that the U.S. needed their support in Korea, at the U.N. and upcoming conference, and would be willing to pay for that support as it had in 1942. Finally, large-scale American economic assistance was crucial to Vargas' development program and electoral promises. Economic cooperation, as envisioned by top Brazilians, was mutually beneficial. Assistant Secretary of State Miller agreed with this logic and urged Dean Acheson to respond favorably and immediately because "it is imperative for the future of our relations."16

Nelson Rockefeller led the American delegation to Vargas' inauguration on January 31, 1951. In private discussions with Rockefeller Vargas expressed his desire for improved relations and his impatience for the JBUSEDTC to begin operations. Two weeks later Miller arrived in Rio to discuss economic cooperation, to expedite JBUSEDTC affairs, and to determine strategic material requirements. IBRD financing, Brazilian combat participation in Korea, and the terms of the supply agreement were also topics of concern. Accompanied by Truslow, Miller sympathized with Brazilian
positions, but could not promise anything specific, which is also what he therefore received from Neves da Fontoura. The main accomplishment of these amiable, but fruitless discussions was an understanding of general limits for JBUSEDC projects. Miller reiterated IBRD's $250,000,000 offer and promised EXIM participation if the World Bank refused to fund a project. Vargas and Neves desired $500 million, which Miller did not reject immediately.17

Back in Washington, unbeknownst to the Brazilians, trouble loomed. Although the State Department had assumed responsibility in agreeing to set up the Commission (understood by both sides to be a virtual financial commitment), Truslow found himself without authority to grant loans; furthermore, the two major institutions, EXIM and IBRD were unwilling to delegate authority to the Commission. More important was a battle being waged between IBRD President Black and the EXIM over the power to lend for development projects. In a meeting shortly before the Washington Conference, to be followed by another round of negotiations between the two sides, Black announced his opposition to the EXIM funding any part of the JBUSEDC project, and he threatened to pull out if his competitor remained. He also stated his opposition to the JBUSEDC coming between the Bank and direct Brazilian negotiations.18
The Fourth Inter-American Conference of Foreign Ministers convened in Washington on March 26, 1951 to consider measures in regard to the Korean War and communist threat to world peace. Although called as an emergency meeting, by the time the delegates arrived, U.N. forces had stopped the communist advance and a week before the conference, General Matthew Ridgway recaptured Seoul. Two days after the conference ended, while Brazil's delegation remained to conduct bi-lateral negotiations, Truman relieved General Douglas MacArthur, creating a public furor. It is safe to assume that in these turbulent days top American policymakers did not devote full attention to inter-American concerns.19

Since bi-lateral negotiations were to occur both during and after the conference, Brazil sent a more prestigious delegation than normal, several of whom dominated Brazilian foreign policy and politics for many years. The delegation included: JBUSED members Glycon de Paiva and Roberto Campos de Oliveira (who has held virtually every important post besides president); future finance and foreign minister Francisco San Tiago Dantas (author of the Vargas document); Augusto Frederico Schmidt (author of Kubitschek's Operação Pan Americana); future president General Humberto de Alencar Castello Branco; future Ambassadors to the U.S., Walther Morreira Salles and João Batista Pinheiro; financier and top Vargas economic advisor Valentim Bouças, IMF director
Octavio Paranaguá, and several other slightly less important people who became congressmen, generals, and ambassadors, as well as foreign minister Neves da Fontoura and ambassador Nabuco. Such a prestigious delegation was not the only indication of Brazil’s intent on serious negotiation; Vargas also gave his delegation authority to resolve the many outstanding problems. He also sent Truman a letter of solidarity and support.20

Brazilian and American differences dominated the conference, to the surprise and dismay of the State Department. Although aware that Miller’s mission had not been entirely successful, U.S. officials expected Brazil to defer their differences to the bi-laterial negotiations, an expectation João Neves confirmed publicly before leaving for Washington. In their preparations and instructions, however, the Brazilians decided to bring full attention to their grievances in the belief that Latin American solidarity would force a change in U.S. policy and that the conference would set the tone for the next four years. Vargas and his planners at Itamaraty (the Brazilian State Department) decided to give only qualified support to U.S. political and military proposals unless and until the United States supported their economic demands.21

Confrontation began with the plenary session. Truman opened the conference with an urgent appeal to Latin America
to make defense mobilization their first priority and asked the nations to forego economic development aspirations until after the war. In response, Neves da Fontoura condemned Soviet aggression and urged solidarity, but also stressed the need for mutual economic cooperation and immediate stimulation of economic development through increased economic and technical assistance. Only with shared sacrifice and economic development, Neves warned, could inter-American unity occur.22

As the conference proceeded, neither side budged from its original position. Brazil supported The Declaration of Washington, an empty statement of inter-American solidarity and willingness to cooperate with the United Nations, which passed unanimously, but which disappointed Washington. Truman and Acheson desired a stronger declaration of support, including Latin troop commitments to Korea and a strong condemnation of Communism. Brazil also supported measures to strengthen the Inter-American Defense Board and internal security against communist subversion, as well as to increase the availability of scarce materials for the war effort. Finally, Brazil sided with American opposition to an anti-colonial proposal deemed hostile to several NATO nations.23

Item III on the agenda, economic cooperation during the emergency, produced the major battles. With U.S. support
Neves was elected president of the economic committee and he quickly placed his top people on the various sub-committees to discuss problems and policies concerning allocations and priorities, strategic production, prices and consultation, international commodity problems, and long-term economic development. During the discussions Brazil refused to acknowledge any incompatibility between emergency and development programs, insisting that economic development was defense cooperation. Brazil saw two emergencies: the external threat posed by Soviet expansionism as seen in Korea and an internal threat faced by Latin America. Neves and Dantas reasoned that to prevent social unrest and internal Communist subversion, and increase exports to the U.S., development must be Latin America's first priority. According to their position, there really was no divergent objective. Their proposals were identical in purpose with U.S. policy as stated in Point Four and the Gray and Rockefeller reports on foreign economic policy.24

As with the earlier consultations Brazil remained committed to preventing "the economic errors of World War II." Thus, Brazil's proposals included: periodic commodity price adjustments to defend its purchasing power; guarantees for essential U.S. exports such as coal, oil, and machinery; price parity between raw materials and manufactured goods to
cushion anticipated postwar economic collapse; and expansion of Point Four and infrastructure development assistance.25

U.S. officials had great difficulty in deflecting or weakening Brazil's proposals, but they succeeded by relying upon several tactics. Most Latin nations refused to endorse Brazil openly in fear of antagonizing the U.S. and thus, through intimidation the U.S. could rely on a substantial bloc of votes from smaller nations to defeat Brazil. The U.S. also relied on the "divide and conquer" strategy of bilateral negotiations, promising specific projects to soften the language and intent of the original motions. Even Neves allowed this to happen, so as not to jeopardize the JBUSEDC and other perspective plums. Finally, the U.S. employed a delaying tactic by promising to send Brazil's proposals to the Inter-American Economic and Social Council (I-A ECOSOC) for study.26

The Washington Conference disappointed Truman officials who suddenly realized how much their neglect of Latin America had cost. Latin America's lukewarm support for the war, refusing anything beyond statements of unity, led to continued reappraisal of American policy begun with the appointment of Miller. Shortly after the conference, Congress passed the Mutual Security Act of 1951 for negotiat­ing bi-lateral military assistance treaties, and in the next eighteen months Latin America received more financial
assistance than it had in the previous six years. And while the bulk of assistance was military and technical, development loans also increased substantially.27 Unfortunately, these changes did little to alter the perception of neglect or stop the general deterioration in U.S.-Latin American relations.

Bi-lateral discussions held in conjunction with the conference were slightly more rewarding. Brazil again pressed for a supply agreement, which was again rejected as impossible and a bad precedent. To solve the impasse, the State Department agreed to establish a Joint Group on Emergency Supply Problems to determine each other's needs and facilitate exports. In return, Brazil agreed to accept conference resolutions which called for bi-lateral consultation before allocation revisions, declared economic development a defense measure, and promised assistance to increase production and guarantee supply of necessary goods. This compromise prevented an open schism and proved the willingness of both sides to bargain in good faith.28

With the Washington Conference over, U.S. officials focused efforts on securing active Brazilian participation in the war and increasing supplies of Brazilian minerals, particularly manganese and monazite sands. Neves did not reject Acheson's appeal for troops outright, but knew Vargas and military officials were not eager to accommodate the U.S.
Even when sweetened with the promise of supplying an entire Brazilian division, Neves only promised to refer the matter to Vargas. Strategic mineral discussions were more encouraging. Augusto Frederico Schmidt and Neves promised to expedite matters and send 500,000 tons of manganese from both the Urucum mines (U.S. Steel concession) in Minas Gerais and a recently discovered source in Amapá (Bethlehem Steel concession) near the Amazon River. They also agreed to send monazite sands, provided the U.S. finance equipment to process the sands in Brazil.29

Brazil's greatest desire in the bi-lateral talks was an iron-clad guarantee by IBRD to finance JBUSED projects. Discussions with representatives of the World Bank also took place on April 4 and 5. In these discussions the Bank expressed its willingness to finance the Joint Commission program's foreign currency requirements up to $300 million, "barring unforeseeable changes in the balance of payments position or in the credit worthiness of the country." Vargas was not completely happy regarding the modest $300 million level and he sent a telegram to Neves to instruct him to seek a greater commitment. In response, the Foreign Minister wrote the President that the $300 million was only for IBRD, that Brazil could count on EXIM support for other projects as well as separate funds for special projects such as building an oil refinery.30
By the end of April, a triumphant João Neves, still in the U.S., wrote Getúlio of the vast improvement in Brazilian-American relations and in Brazil's relations with the IBRD. The list of his accomplishments included: the constitution of a strong and prestigious Joint Commission that would reinforce Brazilian-United States cooperation; the promise of $300 from the IBRD for the JBUSEDC; the placing of a permanent representative of IBRD to work closely with the Commission; and the close working relationship established with Truslow. Neves also boasted that Brazil had not subordinated itself to U.S. collective measures (troops to Korea). San Tiago Dantas praised the success of his boss at Itamaraty, claiming $300 million was as much as IBRD would give and possibly already beyond Brazil's ability to pay. Brazilian expectations toward the Commission and the relationship were extremely high, although laced with considerable wishful thinking and self-delusion.31

As the Vargas administration approached six months in office, most Brazilians and Americans had increased hope for strengthening the relationship. Brazilians were optimistic concerning the JBUSEDC and believed they had finally opened the doors to IBRD and U.S. economic assistance. Washington was equally optimistic of securing Brazilian troops for Korea, the cornerstone of U.S. Latin American policy. Unfortunately, the next six months proved frustrating.
STALLING: INSTALLING THE JBUSEDC AND THE GOES MISSION

While en route to install the JBUSEDC, Francis Truslow died at sea on July 8, 1951. As the man most responsible for its activities on the American side, and a person whose prestige and contacts had made him indispensable, his untimely death had a devastating effect on the future of the Commission. This was not, however, immediately apparent. With Vargas already impatient to get the Commission moving, Miller replaced Truslow with Merwin Bohan, Ambassador to the I-A ECOSOC, as interim chairman. A career diplomat with much experience in both Latin America and in economic matters, Bohan was an excellent choice from a technical point of view. Yet, he lacked prestige and influence within the State Department. On July 19 the Commission began its work in the office next to Finance Minister Lafer.32

During the next three months, Bohan and Ary Torres supervised the organizing and laying out of the program while waiting for Bohan's successor. Because the agreements of the previous year had determined priorities (transportation and power) and magnitude ($300 million foreign currency; total program approximately one billion dollars), as well as area, the Commission had to decide how best to use funds. The Commission decided to concentrate on "those projects which would be: (a) conducive to the elimination of bottlenecks or to the creation of basic conditions for
economic growth; (b) complementary to, rather than substituting for, private investments; (c) susceptible to reasonably quick realization; and (d) financed by non-inflationary means." Of the four major considerations, two (b and d) were essential to IBRD participation and (a and c) essential to Vargas officials.33

In September 1951, while the Commission was still in the process of organization, officials met again in Washington to hammer out the details of IBRD and EXIM participation. Horácio Lafer and Eugênio Gudin arrived in order to attend meetings of the IBRD and IMF respectively. At these meetings, the World Bank selected Lafer as President of the Council of Governors, and the IMF chose Gudin President of its Council.34 The most important meeting, however, occurred September 14, 1951. At that meeting, attended by Lafer, Secretary of the Treasury John W. Snyder, IBRD President Eugene Black, EXIM Chairman Herbert Gaston, and Assistant Secretary Miller, a memorandum signed by all contained the following statements:

... The World Bank, as well as the Export-Import Bank within its particular sphere of activity, are greatly interested in this program. The management of these institutions expressed their interest and willingness to provide the needed amounts in foreign currencies for the implementation of projects included in the plan and approved by the Bank concerned, with the understanding that all projects submitted would have the prior study and recommendation of the Joint Brazil-United States Commission....

...The management of the World Bank, and the management of the Export-Import Bank with respect to the particular elements of the program that affect its operations, also
share the opinion that this program deserves high priority, and have therefore given assurances that foreign currencies, which will be a substantial part of the total cost, will be available to cover the external cost of any individual projects within this program which are recommended by the Joint Commission and approved by the Bank concerned as being sound and productive.35

This was a clear-cut statement of support with no reservation concerning "unforeseeable changes in the balance of payments position, or the credit worthiness of the country" clauses as had the April agreement. Lafer was understandably gleeful and sent Vargas a telegram with even more good news: the Americans had agreed to consider increasing the limits from $300 million to $500 million, with $100 million reserved for port and railroad rehabilitation. Later, after a short trip to Brazil to evaluate the Commission's progress, Eugene Black again pledged his unconditional support.36

Lafer had even more reason than most to be happy with the IBRD agreement. Earlier, he had staked his political life on necessary but unpopular tax measures to finance the cruzeiro portion of the program, and he needed a firm commitment that foreign currency would follow. The Lafer Plan, or National Plan of Rehabilitation, thus seemed a milestone in development financing, the first attempt in the Third World to rationalize investments in economic development projects. The Plan increased the Brazilian income tax by 15% and created a special fund for development projects.
After a lengthy debate, on December 5, 1951 the Brazilian Congress approved the plan and tax increase.37

While Congress debated the Lafer Plan, J. Burke Knapp replaced Bohan. A Rhodes Scholar and economist, Knapp had experience on the Federal Reserve Board and in the State Department, but like Bohan, he did not have the personal prestige that often proves so necessary to implement an agreement. And unlike Bohan, who argued violently with U.S. officials and even eventually resigned from the State Department over policy differences, Knapp had no disposition to fight for the Commission. Moreover, when accepting the position, Knapp made it clear that he would serve only one year. When he completed his year, Knapp moved to IBRD.38

With the JBUSEDC finally underway, U.S. efforts resumed to secure Brazilian military participation in Korea. During the April negotiations, Truman sent Vargas a letter requesting a division, but Vargas never replied. He neither wanted to make a commitment, nor risk American ire. While he opposed sending troops to a war beyond Brazilian interests, he also felt betrayed that Truman had reneged on FDR's promise to share the spoils of victory in World War II, and to grant a permanent seat to Brazil on the U.N. Security Council. But had Vargas desired to send troops, public opinion would have stubbornly opposed participation, especially that voiced through the large and vocal Communist
party and by a majority within the military, including War Minister Estilcac Leal and army chief of staff Pedro Aurelio Goes Monteiro. Pro-American, ex-chancellor Oswaldo Aranha also opposed participation, considering U.S. insistence on a Brazilian contribution "devoid of military sense." Aranha saw Korea as a prelude to a wider war and he urged Vargas to offer to send a division to Germany, where the future war would be decisive, a suggestion Vargas ignored.39

More important than Vargas' resentment and adverse public and elite opinion was the sense that the U.S. was not assisting Brazilian development. Although JBUSEDC progress continued, no concrete gestures came in 1951. The only loan Brazil received was for the coveted manganese project; Commission projects were still another year away. Moreover, while Brazil complied with U.S. requests for manganese, monazite, and beryllium, reciprocal action was not forthcoming, especially in those key sectors, such as petroleum, which caused a net loss in dollars.

By July Brazil could no longer delay acting on troop requests. On June 22, U.N. Secretary General Trygve Lie formally requested troops under the Uniting for Peace Resolution. Vargas dispatched General Goes Monteiro to Washington for discussions to press Brazil's economic demands and to stall for time. Although Neves desired an affirmative reply for troops, Vargas explicitly rejected
Neves' draft instructions which hinted at such a possibility.40

Gôes stalled in Washington for three months, pressing Brazil's claims upon the deaf ears of State Department officials. In a letter to Aranha, Gôes complained about the lack of candor and sympathy he had encountered in Washington, as he claimed that only military officials had listened to his pleas. At Foggy Bottom, officials quickly tired of Gôes' delaying tactics and diplomatic sparring and realized the old general was "the sacrificial offering in lieu of the late-lamented mission to Korea." While the two sides made progress on other defense-related issues, including a Military Assistance Treaty, Gôes' departure marked the end of hopes of Brazilian participation in Korea.41

By the end of 1951, the JBUSEDC was in full operation and able to concentrate on its tasks of project preparation and technical studies. With the exception of the Korean issue the year was a success for the relationship. While Brazil's refusal to participate in Korea disappointed Washington, cooperation in strategic minerals, establishing the Joint Commission and making progress toward a Military Assistance Agreement were more important, especially after the crisis in Korea became less acute. Moreover, both sides made an effort to improve relations and believed relations had improved.42 As the Truman administration entered its
final year in office, both sides had good reason to be optimistic about the future of the relationship.

1952: GROWING AMBIVALENCE

Unfortunately, most of the gains won during 1951 dissipated by the time the fireworks brought in the new year. In December Vargas sent to Congress a bill to create Petrobrás. Originally envisioned as a mixed public-private corporation with majority ownership in government hands, the Petrobrás bill was a compromise between the neo-liberal and extreme nationalist positions that emerged under Dutra's Petroleum Statute. Getúlio sent the bill to Congress only after corporations, domestic and foreign, had proved incapable or unwilling to solve this critical drain on exchange reserves. The proposal, however, restarted the intense debate begun in the 1940's, as opponents attacked Vargas' plan as a surrender to the "trusts." Over the next two years Petrobrás highlighted a controversy that touched almost every aspect of Brazilian-American relations and the path toward economic development.43

Within the State Department, the initial reaction to Petrobrás surprisingly, was not overly hostile. Although opposing state corporations and the exclusion of foreign capital (which the original proposal did not), the State Department saw enough good in the proposal to be cautiously optimistic, though concerned. Miller warned Acheson that
withholding aid to force a more liberal policy would probably weaken those desiring cooperation with the U.S. The feeling was that perhaps Congress would make the desired "improvements" on the bill.44

Getúlio's next bomb came on New Years Eve. In a radio address to the nation, Vargas savagely attacked foreign corporations for "bleeding" Brazil with exorbitant profit remittances, which had increased more than $50 million from the previous year to over $137 million. Three days later the government issued a decree limiting remittances to eight percent per annum of the capital actually brought into Brazil by foreign corporations. The decree gave SUMOC (Superintendency for Money and Credit) the power to apply this limit in times of balance of payments pressure, which by the end of 1951 had already become acute.45

As expected, American reaction to the speech and decree was immediate and hostile. Two days after the decree, Ambassador Johnson met Neves to discuss the decree. He claimed it would discourage private investment and "seriously undermine the concept on which the Joint Commission has been erected," a position immediately confirmed by Miller. The Foreign Minister understood the threat, but had not been consulted regarding the decree and could not change it. As one who had spent his entire diplomatic career fostering cooperation, Neves tried to get both sides to see
the other's point and reduce the damage caused. To the Americans, the Foreign Minister pointed out the economic necessities that led to the decree, as well as the political weakness of the President. To Getúlio, João Neves emphasized Brazil's need of U.S. capital to attain economic growth and suggested that the government not enforce the decree or adopt a system of free trade that would encourage investment despite the decree.46

Johnson also was concerned with the possible adverse effects of the decree on the JBUSEDC. He urged his superiors in Washington not to withhold funds for Commission projects, warning the position of Lafer and Neves would weaken, and that progress on vital matters—raw materials, military cooperation, support in the U.N. and O.A.S. could be jeopardized. He also warned that a "get tough" attitude probably would force Vargas into a more nationalistic stance.47

Confusion and uncertainty over relations was such that in May, Johnson and Bohan, who had come from Washington, met Vargas. While the Americans expressed concern over the decree, Vargas expressed dissatisfaction with the slow progress of the Commission, wondering out loud if Wall Street controlled it. Although the meeting was frank and friendly, Johnson concluded that leftist-nationalist influences had found a receptive listener in the old President.48
Despite Johnson's apprehensions, Vargas had already moved toward accommodation with Washington. Although his policies appeared vacillating and inconsistent, domestic considerations dominated his actions. He lacked a congressional majority and with a cabinet dominated by opposition leaders, Vargas needed to placate a widely divergent group to maintain his unstable coalition. This condition forced Vargas to act as a dancer doing the box step—up-back, left-right. Under extreme pressure from competing groups, Getúlio's strategy was dialectical; simultaneous movement toward both nationalist and moderate policies. Thus, even before Vargas met Johnson and Bohan, he approved the Military Assistance Treaty (over the objections and resignation of War Minister Estillac Leal), and also a three-year monazite export agreement.49

During the furor over the profit remittance decree, the Commission continued to prepare project applications and to send them to the State Department. By the time Johnson and Bohan talked with Vargas, about fifteen projects were ready and listed as "pending." Brazilian officials also continued preparations for the creation of the Banco Nacional do Desenvolvimento Econômico (BNDE), the primary organization to administer IBRD/EXIM funds, as well as the funds created from the Lafer Plan. Given the link between the BNDE and JBUSEDC, there was no surprise that many of the initial
Lafer and Fontoura also tried to diffuse the crisis by circumventing the ill effects of the decree. To correct the main reason that necessitated the decree, the unrealistic exchange rate which made remission of capital extremely profitable, Lafer backed legislation introduced by Deputy Adolpho Gentil that would divide the exchange market into an official rate for capital transactions and a free market rate for normal trading. To further assure the Americans of the desire for cooperation, Vargas sent Walther Morreira Salles to replace Mauricio Nabuco as Ambassador. A close friend of Fontoura and a banker trusted by the State Department, Salles did not officially begin as Ambassador until June, but arrived in May and began work immediately.

With the work of the Commission and internal measures considered necessary for its success moving forward, the pressure for action fell on the State Department and World Bank. Aware of the growing impatience of Vargas officials for project approval, Miller and Bohan tried to convince EXIM and IBRD officials to put together a loan package of $120 million. Both Bohan and Miller, as well as Embassy officials considered such a package crucial, especially with Secretary of State Dean Acheson scheduled to visit Brazil in
early July. In order to facilitate this package deal, Vargas sent Valentim Bouças to the U.S. to talk with the EXIM and IBRD. EXIM officials quickly approved nearly $60 million for three projects.52

Unfortunately, while EXIM cooperated, IBRD refused. Although just six months previously Eugene Black had given Lafer assurances of support, he slammed the door on Brazilian expectations, informing Bouças that until the Brazilian Congress passed free market legislation, he would not authorize more than $40 million, well short of the more than $100 million hoped for by Lafer. He also outraged Bouças by claiming that the terms of an earlier loan gave him power of approval before Bouças could enter into negotiations with private banks to pay off commercial arrears, the other purpose in Valentim’s mission. Black’s callous treatment of the Brazilian so infuriated him that Bouças threatened Brazil’s withdraw from the Bank. In a letter to Vargas, Bouças admitted Miller and Bohan had tried to assist him in his negotiations with Black and also were frustrated by the lack of success. In the same letter, the venerable financier advised his golf partner to publicly support the free market exchange bill in order to keep the momentum for the JBUSEDC and other projects, such as Petrobras, which Vargas’s socio-economic program needed.53
By the time Acheson arrived on July 2, EXIM and IBRD had announced six loan agreements totaling $100 million, a package Johnson considered barely enough to settle the immediate crisis and allow a pleasant visit. Desirous of a "working vacation," Acheson requested only a few items for discussion: the Commission, increased technical assistance, and Brazilian shipping needs. Shipping had become a Commission priority in January when Lafer asked Knapp if Brazil could purchase American ships with EXIM funds to replace merchant vessels sunk by the Nazis and never replaced. Miller warned his boss of the possibility of Brazilian hostility regarding "topic A" of the relationship: loans. Miller advised stressing the mutuality of the JBUSEDC, the practical results in planning and to mention that the success of the Commission should not be judged solely on the basis of loan totals, but on its over-all work toward Brazilian development, a tactic Acheson accepted.

Acheson's "vacation" was indeed pleasant and relaxing, except for a minor confrontation with JBUSEDC member Roberto Campos. In his speeches before the American Chamber of Commerce and Brazilian Chamber of Deputies, Acheson returned to the well-worn themes of private investment, praise for democracy, and Brazilian-American cooperation. Everywhere he went he extolled the Commission, praising its work, stressing it as a great example of cooperation. Acheson later
commented how impressed he was with the Commission and with the potential of Brazil, while Campos would say that during the trip Acheson "discovered Brazil."55

Acheson's meeting with Vargas, Lafer and Fontoura was also pleasant as everyone praised the Commission and downplayed the major areas of disappointment: for the U.S., Brazil's lack of support for the Korean War and the profit remittance decree; for Brazil, the always fluctuating price of coffee and the United States' delay in funding more projects, despite the approval of the package. Yet, the talks were substantive. Both sides acknowledged the factors separating the two nations, while Lafer specifically requested Acheson's support in securing IBRD support for the Commission and in securing ships. Acheson promised to talk to Black, but regarding shipping (JBUSEDC project #26), the Secretary regretted the matter required Congressional approval, very difficult to get in an election year. The issue would have to be left to the new administration, which he added would not include himself or Truman. Almost prophetically, Vargas commented on his disappointment in Truman's imminent departure, as his continued leadership would make things easier.56

Although not realized at the time, Acheson's trip marked the high point in the Commission's success and in Brazilian-American relations during the Vargas Administration.
Shortly after the Secretary's departure, the Brazilian Congress debated the merits of the Commission. Deputy Armando Falcão (PSD-CE) unleashed an attack on the JBUSEDCC, Lafer, and the June loan package. Falcão pointed out that a great portion of the EXIM/IBRD package had gone to American subsidiaries, such Brazilian Electric Power, while other projects with a higher priority by the Commission still had not received funding. Falcão also objected to the fact that EXIM loans required purchases from the U.S., claiming such policies violated the Good Neighbor Policy. He also attacked the Commission as corrupt, claiming the purchase of Westinghouse train equipment resulted from Ary Torres being that corporation's representative.57

While Congress debated the Joint Commission, the free trade legislation considered so important by the IBRD and American corporations languished, entangled in the struggle between the industrial and coffee sectors. The problem of complying with U.S. desires was that a move to a free market exchange rate would result in a devaluation of the cruzeiro, leading to windfall profits for the export sector and thus less support for industry. In a letter to Washington, JBUSEDCC economist Philip J. Glaessner could only state that the bill was still far from being passed. Glaessner also stated his conviction that a multiple exchange system,
though unorthodox, seemed preferable given the conflicting needs of the economy.58

During the Congressional debate, Bohan returned as U.S. chairman, a position he accepted reluctantly. J. Burke Knapp, the former chairman remained close; he became the IBRD field representative for Latin America. This situation could have been ideal with a different World Bank policy or a more forceful presentation of the Brazilian case. Unfortunately, IBRD's rigidity grew with time and Black pressed EXIM to follow suit.

As the 1952 U.S. Presidential Election drew near and with IBRD pressure on EXIM, initiatives from Washington virtually ceased. In the three months before the election, the EXIM authorized only three new credits to Brazil, one of which was for manganese extraction, not JBUSEDC projects. The two JBUSEDC loans resulted from the vigorous defense by EXIM President Gaston and State Department officials over the objections of IBRD and the U.S. Securities & Exchange Commission, who claimed the lack of free market legislation and the balance of payments problems should take precedence over U.S. foreign policy objectives or the technical soundness of the loan.59

Dwight D. Eisenhower's smashing victory over Adlai Stevenson in November brought consternation to Brazilian officials, who had hoped for a Stevenson victory, and a
flood a visitors from Rio to New York and Washington to determine what a Republican victory meant to relations and the JBUSEDC. Fontoura, in New York for the United Nations session, talked with Acheson and several members of the victorious party: John Foster Dulles, Nelson Rockefeller, Arthur Vandenberg Jr. and the new President. Ever the optimist, Neves concluded after talking to the Americans that relations probably would improve, with price controls on coffee ending and with a better chance to work out a program for Commission projects in the wings.

Vargas' confidant Oswaldo Aranha was also in the U.S. to talk to the new administration. Aranha was also hopeful of improved relations; instead of the "pygmies" of the American business elite prominent in the Democratic party, he believed the new government would be run by the real powers. Thus, the new political situation in Washington promised to give Brazil a fresh opportunity to reverse the decline in relations caused by Truman's abandonment of the Good Neighbor Policy and special American-Brazilian relationship, for the Republicans seemed less inclined toward internationalism and more Western Hemisphere oriented. What Brazil needed to do, according to the former Foreign Minister, was to prove Brazil's amity to Eisenhower and Dulles, stress Brazil's development needs, and forge a personal relationship, similar to the one Vargas enjoyed
with FDR, with Eisenhower. Aranha was also cautious, however, and seemed alarmed that the designated Secretary of the Treasury, George Humphrey, headed the corporation that had recently received the large EXIM loan for the Amapá project. The American partner in the operation was Bethlehem Steel, a subsidiary of the Hanna Corporation, of which Humphrey was President and Chairman, until assuming his new duties.60

Other Brazilians were not as optimistic as Aranha and Neves. Writing from New York, Hermes Lima warned the return of the Republicans might signal the return of the paternalistic and jingoistic policy of the 1920’s and thus advised Vargas not to ratify the Military Assistance Agreement until more economic help arrived. Walder Lima Sarmanho, Vargas’ brother-in-law, noted Eisenhower would not be enthusiastic about Point Four programs, popularly linked to Truman, and would be even more inclined than the Democrats to favor development through use of private capital. He urged Getúlio to press ahead on measures such as the railroad reorganization bill and free market legislation in order not to jeopardize the Commission’s funding possibilities.61

The illustrious Brazilians were not the only ones in the United States trying to understand the new directions. Shortly after the election Merwin Bohan also went to Washington to expedite the funding of the JBUSEDC railroad
and port rehabilitation projects. The Ambassador arrived to find that Miller had already resigned and was out of town; no one was in charge of Latin American affairs. The situation forced Bohan to wait until January and he took the time offered to recruit Commodore E.E. Brady to help the Commission with its technical report on shipping needs. While Bohan waited, the Truman Administration made its final loan to Brazil: a $7.5 million loan to Companhia Vale do Rio Doce S.A. an EXIM loan negotiated between company President Juarcy Magalhães and EXIM President Gaston.

Truman relinquished power to Eisenhower with much unfinished business in foreign affairs. In Asia, a Korean armistice proved elusive and the Taiwan and Vietnam situations remained unresolved. In Europe, efforts to strengthen NATO and incorporate the Federal Republic of Germany into the Western Alliance remained unfulfilled, while the Soviets still occupied Austria. In Iran, Egypt, and Guatemala, the United States appeared headed toward confrontation with rising economic nationalisms.

Relations with Brazil were also in a state of flux. While Truman officials had made a determined effort to reconstruct the special Brazilian-American relationship, U.S. objectives remained unfulfilled. The Joint Commission had not completed its work, Brazil’s Congress had not ratified the MAP treaty, resolved dif-
ferences over the petroleum question. Moreover, Brazil entered 1953 with economic disaster imminent; both inflation and the balance of payments problems worsened and private foreign investment had ceased. On balance, Truman officials showed patience, restraint, and sympathy for Brazilian problems and did much to overcome resentments and mistrust caused by Berle's intervention and the subsequent period of neglect. Still, as Eisenhower replaced Truman, the two sides had to complete or to disregard the gains of the previous two years.

2. Halle, Cold War as History, pp. 237-247, 261. Halle claimed that McCarthy controlled the State Department by 1953, including the power to veto appointments and that the State Department was morally crippled through the 1960's as a result of McCarthy's control. On implications to Latin America, see: Steward, Money, Mission, and Marines, pp. 114-118. On the impact of McCarthyism on the U.S. and a contemporary psychological profile of the Senator, see: Richard H. Rovere, Senator Joe McCarthy (New York: Harper & Row, 1959).


4. Skidmore, Politics in Brazil, pp. 73-80.; Dulles, Vargas of Brazil, pp. 290-298.

5. Ibid., pp. 296-298; Skidmore, Politics in Brazil, pp. 75-80.

6. On American concern for Perónist support of Vargas, see: Thompson to Aranha, 8/22/50, Aranha Papers; New York Times, 8/17/50, p. 4.; Johnson to Acheson #168, 8/1/50, Johnson to Acheson, #240, 8/15/50, file 732.00, State Department archives. On Vargas' campaign statements and positions concerning the U.S., see: New York Times, 1/31/51; Erwin P. Keeler to State, #339, 9/14/50, file 732.00, Keeler to State, #475, 9/28/50, file 632.00, Charles W. Adair to State, #572, 10/19/50, file 732.00, State Department archives.


8. *New York Times*, 1/31/51; Skidmore, *Politics*, p. 78; Maria Celina D'Araujo, *O Segundo Governo*, pp. 104-112. Maria Celina claims the cabinet selection revealed Getulio's and PTB weakness, and forced him to dilute his nationalistic program to maintain PSD support. Vargas himself declared that the PTB was a party without leaders. Once in power, however, Vargas proved to be pragmatic and centrist, leading one to disagree with Maria Celina.


11. Ibid.; *Development of Brazil*, pp. iii-vii. Much of the criticism toward the Commission has been that it did not develop a comprehensive development program, which is unfair, because it did no do so deliberately. See: Maria Celina, *O Segundo Governo*, pp. 134-147.


14. Department of State Memorandum, 12/18/50, file 611.32, State Department Archives; Johnson to Neves da Fontoura, 12/29/50, Getúlio Vargas Papers.

15. The Vargas document is in *FRUS, 1951*, Vol. II. pp. 1184-1188., and also in Neves to Johnson, 1/13/51, Vargas Papers. Most of the projects demanded by Vargas and Neves were eventually incorporated into the JBUSEDC program. That they
felt the need to make them at all, especially since the agreement had been signed only a few weeks before reveals how much mistrust existed.

16. Ibid. Miller's memorandum in FRUS, 1951. Vol. II. p. 1190. Not all Americans favored U.S. support for Brazilian development, at least under Vargas' terms. One official complained to Miller that the U.S. could not buy cooperation, that the U.S. was fighting Brazil's war as well. See: Warren to Miller, 1/27/51, file 732.00. State Department Archives. Besides the Vargas document, for Brazilian attitudes, see: "Resumo dos Pontos a Serem Examinados nas Entrevista do Ministro de Estado com o Sub-Secretário Assistente E.G. Miller," San Tiago Dantas Papers, Box 21, Arquivo Nacional, Rio de Janeiro.

17. Johnson to Miller, 2/15/51, file 732.00, State Department Archives; White to Miller, 2/6/51, FRUS, 1951. Vol. II. pp. 1191-1195; Neves da Fontoura to Vargas, 2/19/51, 2/21/51, 2/24/51, Vargas Papers; Mills to Kidder, 3/6/51, file 832.00, State Department Archives; "Resumo," op. cit., Dantas Papers.

18. Miller to Bohan, 1/8/64, Bohan Papers. IBRD and EXIM engaged in a continuous turf battle throughout this period. In October, 1950 IBRD President Black had threatened to pull out of the JBUSEDC if EXIM did not limit its operations there, but the problem was apparently solved. Only four months later, however, the problem arose again, as it would several more times in the next few years. On the October meeting, see: Memorandum of Conversation, 10/19/50, Acheson Papers.


20. Brazil's delegation listed in Dantas Papers, Box 21 and in Department of State, Fourth Meeting of Consultation of Minister's of Foreign Affairs of American States, March 26—April 7, 1951. Report of the Secretary of State. Washington, D.C. 1953. pp. 41-42. On Brazil's desire to negotiate and Vargas' letter to Truman, see: Miller to Acheson, 4/6/51, file 732.00, State Department Archives; Brazil's instruction for the economic commission (Agenda No. III) are in Dantas Papers, Box 21. Brazil's competent and influential delegation worried some American planners, who correctly perceived that such a delegation meant Brazil would push its positions with more determination than usual.

22. For Truman’s and Neves da Fontoura’s opening speeches, see: Fourth Meeting, pp. 61-63. In defense of his actions to a congressional committee that had suggested that he had supported the U.S. too readily, Neves claimed he had been "terribly distressed" with the speech because he took public issue with U.S. policy, unprecedented for a Brazilian at an inter-American meeting. See: Ministério das Relações Exteriores, Exposição do Ministro João Neves da Fontoura aos membros das Comissões de Relações Exteriores do Senado Federal e de Diplomacia e Tratados da Câmara dos Deputados e os Líderes dos Partidos Nacionais com assento no Parlamento, em 29 de maio de 1951 (Rio de Janeiro, 1951), 33.

23. Fourth Meeting, pp. 10-17, 66-75. J.N. Fontoura to Ministério das Relações Exteriores (for Vargas), 51 03 16/1, Vargas papers. Fontoura kept Vargas fully apprised of the situation at the conference with approximately fifty telegrams. The anticolonial motion, sponsored by Argentina, Venezuela, and Guatemala and aimed at Great Britain and the Netherlands might have passed with Brazilian support and Brazil’s vote with the U.S. (against stated Vargas policy) was seen by Brazilians as proof of their good faith and alignment. Author interview with Cleanto de Paiva Leite, 5/20/86.

25. Fourth Meeting, pp. 24-36; "General Instructions About Item III on Agenda, Box 21, Dantas papers; J.N. Fontoura to Vargas, 51 03 16/1, Vargas papers. Since coffee prices doubled between the onset of the war and the conference, Brazil was anxious to maintain the price as a way to finance industrial imports, something the U.S. could not accept. See: Kidder to Johnson, 4/24/51, file 732.00, State Department archives.


27. Dozer, Good Neighbors? pp. 331-332; Parkinson, Latin America and the Cold War, pp. 28-30. Dozer incorrectly claims that 45% of the total aid to the region in the 1945-1960 period came from 6/50 to 12/52. While roughly this percentage was the total for military assistance and EXIM loans, Dozer did not calculate the contributions through other assistance programs, such as P.L. 480, technical assistance, the Development Loan Fund, or multilateral sources (IBRD, IMF, UNRA, etc.). R. Harrison Wagner claims that Korea and the Washington Conference did not alter U.S. policies, which is also incorrect. See: R. Harrison Wagner, United States Policy Toward Latin America: A Study in Domestic and International Politics (Stanford University Press, 1970), pp. 18-20. Truman pushed Congress for a Mutual Security Act over State Department opposition for several years, but not until Korea and the conference did Congress respond favorably.

28. Fourth Meeting, Conference Resolutions XIII, XIV, XV, XVI, pp. 74-75; FRUS, 1951, Vol. II., pp. 965-967; State Department Memorandum of Conversation, 4/2, 4/5, 4/6/51, file 732.00, State Department archives; Kidder to Johnson, 4/24/51, file 732.00, State Department archives; J.N. Fontoura to Relações Exteriores (for Vargas), 4/4/51, Vargas papers.

29. Fontoura to Relações Exteriores (for Vargas), 4/1, 4/3, 4/6/51, Vargas papers; Fontoura to Vargas, 4/5/51, Vargas papers; Moniz Bandeira, Presença, pp. 309-315; State Department Memorandum of Conversation, 4/14, 4/17/51, file 411.3231, State Department archives; Kidder to Johnson, 4/24/51, file 732.00, State Department archives. Schmidt's interest in sending monazite sands and other nuclear minerals to the U.S. was also financial; he headed a corporation desirous of using profits from exports to create a nuclear
industry in Brazil. Author interview with Cleantho de Paiva Leite, 5/14/86. U.S. interest in Brazilian manganese predated the Korean War. Defense planners considered Brazil's reserves the best in the world and were also impressed that the reserves were not easily sabotaged. See: NSC/CIA 5-11, Intelligence Memorandum #321, 9/25/50, "Importance the U.S. and Prospects for the Future Development of Brazilian Manganese," Truman papers.

30. Development of Brazil, p. 71; State Department Memorandum of Conversation, 4/4, 4/5, 4/14, 4/17/51, files 411.32 & 732.13, State Department archives; Vargas to Fontoura, 4/11/51, Fontoura to Vargas, 4/12/51, Vargas papers.

31. Fontoura to Vargas, 4/25/51, Vargas papers; San Tiago Dantas to Alvim, 4/51, Dantas papers.

32. Bohan to J.W.F. Dulles, op. cit.; Fontoura to Vargas, 6/11, 6/13/51, Vargas papers.

33. Development of Brazil, p. 70.

34. Lafer to Vargas, 9/14/51, Vargas papers.

35. Development of Brazil, p. 70.

36. Lafer to Vargas, 9/19/51, and Eugene Black to Lafer, 12/4/51, Vargas papers.

37. Thomas Skidmore, Politics, pp. 94-96; Monica Hirst, Ação e Pensamento, pp. 31-32

38. Miller to Bohan, op. cit.; Author interview with Roberto Campos de Oliveira, 6/18/86. Campos referred to Knapp as a "cold fish."


41. FRUS. 1951. Vol. II, 1197-1206, 1211-1217, 1224-1231.; State Department Memorandum of Conversation, 8/3, 10/15/51, Acheson papers; Góes Monteiro to Aranha, 8/3/51, Aranha papers.

42. U.S. belief in the great improvement in relations is evident by several year-end summary documents. Bohan wrote of an "intense interest in the JBUSEDC in Washington," while Johnson praised Vargas' firm pro-United States attitude and stronger policy of cooperation than its predecessor," despite an increase in economic nationalism. See: Bohan to Johnson, 11/1/51, Johnson papers; Johnson to Kidder, 10/24/51, file 350, post file: Rio de Janeiro, State Department archives. In the end of the year summary, the embassy staff cited a "virtual stop in previously frequent public complaints" and the appointment of Neves da Fontoura as major indications of improved relations.

43. Skidmore, Politics, pp. 98-100.; Peter S. Smith, Oil and Politics, pp. 75-83; Simon G. Hanson, "The Good Partner Policy," Inter-American Economic Affairs, Vol. 10, No. 2 (Autumn 1956), pp. 68-69; Dulles, Vargas, p. 308; Author interview with Cleantho de Paiva Leite, 5/20/86. Both the Hanson article and Leite related that Vargas preferred private corporate investment in petroleum to a state corporation because private capital could develop the industry more quickly. In 1951, representative from Shell Oil offered Vargas a 50-50 split in ownership and revenue, which Vargas accepted. After talking with Standard Oil of New Jersey, however, Shell withdrew the offer because Standard insisted that the companies could get better terms. The oil companies rejection forced Vargas to go ahead with Petrobrás; Getúlio felt he could not wait any longer for a solution to this crucial problem. As Leite pointed out, the same thing happened in the 1930's with the steel industry, resulting in the state-owned Volta Redonda.

44. Although the State Department did not vehemently oppose the original Petrobrás bill, as the bill moved through Congress and became more monopolistic and nationalistic, U.S. opposition hardened and became a major preoccupation from 1952 to 1961, despite the enormous popular support Petrobrás enjoyed. Miller to Acheson, 4/22/52, Miller papers; Author interview with Cleantho de Paiva Leite, 5/20/86. For an excellent summary of the Congressional debates over Petrobrás during 1952-1953, see Moura, A Campanha do Petróleo, pp. 76-
45. Skidmore, Politics, pp. 99-101; Dulles, Vargas, pp. 307-308. The speech is in Getúlio Vargas, Governo Trabalhista do Brasil (Rio de Janeiro, 1952), Vol. II, pp. 65-77. The balance of payments difficulties, a chronic problem after World War II, were aggravated in 1951, not only by profit remittances (caused by Brazil's overvalued currency, a monetary policy designed to aid industrialization and limit inflation), but also by Brazil's massive imports. Vargas and his advisors feared the Korean War would be long and eventually the U.S. would restrict exports of machinery and thus gambled by increasing imports to allow continued growth during the war. But there was truth in his assertion; between 1947 and 1953 profit remittances exceeded new venture capital. One of the unforeseen consequences of the speech and decree was to make the original Petrobras bill impossible to pass because Vargas strengthened the hands of the radical nationalists favoring the exclusion of "evil" foreign capital.

46. Johnson to Miller, 1/5/52, FRUS, 1952-1954. Vol. IV., pp. 572-573.; Fontoura to Lourival Fontes, 1/31/52, Vargas papers. Both the Johnson and Miller papers contain several letters from concerned businessmen clamoring for State Department intervention, although Bank of America vice president Henry W. Drath wrote that the action was not unreasonable. Drath to Miller, 2/5/52, Miller papers. In the 1947-1951 period, profit remittances exceeded venture capital and thus were a severe drain on Brazil's limited foreign exchange.


48. Ibid., pp. 577-578

49. Skidmore, Politics, pp. 93-108; Maria Celina, O Segundo Governo Vargas, pp. 122-125, 148-157; Fontoura to Vargas, 4/12/51, Vargas papers; Alvaro Alberto to Walther Moreira Sales, 5/25/53, Aranha papers. As Vargas' political position progressively weakened, the left-right strategy alienated both groups in his coalition. Another example of Vargas' desire for an accommodation with the U.S. was his willingness to share intelligence gathered and act in conjunction with the U.S. in the Bolivian revolution which brought "leftist" Paz Estenssor to power. See: Johnson to Acheson, 4/23/52, 5/28/52, post file, box 6, file; Bolivia, State Department archives; Memorandum of Conversation, 11/9/52, Acheson papers.
50. Skidmore, Politics, pp. 94-95; Author interview with Lucas Lopes, 3/12/86. Plans for the BNDE can be found in the Vargas papers, GV 52 06 28.


53. Miller to Johnson, 5/31/52, FRUS, 1952-1954, Vol. IV, pp. 580-583; Bouças to Lafer, two undated letters found in GV 52 05 26, Vargas papers; Bouças to Vargas, 6/8/52, Vargas papers.


55. Dean Acheson, Present at the Creation, pp. 666-670; Author interviews with Roberto Campos, 6/18/86, and Cleantho de Paiva Leite, 6/6/86.

56. "Resume of Discussion Held at the Presidential Palace, Rio de Janeiro, July 5, 1952," FRUS, 1952-1954, Vol. IV, pp. 587-595; Campos interview; Leite interview. A potentially awkward moment in this discussion was averted, as Acheson was to present Vargas with a piece of Steuben glassware depicting the Wright brothers flight at Kitty Hawk. Brazilians claim their own pioneer, Santos Dumont, as the first successful pilot. Fortunately, Vargas aid Cleantho de Paiva Leite, realizing the blunder, took the glass before a presentation could be made.


58. Bohan to State, 8/29/52 (contains Glaessner to Bohan, 8/27/52), Aranha papers. The fact that Aranha had this letter may be significant; a year later he instituted the multiple exchange system advocated by Glaessner.
The three EXIM loans were: a $67.5 million loan to a joint Brazil-U.S. corporation to develop manganese in Amapá (not a JBUSEDC project); a loan to BNDE for $18 million to purchase agricultural equipment for resale (JBUSEDC #18); and a $1.86 million loan to Cia. Metalúrgica Barbara to expand cast iron facilities (JBUSEDC #18). See: Export-Import Bank of Washington, Fifteenth Semiannual Report to Congress (Washington, 1952), pp. 15-18; Minutes of the 197th Meeting of the National Advisory Council on International Monetary Financial Problems, Held in Washington, October 10, 1952, FRUS, 1952-1954, Vol. IV, pp. 595-599.

Fontoura to Vargas, 11/19, 11/21, 12/2/52, Vargas papers; Aranha to Danton Coelho, 12/4, 12/17, 12/22/52, Aranha papers; Salles to Lourival Fontes, 10/10/52, Vargas papers.

Hermes Lima to Lourival Fontes, 11/5/52, Hermes Lima papers, FGV/CPDOC; W.L. Sarmanho to Vargas, 1/21/53, Vargas papers.

Bohan to J.W.F. Dulles, op. cit.; Export-Import Bank of Washington, Fifteenth Semiannual Report to Congress, op. cit.; State Department Memorandum of Conversation, 5/6/52, file 611.32, State Department archives; Interview with Juracy Magalhães, 7/15/86. Total EXIM loans for 1952 were $156 million; JBUSEDC projects received $81.6 million. Total IBRD loans in 1952 were $37.5 million, all for JBUSEDC projects.
CHAPTER III

THE RELATIONSHIP IN TRANSITION, 1953-1956

... the subterranean campaign of international groups allied with national groups, working against the regime...did not want the people to be independent....if they want to go on draining the Brazilian people, I offer my life as a holocaust.... I fought against the spoilation of Brazil. I have given you my life, now I offer you my death...."

- Getúlio Vargas, Suicide note, 8/24/54

According to Milton Eisenhower, Dwight Eisenhower, in his boyhood years fantasized about living in Argentina as a gaucho. As a war hero, General Eisenhower received an exhuberant welcome in Rio de Janeiro, where observers claimed crowd numbers and enthusiasm exceeded even President Franklin Roosevelt's 1936 visit. During the 1952 Presidential campaign, candidate Eisenhower criticized Truman for turning the Good Neighbor Policy, through "drift and neglect [into] a poor neighbor policy." To counter the deterioration in United States-Latin American relations, Eisenhower pledged more attention to the region's problems.1 A military man with a clear conception of Latin America's strategic and economic importance, as well as understanding past policy
failures, one could expect Eisenhower to improve United States relations with Brazil.

Unfortunately, the problems that plagued Truman's efforts to restore Brazilian-American relations to a sound footing remained; after his departure, the new administration was no more sympathetic to those problems than Truman had been. Instead, the Eisenhower years were marked by adherence to cold war dogma and private enterprise formulas, by a focus on political and strategic objectives while excluding economic solutions, by missed opportunities, and by a penchant for crafting policies addressing secondary concerns. While the Eisenhower administration in fact provided more dollar assistance to the region than had either the Roosevelt or Truman administrations, it always seemed one step behind Latin aspirations. Thus the appearance of a United States opposed to economic development and social change tended to accelerate the deteriorating relationship with Brazil.

THE NEW ADMINISTRATION

After his convincing victory, Eisenhower selected his administrative "team." Eisenhower considered the most important position to be Treasury Secretary, which went to Cleveland multimillionaire George Humphrey, president and chairman of the Hanna Mining Company, a conglomerate with world-wide interests. A strict fiscal conservative, Humphrey
favored a balanced budget, stable dollar, and no government intervention with business. Humphrey eventually became an economic czar, and an extraordinary powerful cabinet official, who wielded enormous influence in all spending matters including foreign aid, loans, and defense spending.2

The selection of Humphrey, as well as other top officials, such as Charles ("What's good for the country is good for General Motors and vice versa") Wilson, Sinclair Weeks, and Ezra Taft Benson showed the pronounced pro-business slant of the administration. With a cabinet consisting of "eight millionaires and a plumber," Eisenhower proved to be sensitive to the needs and desires of business, particularly oil and banking interests.

As expected, John Foster Dulles became Secretary of State. A successful corporate lawyer and leading Presbyterian layman and churchman, Dulles also was pedigreed for his position; both his grandfather and his uncle had been Secretary of State. Accused of being "Asian centered," in his interests, the new Secretary exuded boundless energy and projected an image of competence, toughness and morality; a modern-day Cromwell. During the presidential campaign, Dulles attacked the containment policy as "negative, futile, and immoral" and promised a bold spiritual crusade to regain the offensive in the cold war and liberate conquered peoples. Whether merely in campaign rhetoric or out of
genuine conviction, the Soviet Union preoccupied the new Secretary, who considered Latin America only in terms of cold war strategy.3

While Eisenhower ultimately determined foreign policy, his "chairman of the board" management style often relied on subordinates to carry out policy. Dulles and Eisenhower became partners, conferring regularly and although at times Eisenhower restrained Dulles' aggressive impulses, the mutual respect and shared outlook allowed Dulles to implement policy. He was, as one of his biographers exaggeratedly claimed: "the conceptual fount and prime mover—the initiator, formulator, energizer, negotiator, and operator—of American foreign policy in those years."4

But even if Dulles had somewhat less influence in shaping foreign policy than some scholars believe, the cold war absorbed so much of his energy that he neglected Latin American affairs, somewhat to Eisenhower's chagrin. As Dulles flew around the globe constructing and then shoring up anti-Soviet paper alliances, Latin American policy remained leaderless. Unlike other areas, where Dulles and Eisenhower exercised firm control over policy, Latin America was subject to an unusual degree of inter and intra-departmental struggle. The Departments of State, Defense, Treasury, Commerce, and Agriculture, as well as lesser entities, such as the EXIM Bank and Foreign Operation Administration
(FOA; successor to MSA), all fought to maintain influence in their areas of concern. This situation was due, in part to the way Eisenhower used the cabinet and his staff. But with Dulles delegating authority for inter-American affairs to the Assistant Secretary of State, initially John Moors Cabot, a fellow New England partrician and career diplomat, and with Ike relying on special assistants, such as his brother Milton, the State Department frequently lost policy battles. Neither Cabot nor Milton had the power to accomplish anything more than present policy alternatives until Eisenhower or Dulles grudgingly gave attention to Latin America.5

Eisenhower desired bipartisan support for his foreign policy, which despite lingering resentment over Republican campaign tactics ("Korea, Communism, Corruption"), Democrats generally accepted. Ironically, the administration faced its major policy opposition from conservative Republicans, who were anxious to impose limits on the perils of internationalism, both at home and abroad. In 1953 and 1954, Eisenhower struggled to defeat Congressional Republican attempts to reduce foreign assistance, eliminate the Reciprocal Trade Agreements Act, and to limit presidential authority in foreign policy through the Bricker Amendment. As Senate Minority Leader Lyndon B. Johnson chided: "...It makes bipartisanship right difficult. We Democrats need to know
which one of the Republican parties to be bipartisan with; and which one of the Republican Parties to be against."6

A more serious challenge to the administration's foreign policy came from Wisconsin Senator Joseph McCarthy and his followers. Upon the Republican Senate takeover, McCarthy became chairman of the Senate Committee on Government Operations. Free now to initiate hearings, the Wisconsin Senator began investigating the "Voice of America" and State Department, both of which were allegedly riddled with Communists and homosexuals. McCarthy's terror soon led to book burnings and forced dismissals of government employees, such as scholar and Soviet expert George Kennan. McCarthy even gained power over State Department appointments; Scott McLeod, "Tailgunner" Joe's henchman within State determined security risks as the Department's Personnel and Security Officer. The effects on the State Department were devastating; morale and initiative plummeted as State lost several top officials in the quest for ideological purity. More importantly, bureaucratic survival forced the entire Department to view issues with McCarthy's distorted prism.7

Although Eisenhower personally disdained McCarthy, he was ambivalent about the threat posed by the Senator. While eschewing McCarthy's methods, Eisenhower was almost as violently anti-Communist, as evidenced by the Oppenheimer and Rosenberg cases and his Executive Order 10450, which
enabled the government to fire persons with "personality" traits not consistent with national security. Moreover, Eisenhower did nothing to repudiate McCarthy, despite repeated counsel from several advisors. While his restrained course avoided open confrontation and a possible party split, Eisenhower permitted McCarthy to set the tone for American foreign policy for his first administration.8

Although Republicans vehemently criticized Truman's Latin American policy, once in office, they virtually conceded their remarks to be mere campaign rhetoric. In his confirmation hearings as Secretary of State, Dulles noted: "I think the most change that is needed [in U.S. foreign policy] is a change of heart. You have got the machinery but the spirit is the thing that counts." Soon afterwards in appropriation hearings, Dulles observed: "Latin America's position in recent years has been relatively stable...improved cultural relations with more visits [is] something that does not cost very much in the way of money; there is no area in the world where as much can be accomplished by good cultural relations as in South America."9

Dulles was not alone in his complacency. In its first policy statement on Latin America (NSC 144, February 1953), the National Security Council found most problems in U.S.-Latin American relations to be "psychological" in nature and advocated increased propaganda and public relations efforts.
Such a program included sympathetic attention to Latin representatives, visits by high government officials and private citizens to the region, and more care in statements about the area. Eisenhower accepted the proposals and created the United States Information Service, the overseas propaganda arm of the United States Information Agency.10

Most observers realized Eisenhower's first year would be critical for United States-Brazilian relations, not only because of the amount of unfinished business left by Truman, but also because policies established in the first year often shape the remaining years. The new administration, however, was ill-prepared to deal immediately with Brazilian matters. In Korea, war and negotiations continued, Chiang waited to be "unleashed" in Taiwan, and most importantly, Soviet dictator Josef Stalin died within a month of Eisenhower's inauguration. Stalin's death created confusion within an administration still groping for the reins of power. While the election seemed to mandate an ill-defined change in the nation's course, the administration still had not determined its direction, and thus, Latin American policy had to be improvised.11

THE EXIM LOAN AND THE END OF THE JBUSEDCC

Even before Eisenhower's inauguration, Merwin Bohan, the chairman of the Joint Brazil-United States Economic Development Commission met with IBRD officials to discuss railroad
financing, the heart of Brazil's development plan. Bohan reminded IBRD President Eugene Black and Latin head Burke Knapp that the United States and World Bank had an implied commitment to finance the program, and that the promise to cooperate with the JBUSEDC had led to Vargas' cooperation on other matters. Failing to finance the projects, the Ambassador warned, would destroy the Commission's prestige, delay the passage of the railroad reorganization act, and alienate Vargas. Black responded by stating Brazil had to pass the railroad reorganization plan before loans could be approved, that the Bank had made no commitments to Brazil, despite Brazilian pretensions, and that European members of the Bank opposed further loans until Brazil settled its commercial arrears problem. Further, IBRD was an international institution and could not compromise its principles or procedures and responsible planning to accommodate U.S. policy. Only when Brazil had settled accounts, passed railroad legislation, and established credit worthiness would the Bank return. The meeting ended with the forceful Black telling Bohan that if the State Department or Commission could not accept these conditions, they could seek other financing.

Shocked by the apparent reversal of policy and bad faith, Bohan sought help from State Department officials, only to find that no one seemed to have authority or knowledge of prior arrangements. Back in Rio, Johnson
arranged a meeting with Finance Minister Lafer, Knapp, and William C. Ladd, JBUSED deputy chairman. In this heated meeting, Knapp repeated to Lafer the Bank's position given to Bohan. Angry at the uncooperative position of the Bank and for its denying commitments he believed firm, Lafer threatened to pull the loan requests from the Bank, which Knapp replied would result in the Bank destroying Brazil's credit rating.

At this point help from Washington was necessary, but Dulles was in Europe and the new Assistant Secretary for Inter-American Affairs, John Moors Cabot, had not yet begun his duties. From Rio, Ambassador Johnson asked the State Department to give prompt attention to the matter, warned that Brazilian-American relations were at stake, and that the fact that IBRD was an international organization carried no weight in Brazilian circles. Johnson also stated that the conservative, rigid, and simplified positions taken by the Bank put the responsibility for initiating constructive action on the United States and repeated arguments that to end the Commission in bad faith would jeopardize other objectives and weaken cooperative elements within the Brazilian government.

Despite the Ambassador's stand, within the American Embassy there was as much confusion and uncertainty as in Washington. In a memorandum entitled "Bohan vs. the Bank,"
First Secretary Robert Terrill stated his opinion that both sides were correct, that the projects needed to be funded, but the legislation also needed to be enacted. Terrill stated his belief that the State Department could reconcile the two sides only if appropriate Brazilian legislation were soon enacted. Also, other indications of Brazilian willingness to cooperate had to take place, such as modification of the Petrobrás bill to permit foreign corporations to participate in oil exploration and development. Ladd agreed the reforms were necessary and that only a more liberal petroleum policy would improve Brazil's longterm balance of payments prospects, but Ladd argued that granting the loan would strengthen possibilities in both areas.15

By the end of January, a discouraged Bohan, vowing to "stay until I have an answer," wrote Deputy Assistant Secretary for Inter-American Affairs, Thomas Mann (protegé of Spruille Braden and author of the infamous Argentine "Blue Book"), a memorandum that showed his frustration and desire to distance himself from the coming confrontation. Although agreeing both sides had made mistakes, Bohan argued the Commission had initially been successful in repairing the relationship. He complained bitterly of Black's bad faith for adding new loan conditions just as the previous conditions were about to be met and for the IBRD's apparent control of U.S. foreign policy toward Brazil. Finally, Bohan
pleaded that the Commission, due to finish its technical studies by the end of March, be allowed to end in a "blaze of glory that will favorably affect our relations for many years."16

Bohan was not alone in trying to pressure additional project loans. In an address on national radio on January 31, Vargas praised the Commission and stated the Commission had approved 23 projects involving $264 million and Cr$7.4 billion while anticipated projects would push the figures to $500 million and Cr$15 billion. But as Johnson reported to Dulles, Getúlio had prepared the ground politically should the U.S. discontinue aid. Shortly after the speech, *Ultima Hora*, the leading pro-Vargas newspaper, reported that "Eisenhower promised Aranha to intensify economic cooperation."17

Vargas did not confine himself to speeches and press leaks. He also took the advice of Aranha and attempted to forge a personal relationship with Eisenhower. Over the next few months the two Presidents exchanged a series of pleasant letters. Getúlio also sent his daughter Alzira and son-in-law Ernani do Amaral Peixoto to visit Eisenhower after rejecting feelers for his own trip to the United States.18

Unfortunately, despite Vargas' personal diplomacy, prospects for the Joint Commission dimmed. The balance of payments crisis re-emerged less than a month after Eisenho-
wer took office. By February, Brazil's commercial arrears to U.S. corporations reached $450 million (another $300 million was owed to Europeans) and both American exporters and Oswaldo Aranha pushed for an EXIM "bailout" loan for $350 million. Lafer had been in the U.S. the previous September to discuss measures to pay off the backlog and Miller told him that an EXIM loan was possible, but dependent on the passage of a free market bill, that would make the cruzeiro convertible. Then, both Bohan and Vargas counselor Valentim Bouças dissuaded Lafer from such a course, claiming it would jeopardize funding the Commission program. Now, Brazil had passed the free-exchange market legislation and IBRD had made payment of the arrears a condition to further assistance.19

Within the U.S. government, strong opposition to the loan emerged immediately. Treasury Secretary George Humphrey opposed the loan in principle as a bad precedent and unwarranted use of the EXIM. Humphrey also opposed the loan amount, believing $100 million sufficient to keep Brazil afloat while it took the austerity measures necessary "to put their house in order." Under Secretary of State (General) W. Bedell Smith also opposed the loan. Only after former Assistant Secretary Miller insisted $350 million was both fair and previously agreed upon, did the hardliners partially relent. On February 21 1953, the U.S. announced a
$300 million loan agreement, but only disbursed $96 million, withholding the remainder until Brazil made progress toward financial stability. Moreover, under the terms repayment only began in September 1953, not enough time to turn the economy around.20

While Brazil's Congress showed its "appreciation" for the loan by ratifying the mutual assistance treaty, the negotiations and terms for the bailout alarmed those Americans and Brazilians desiring better relations and undoubtedly hurt funding prospects for the JBUSEDC. Having already conceded one "moral commitment," the new money-conscious administration would be less willing to help the next time around.21

Shortly after announcing the bailout, the Eisenhower Administration decided to eliminate the EXIM as a source for development loans. While the EXIM had the confidence and support of Latin Americans, U.S. exporters, and Congress, Secretary Humphrey believed the U.S. too burdened with debt to make additional development loans. The elimination of EXIM gave the World Bank control over an important aspect of U.S. foreign economic policy, which prompted a Senate investigation and the protest of former EXIM President Herbert Gaston. Gaston pointed to the facts that both the EXIM and IBRD derived their funds from the U.S Treasury and that EXIM financing in Latin America had involved a net
drain of only $33 million per year (disbursements minus collections of interest and repayment of principle) for projects that created additional trade revenues for the U.S.22

Over the protests of Dulles, who realized the importance of EXIM in U.S. foreign economic policy, the White House shattered EXIM’s autonomy and removed its voice from the National Advisory Council. Henceforth, the EXIM was strictly to facilitate trade. After executing the bailout, EXIM lent only $17.3 million to all of Latin America in 1953. Eliminating EXIM from development financing forced the Commission and Brazil back to IBRD, which by March had added the necessity of a liberal oil policy to the list of requirements for future loans.23

The atmosphere of uncertain authority and bureaucratic in-fighting in Washington, and the declining situation in Brazilian-American relations meant Washington needed a top-notch ambassador in Rio to determine the proper course of action. Eisenhower blundered tremendously by selecting as Ambassador Republican Party Treasurer James Scott Kemper (Kemper Insurance). Although Kemper’s contributions to the 1952 campaign necessitated an important position, and he in fact requested the ambassadorial appointment, his only apparent qualification was party loyalty. His only experience with Brazil was as a tourist, where he must have
enjoyed the beaches and scenery of the capital. Brash, rude, and ignorant about Brazil, Kemper's appointment infuriated many Brazilians and became a serious impediment to improved relations at a critical moment. Although Dulles quickly realized Kemper's appointment was a mistake, he remained almost two years and damaged relations.24

By the time Bohan returned to Rio in April to head the U.S. delegation to the United Nations' Economic Commission for Latin America (CEPAL or ECLA) conference, prospects for the relationship seemed bleak. Emotionally spent from the three-month struggle with his own government, the Ambassador listened quietly to what he thought was justifiable Brazilian anger over the hardening position of the U.S. toward Brazil, while at the same time the U.S. gave $80 million in railroad equipment to India, an amount equal to what Brazil requested as a loan. Back in Washington, State Department officials discussed ways to end the Commission in the shortest possible time with the least embarrassment.25

Over the next four months any goodwill established by the Commission evaporated as the U.S. pursued its termination while Brazil tried to salvage as much as possible. In April, a departing Johnson formally requested termination of the Commission by June 30. Brazilian officials with the most at stake, especially Neves, Ary Torres, and Horacio Lafer, resisted the request, desiring to wait for a final decision.
until after Milton Eisenhower's already announced trip in July. An early end to the JBUSEDC, they argued, would have serious internal repercussions, weaken government stability and give enemies of the United States an opportunity to attack the policy of cooperation. In addition, maintaining the Commission would allow Brazil more time to negotiate with IBRD, or failing that, work out alternative solutions to funding and development needs.26

Getúlio also desired to continue the Commission. Toward the end of April he sent his daughter Alzira and son-in-law Ernani do Amaral Peixoto to Washington to ask Eisenhower's personal intervention to save either the Commission or to work out a way to finance the remaining projects. In a letter to Eisenhower, Vargas referred to the recently passed Military Assistance Treaty as evidence of Brazilian goodwill and promised cooperation in expediting sales to the U.S. of recently discovered high-grade uranium and titanium. Yet, while Eisenhower treated Alzira with courtesy, the Commission was a dead issue. Writing to her father, Alzira explained the projects probably would not be funded, that Ambassador Salles believed that attempting to continue the Commission prevented other issues from consideration, and the JBUSEDC was more important for Torres, Lafer, and Neves than for Brazil. She also indicated the Americans would
agree to continue the Commission another six months if Getúlio desired.27

While Alzira and Admiral Amaral Peixoto were in Washington, Secretary of State Dulles sided firmly with the hardliners opposed to continuation of the Commission and additional financial assistance. In their zealous pursuit of fiscal conservatism, the hardliners showed a complete disregard for the internal political consequences within Brazil, and the stability of the Vargas regime if funding dried up, as well as rejected any innovative ideas to fund the program. Salles and Peixoto presented an ingenious plan that could have saved the original idea behind the JBUSDEC as a symbol of cooperation. Their plan would have allowed reinvesting the EXIM loan for worthy projects as Brazil redeemed the note. The plan would not create additional burdens on the balance of payments, a major hardliner complaint. Although the plan had some support in the State Department, Dulles firmly opposed the idea of "mixing" the two loans.28

Dulles' opposition to the Commission should have killed whatever remaining hopes the Brazilians might have had, but they decided to try to gain support from Milton Eisenhower. Meanwhile, the impending end of the JBUSDEC became public knowledge and created an uproar in Brazil. One of the leading newspapers in Rio, Correio da Manha, published
editorials by Commission member Helio Jaguaribe entitled "La Comedia é Finita," and "Uma Negligencia Fatal," which blasted Dulles and questioned the value of a pro-American policy. Jaguaribe argued that since Congress had passed the Military Accord and free exchange bill, there was now no need to maintain the fiction of cooperation. In Congress, Vargas' allies and enemies alike expressed opposition to ending the Commission and hoped that Eisenhower would ultimately continue the policies of Truman.

In the midst of this mini-crisis Getúlio requested the U.S. to delay the termination of the Commission until the crisis subsided; the nature of the relationship now seemed at stake. Dulles magnanimously granted three months and in almost an insulting afterthought to ease the way for Dr. Eisenhower, the U.S. put together a new "package" of $13 million for three Commission projects.29

Although only a secondary cause, the new administration's callous treatment of Vargas and the Commission quickened the exit of the two major proponents of the JBUSEDC. In June, Getúlio reorganized his cabinet, firing Neves da Fontoura and Lafer and replacing them with Vincente Rão and Oswaldo Aranha. These as well as other changes (José Americo da Almeida, Transportation; João Goulart, Labor; and Tancredo Neves, Justice also entered the cabinet), reflected the weakness of Vargas' position, his desire for concilia-
tion with the UDN, to which Aranha, Americo, and Rão belonged. Vargas' selection of Aranha and Rão, a former Justice Minister and close friend of Aranha, showed his desire to maintain close relations with the U.S., but also his exasperation with Brazil's economic failures, of which Lafer and the JBUSEDC were highly visible reminders.

The new cabinet began to work on repairing Brazil's finances immediately. Aranha, given control over the Bank of Brazil's credit policy as well as the Finance Ministry, began an emergency program of import and credit restrictions, to reduce both inflation and the balance of payments crisis. The Finance Minister also sent two of his best economists, Quartim Barbosa and Egydio Camara Souza to the U.S. to attempt to extend the payment schedule on the EXIM $300 million loan and to provide some breathing space for the government. At the same time, Aranha sent similar negotiating missions to England, France and West Germany.

Barbosa and Souza arrived in mid-July. Ambassador Salles joined the team and began a series of meetings with EXIM President Glenn Edgerton, IBRD vice president Garner, and various State and Treasury Department officials, including Secretary Humphrey. Although sympathetic, the Americans expressed misgivings about the genuineness and political support for Aranha's austerity plan. U.S. officials also expressed concerned about rising coffee prices
(Brazil suffered a severe frost that destroyed 40% of its harvest and caused world coffee prices to double) and Brazil's uncertain petroleum policy (Vargas' Petrobrás bill, submitted 12/51 still had not been enacted), both of which threatened Aranha's success. Despite these concerns, on July 30 the EXIM announced it would release the remaining $204 million and that it had postponed Brazil's first payment one year, to September 1954, although Brazil still had to pay the loan by 1956.32

Although the EXIM press release hailed the agreement as another example of Brazilian-American cooperation, Brazilians failed to see American largesse; both Britain and Germany had extended the repayment period for their loans to nine years. As Aranha wryly noted: "We got the worst settlement from our best friend." The timing of the announcement, furthermore, convinced Brazilians the U.S. acted only in response to Milton Eisenhower's encounter with Vargas.33

Shortly after the cabinet reorganization and during the Barbosa/Souza mission, Milton Eisenhower embarked on a "fact-finding" mission of South America. The tour was designed to prove to Latin Americans that the new administration cared about the region and wanted to improve relations. Before coming to Brazil, the U.S. sought and received assurances from Aranha that the Commission would
not be subject to public debate. Those assurances did not prevent Bohan from trying to convince the administration about the necessity of financing the remaining projects. Although the Commission received only fifteen minutes on Milton's itinerary, Bohan prepared a report stressing how further JBUSEDC funding would contribute to Brazil through reducing inflation, contributing to Brazilian balance of payments abilities, and through exercising a quieting influence on Brazilian politics.34

Rio was the last stop on Milton's "goodwill proof" tour and after a month of travel, he and his entourage (the Assistant Secretaries of State, Commerce, and Treasury) were tired. They met with a cool reception in Brazil, both officially and by the press, whose indignation reached new heights over America's wooing of Perón while unilaterally ending the JBUSEDC. Confronted with a hostile press, Dr. Eisenhower feebly denied any changes in U.S. policy. As he later wrote:

The Brazilians were furious and made no effort to hide their anger. I was singed by it on arriving in Brazil just as the joint commission was completing its work and the members were arguing. 'The kind of technical advice you received is as good as money!' I said in an attempt to mollify my peeved Brazilian friends. But they were more concerned with what they felt was our abrogation of an understanding than with what they might get if they submitted the jointly prepared projects to lending institutions."35
Later, in a private audience with Vargas, Rão, Aranha, and Sarmanho, Eisenhower informed his hosts they could not count on preferential treatment from the U.S.. He also suggested the U.S. was incapable of granting future EXIM loans because of the growing U.S. national debt and urged Vargas himself to overcome the troubles with IBRD. Though stunned and angered, Vargas was weakened from a recent accident and probably sick of the long struggle. No one told the sadly misinformed Eisenhower of Vargas' real thoughts on U.S. conduct.36

Milton Eisenhower's trip to Brazil ended the JBUSEDC and prospects for U.S. cooperation with the Vargas regime. Although the U.S. allowed the Commission to exist until December 31, the JBUSEDC was no longer an issue in Brazilian-American relations. Shortly after Milton's return, Bohan was recalled "to expedite Commission affairs in Washington," which actually meant the end of U.S. participation. Bohan returned to the I-A ECOSOC, a low position in Eisenhower's Washington, and for two years battled his government's opposition to CEPAL before retiring. In an unsuccessful effort to mollify Brazil, the U.S. supported Brazil's candidacy to the U.N. Security Council. At the end of 1953, IBRD doubled its loans, with $41 million for three JBUSEDC projects, but then made no more loans to Brazil until 1958.37
By the end of 1953, fourteen projects totaling $181 million had been funded; twenty-seven projects for $219.2 million remained. Twelve of the top fifteen Commission priorities received funding. Its technical work, while not "as good as money," was outstanding and useful for several years. Had the JBUSEDC not received such fanfare and assurance of available funds at its inception, the figures would have seemed respectable instead of a cause for bitterness.38

Politically, the Joint Commission was disastrous. As Bohan repeatedly pointed out, the Commission was not primarily economic or technical in nature, but was an economic and technical tool to achieve political objectives. Eisenhower officials failed to recognize the political goals or stakes involved. Committed to reducing government "waste and corruption," Eisenhower had no interest in completing a program hailed as a model of Point Four. The new administration not only denied the preferential treatment Brazil desired and felt entitled to, but also by its handling of the EXIM loan and JBUSEDC, actually discriminated against its most important ally in Latin America.

MILTON EISENHOWER'S REPORT AND THE RANDALL COMMISSION

In the second half of 1953, with the Korean War over and the situation in Eastern Europe clarifying, the Eisenhower administration finally began a systematic review of its Latin American and foreign economic policies. In August,
Eisenhower abolished the Mutual Security Agency and created the Foreign Operations Administration (FOA). Headed by former Minnesota Governor Harold Stassen, the FOA administered and coordinated all foreign assistance programs, including technical and multilateral. Eisenhower also formed a bipartisan Commission on Foreign Economic policy, headed by Inland Steel chairman Clarence Randall, to review trade and aid policy.

The Randall Commission submitted its report in January 1954. Over the vigorous dissent of its Republican members, Randall called for liberalized trade, including a three-year extension of FDR's Reciprocal Trade Agreements Act, a slightly lower tariff, a resumption of East-West trade, and amendments to the Buy American Act in order to allow increased foreign competition with American products. Randall also advocated stimulating private foreign investment by reducing subsidiary income taxes and negotiating investment guarantees. The Commission strongly opposed foreign aid, believing increased trade and investment alone would stimulate foreign economic development. Eisenhower quickly endorsed the report.

As for Latin American policy, Milton Eisenhower's mission, hailed by officials as responsible for a "new spirit of optimism," served as the basis for the review. In November Dr. Eisenhower submitted his report on the state of
relations, which the president immediately approved and made public. For the most part, the report was both elementary and cautious in its suggestions, leading some critics to question why Milton bothered to travel to Latin America. Particularly irritating to Latins was his attack on "excessive industrialization." But Milton did advise some alterations in U.S. policy: adoption of a trade policy to assure economic stability; adoption of a long-range materials purchase policy, including increasing the strategic stockpile, to stabilize commodity prices; amending tax laws to stimulate foreign investment; maintenance of U.S. financial institutions (EXIM) to lend sound development projects; and expanding technical assistance programs.41

Dr. Eisenhower also made specific country recommendations. For Brazil, he stressed increased assistance as the price for economic cooperation. Milton also urged pressuring the World Bank to expedite JBUSED loans, educating Brazilians on the benefits of private enterprise, and encouraging modification of the Petrobrás law. Milton also warned his brother against granting Brazil preferential treatment, so as not to jeopardize relations with the rest of Latin America.42

Although the two reports agreed in most aspects (trade, investment, technical assistance, commodity stabilization), they diverged sharply on the role of EXIM in development
financing and widened the battle between State and Treasury. Even though the president endorsed both reports, the U.S. could not pursue both an increase and a limitation of the EXIM. The State Department showed as much confusion and contradiction as the White House. Dulles fought Humphrey to save the EXIM, but in March 1954 removed Cabot as Assistant Secretary for Latin America because the latter was too vocal in his call for increased aid for the hemisphere. Cabot’s replacement, Henry F. Holland, a Texas oil man, was more like Humphrey than his new boss. Holland quickly endorsed Treasury’s position that no assistance be granted to Brazil without a new petroleum law and financial stability.

In 1954 the U.S. began to move slowly toward a more liberal loan policy for several reasons. The year began with a recession and with interest rates and unemployment rising, and Congressional elections approaching, business groups pressed the administration (conscious of its image as the party of depression) for measures to increase exports. Also at the Tenth Inter-American Conference (Caracas, 3/54), Latin American delegates expressed their dissatisfaction with Humphrey’s EXIM policy and threatened to block Dulles’ cherished anti-Communist declaration. To win their support, Dulles promised the EXIM would henceforth approve all sound projects, and further placated the Latins by agreeing to an economic conference in November 1954. Dulles also found
support for EXIM in Sinclair Weeks (Secretary of Commerce) and Senate Banking Committee chairman Homer Capehart. Their combined assault overcame Humphrey's objections, and by June 1954 EXIM returned to development financing. Unfortunately, the action was too late to prevent a confrontation with Vargas.43.

END AROUND: VARGAS VEERS TOWARD THE LEFT

Within Brazil, the shock of the Commission's termination without project financing and in apparent bad faith, forced a re-evaluation of Brazilian foreign policy and relations with the United States. Brazilians had misjudged the United States need for accomodation. Accustomed to the role of conciliator between the U.S. and Latin America, Brazilians believed the United States had as much at stake as they did in maintaining Brazilian prosperity and stability and thus had to see the Commission through to success. Although this assessment may have been true in 1951, by 1953, with the Korean War ending, Brazil lost its leverage. As late as June, Brazilians sought a way to make the Americans see their own interests in the JBUSEDCAE, and in failing, cynically concluded that the U.S. opposed their economic development.44

Vargas and his new advisors hurried to find alternative solutions to national problems, and new allies for the weakening regime. Through 1951-1952 Vargas had alienated
much of his labor and nationalist support in the vain attempt to conciliate the UDN and business elites, as well as to attract American investment and government assistance. The result of this policy was a paralyzed administration and a deadlocked Congress. Hostility from both the Left and Right increased to the point that it threatened the regime's stability.

Characteristically, Getúlio attempted to appease both labor and moderates. While continuing financial stabilization policies, the administration also increased the nationalist tone of its pronouncements and supported Labor Minister Goulart's organizational efforts. In October, Aranha unveiled a new "Aranha Plan," which created a multiple exchange system with a sliding exchange rate scale based on Brazilian industrial needs and which forced importers to purchase dollars at exchange auctions (an ingenious, if unorthodox attempt to increase government revenues while hiding a devaluation of the cruzeiro). In addition, both imports and exports that earned foreign exchange would receive cruzeiro bonuses. Aranha acknowledged the necessity of continuing the current rate of industrial growth despite serious external restraints (balance of payments crisis). Aranha also asked Congress to consider an excess profits tax, to increase tax rates on all profits over 12% of capital investment, to 50% (a measure similar to
the profit remittance decree only affecting domestic capital as well). The venerable champion of Pan Americanism warned potential U.S. investors: "We welcome [American] investment that will be governed here and not govern us. We need them badly, but we are not asking for them. You don't invite into your house people who ask guarantees to enter, guarantees to stay and guarantees to leave."45

Another area in which the administration changed direction was in petroleum development. Petroleum was the major consumer of hard-earned foreign exchange and Brazil's financial stability depended on reducing oil imports. Vargas' original Petrobrás bill was a compromise between the extreme liberal and nationalist positions and as such, had neither group's support. The Joint Commission concluded that of a projected billion dollar program to make Brazil oil sufficient, at least 70% would have to come from foreign sources because of Brazil's lack in technical experience and equipment.

While in Brazil, Milton Eisenhower expressed his brother's "concern" that Brazil take immediate steps to solve its petroleum problem in a "realistic manner." Now, almost two years since Vargas submitted Petrobrás to Congress, Vargas reluctantly embraced the nationalists and in October signed a bill that created a state-owned monopoly, instead of the original plan for a government-controlled
corporation but including both foreign and national investors. 46

As expected, United States reaction to Petrobrás was unanimously hostile. The New York Times doubted Brazil’s ability to produce anything requiring so much capital, while Oil and Gas Journal lamented that Brazil had "turned the key on a closed door." Ambassador Kemper told the embassy staff to do everything possible to kill Petrobrás, and suggested to Vargas that Brazil needed a "more sensible oil policy." 47

Although Petrobrás pleased nationalists and solved immediate political problems, the new monopoly did nothing to resolve Brazil’s credit and balance troubles. Already risking U.S. wrath over Petrobrás, Vargas and Aranha also needed to reduce dollar expenditures and turned for help to Europe and Latin America. Brazil and Argentina had already concluded a new wheat for coffee/rubber agreement, reducing Brazilian purchases of U.S. wheat. Similar initiatives were successful with Peru and Bolivia, resulting in a 400% trade increase in just two years with South America. Aranha announced Germany had agreed to invest $275 million to expand industry and to form a "Brazil-German Commission for Economic Development," an obvious slap at the JBUSEDC. In November, a treaty with Portugal created a "Luso-Brazilian Community," giving Brazil trading access to Portugal's African colonies. Furthermore, Brazil signed trade agree-
ments with Poland, Hungary, Yugoslavia, Finland, and Czechoslovakia. Although miniscule in its economic impact, U.S. officials considered the move dangerous.48

By the end of 1953, Vargas had raised considerably the stakes of the dispute with the U.S. In the United Nations, Brazilian representative Rômulo Almeida attacked U.S. hostility to SUNFED (Special United Nations Fund for Economic Development) and ridiculed the idea that IBRD and private investment provided sufficient funds for development. At the GATT conference (General Agreement on Trade and Tariffs), Brazil successfully defended its position that undeveloped nations deserved preferential treatment. In a Columbus Day speech Vargas criticized the continuing existence of Western Hemisphere colonies and announced afterwards that Brazil would support colonial freedom struggles in the United Nations.49

Independence in foreign policy may have soothed hurt feelings, but economic problems remained and the effects of the stabilization plan increased labor discontent. Inflation raged, fueled by a crop-destroying frost in the south and a simultaneous drought in the northeast. After Congress rejected Aranha's excess profits tax, Getúlio again attacked foreign corporate profit remittances. While Vargas overstated his case in declaring that American corporations were responsible for Brazil's economic ills, the assertion
contained a modicum of truth; if remittances ceased, Brazil would save $200-300 million a year in exchange, as well as realize increased internal investment.

That American corporations would continue to remit profits in the midst of an exchange crisis galled Brazilians. In January 1954, Vargas announced government officials had found evidence of invoice fraud by foreign corporations to hide remissions and avoid legitimate taxes. A further cause of anger was the fact that the U.S. did not object to Argentina's remittance law, which was more restrictive than Vargas' January 1952 decree. On January 5, 1954 Vargas reinstituted the decree limiting profit remittances, claiming "instead of dollars producing cruzeiros, it is cruzeiros that are producing dollars and emigrating."50

Brazil's multi-front offensive irritated American officials, who saw both increased Communist activity and a predictable (if despicable) nationalist demagoguery behind Vargas' actions. While Vargas' political and diplomatic maneuvers were an attempt to increase Brazil's leverage, they prompted U.S. cessation of most assistance, including several technical assistance programs. While Vargas had expressed his dissatisfaction with symbolic gestures, he carefully avoided genuinely hostile actions. To Americans, however, Vargas practiced a dangerous form of brinkmanship.51
But if Brazil proved it could be a nuisance, Vargas also hinted on the possibility of cooperation. In January 1954, Vargas proposed a joint consultative body to deal with economic problems at the cabinet level. Although supported by State Department underlings and Stassen, Dulles and new Assistant Secretary of State Henry Holland saw the proposal as an attempt to make the U.S. responsible for Brazilian development and vetoed the idea. At Caracas in March, despite State Department speculation that Brazil would form an anti-American bloc with Argentina, Mexico, and Guatemala, Brazil voted for Dulles' anti-Communist resolution and supported postponing of economic matters for a November economic conference. Likewise, in June 1954, in the U.N. Security Council, Brazil sided with the U.S. to refer Guatemala's charges of U.S. intervention to the OAS, which allowed the CIA-sponsored invasion to succeed. Despite Brazilian support on crucial matters, relations continued to worsen and the administration questioned Brazil's fidelity. 52

On September 28, 1953 as part of the effort to reduce government spending and punish Brazil for its nationalization of the oil industry, the U.S. cancelled the February 1952 monazite sands, thorium, and rare earths purchase agreement. The cancellation angered Brazilians and threatened Orquima, S.A. (the company providing the materials)
with bankruptcy. Stuck with thousands of tons of nuclear materials, officials from Orquima and the National Research Council (CNP) made plans to construct a nuclear reactor and power plant, which Vargas approved. CNP President Alvaro Alberto travelled to Europe in search of assistance to build the reactor/plant. Although conducted in secrecy, U.S. officials in Germany learned of Alberto's efforts and actually seized a shipment, destined for Brazil, of component parts for a laboratory to produce heavy gases and isotopes. Citing chronic shortages in electricity, in April 1954 Vargas proposed creating Electobras, a government-owned electric company, an immediate threat to foreign-owned utility companies. Shortly afterwards the U.S. agreed to renegotiate the 1952 treaty and offered to trade Orquima's minerals for $6.7 million in surplus wheat, which Vargas approved. Whether realistic or not, Brazil's attempt to circumvent the U.S. and become "nuclear" threatened U.S. interests.

A more visible and dramatic confrontation between the U.S. and Brazil involved coffee, Brazil's life blood. Shortly after the 1953 frost destroyed much of the crop, coffee prices in the U.S. increased rapidly, from a 1952 average of $.52 to $.97/lb. in April 1954. Such an increase in a recession and in an election year prompted a Senate investigation, headed by Guy Gillette of Iowa (whose 1950
investigation of coffee prices infuriated Brazilians). Aranha angrily blamed the price rise on speculators at the New York Coffee Exchange. Senator Margaret Smith blamed Communists. Eisenhower refused to believe either claim. Kemper assured the president the blame lay in New York, not Rio, a position subsequently affirmed by Department of Agriculture and Federal Trade Commission reports. At Caracas, Dulles promised Rāo sympathetic attention and rejected price fixing.54

The smaller crop meant Brazil needed a higher price to earn the same dollar exchange. On June 3, Vargas decreed an export floor price of $.87, ten cents below the actual price. The move was disastrous, giving immediate credibility to Gillette's charge of Brazilian market manipulation and prompting coffee brokers to boycott Brazil, which further aggravated Brazil's balance of payments difficulties. While Brazil had a coffee shortage, new African milder blends were abundant and U.S. consumers lowered their consumption, causing coffee prices to fall below $.87 by July. Between June and September, Brazil lost approximately $100 million in anticipated revenues.55

Vargas and Aranha refused to remove the price floor-setting decree, although they did lower the price by devaluing the cruzeiro. The government also began purchasing and stockpiling coffee stocks in an effort to force the price up
and subsidize farmers. A defiant Aranha declared the "campaign against us is unjust if not stupid," and "to abandon the defense of coffee is to abandon the Brazilian worker and economy." Aranha's good friend, journalist Drew Pearson advised listeners to "ask your grocer for the good neighbor coffee," stressed Brazil's friendship, and warned that the U.S. had to choose between supporting Africa or Latin America. An American expert warned of a world coffee glut by 1955 and "unless Brazil moves coffee the cruzeiro will be destroyed and Brazil bankrupt."56

Getúlio did not live to see the results of his high-stakes coffee gamble. In a series of April interviews, ex-chancellor Neves da Fontoura revealed secret negotiations between Vargas and Juan Perón to form an anti-American bloc, as well as Brazil's attempts to create a nuclear industry. On May 1, Vargas decreed a 100% minimum wage increase that negated the austerity plan, stimulated inflation, and mobilized middle class opposition. Throughout May and June, a series of scandals revealed widespread corruption within the administration, causing Vargas to remark he was standing "in a sea of mud." In July, the U.S. refused a request for an $80 million Federal Reserve loan against a gold-backed pledge. At the same time, Vargas' main military bulwark, Góes Monteiro, suffered a severe heart attack, which lessened conservative military support, already fragile.57
Although saddled with widespread unrest, near bankruptcy, and with a variety of conspiracies afloat against the regime, most Americans and Brazilians considered Vargas strong enough to weather the storm and finish his term. On August 7, however, gunmen wounded Vargas' most violent critic, journalist Carlos Lacerda and killed an Air Force Major who served as Lacerda's body guard. Apprehended, the assailants confessed they acted under the orders of Vargas body-guard Gregório Fortunato, who sought to protect his patron. This last case of criminal malfeasance proved too much for the armed forces and they moved to depose Getúlio a second time. The old president refused to leave, but also refused to begin a civil war and so he committed suicide on August 24, 1954.58

Within minutes of Getúlio's death, the people heard their fallen leader's last testament on national radio. Vargas' suicide note explained and justified his policies on Petrobrás, Electrobrás, the profit remittance and minimum wage decrees, and his coffee policy. More importantly, Vargas indicted the U.S. with his charge that "international groups joined with allied groups," that sought to prevent Brazil's development, keep the people enslaved and the nation an economic colony. There was no doubting Vargas' bitterness; the U.S. promised but had withheld aid, refused to invest but demanded the right to invest in the petroleum
and electric power industries, and helped to create but refused to assist in alleviating Brazil's economic distress. In Vargas' eyes, Brazil had been a good ally, demanding only to be treated as an equal, as a nation more important than a Paraguay or Ecuador. Instead, the Eisenhower administration consistently discriminated against Brazil.

With the incompetent Kemper and an inattentive Dulles, the crisis caught the U.S. off-guard. Washington was preoccupied with the Geneva Accords, creating SEATO, and installing the Diem puppet regime in Vietnam. France rejected the European Defense Community, seemingly threatening NATO, while Red China began shelling Nationalist-held Quemoy and Matsu, leading to a United States-Taiwan Defense Treaty. In addition, the U.S. Senate had begun investigating Joseph McCarthy for his various abuses. Caught in an avalanche of emergencies, Dulles paused long enough to determine whether Communists were behind Getúlio's troubles, found they were not, and ignored the turmoil.59

THE CAFE FILHO ADMINISTRATION: DISCRIMINATING AGAINST AN ALLY

Vargas' suicide energized politics in Brazil, as a wave of indignation swept the nation. Crowds attacked U.S. consulates in Porto Alegre and Belo Horizonte and opposition leaders such as Lacerda fled the country. Suddenly, Vargas' policies had the imprimatur of martyrdom and his enemies were seen to be allied with a Satan. Aranha attacked the
conspirators, stating: "the Pilates may wash their hands, but not their consciences." 60

João Café Filho assumed the presidency. A former socialist, now conservative, Café Filho was elected vice president in 1950 as part of the Vargas-Adhemar de Barros electoral alliance. Café Filho lacked the talent, charisma, and support necessary to govern, a condition aggravated by his breaking with Ademar’s PSP and his denunciation of Vargas in the August crisis. Without any support, save a national desire to maintain constitutional democracy, the administration saw itself as a caretaker regime and limited itself to pursuing stabilization without regard to public opinion, and maintaining order for October’s Congressional elections and the next presidential election, still over a year away.

To help achieve these modest goals, Café Filho selected a cabinet dominated by the conservative UDN. Ancient Raúl Fernandes returned as chancellor and immediately announced Vargas’ testament would not affect Brazilian-American relations. Respected conservative economist Eugenio Gudin became Finance Minister and quickly revoked the coffee and profit remittance decrees. Other prominent officials, such as generals Eduardo Gomes (Air Force) and Juarez Távora (Military Household), and former JBUSEDC member Lucas Lopes (Transportation & Public Works) were known for their fiscal
conservatism and pro-American attitudes. As expected, U.S. embassy officials praised the new government.61

But while the U.S. sympathized with the new regime, officials decided to keep Brazil on a "short leash" and refused to give any significant assistance. In September, on the eve of Brazil's Congressional elections, Assistant Secretary of State Henry Holland went to Rio, ostensibly to prepare for the long-awaited Inter-American Economic Conference, scheduled for November in Rio. A week later, Oudin travelled to the U.S. for discussions with EXIM, IBRD, the Federal Reserve Bank, and private banks in New York, as well as Treasury and State Department officials. Gudin secured an $160 million Federal Reserve loan against a gold pledge, which had been denied Aranha, but U.S. officials denied a request for a further $100 million EXIM loan to provide the regime some breathing space.62

Incredulously, U.S. officials offered Gudin the promise of future assistance if Brazil met a list of demands: changing the Petrobrás law to allow U.S. corporate investment; abrogating a 1938 treaty with Bolivia granting Brazil exclusive rights for oil development in order to allow U.S. exploration; implementing the railroad reorganization plan demanded by IBRD; signing the new Joint Brazil-United States Military Commission agreement; revising the recent wheat-for-strategic-minerals-agreement to give the U.S. better
terms; resuming exports of mica, industrial diamonds, and uranium; and collaborating with the U.S. at the Rio Economic Conference. Although embittered by the strong-armed tactics, the Café Filho administration meekly submitted to U.S. demands, but waited to publicize Gudin's mission in order not to jeopardize the outcome of the inconclusive election.  

During the next few months, as jockeying for the 1955 presidential election intensified, Café Filho and Gudin attempted to cooperate with U.S. officials. The administration approved the Joint Defense Board and sales of uranium to the U.S., signed an "atoms for peace" treaty, resumed exports of mica and industrial diamonds, secured passage of the railroad reorganization bill, and cooperated with the U.S. at the Rio Economic Conference in delaying the creation of an Inter-American Development Bank (IDB). Although Brazil desired an IDB, at Gudin's insistence Brazil sided with a U.S. motion to "study" the proposal. Gudin also supported the U.S. proposal for an International Finance Corporation (IFC), as an affiliate of the World Bank, to assist U.S. investment in Latin America, despite the lukewarm reaction the proposal received in the press and conference.  

Popular sentiment, however, prevented action concerning petroleum. As much as U.S. officials hated Petrobrás and professed to see its support lessening, Petrobrás remained
extremely popular and attempts to destroy or modify the monopoly meant political suicide. The first announced presidential candidate, Minas Gerais Governor, Juscelino Kubitschek, openly endorsed Petrobrás. Even UDN presidential contender Juarez Távora, an outspoken advocate of foreign involvement, announced support for the monopoly, "for the present." Bowing to reality, Café Filho announced he would not seek modification of "the Petrobrás experiment." 65

In January 1955 the Brazilians sought payment for services rendered. Foreign Minister Fernandes wrote a letter to Ambassador Muniz, intended for transmission to Nelson Rockefeller, and appealed for special consideration of Brazil's economic problems. At the same time, Gudin empowered Octavio Paranaguá, a Brazilian IMF official, to negotiate another EXIM bailout for the perpetual commercial arrears problems, exacerbated by the fact that coffee prices had fallen below $0.65/pound. Instead of $200 million that Gudin requested, Brazil received $75 million and a stern lecture on the need to control inflation, balance the budget, and allow U.S. participation in petroleum. Although aware of intensifying resentment over the fact that Brazil had received only $4 million from the EXIM for economic development projects since Eisenhower's inauguration, even among conservatives such as Fernandes, American officials
ignored Brazilian requests to avoid the appearance of intervention in the election.66

By March, the Brazilian presidential election took center stage and forced all non-campaign political activity into a state of suspended animation. Complying with the wishes of Vargas, Aranha scuttled his own presidential ambitions and engineered an alliance between the PSD and PTB around the candidacies of Juscelino Kubitschek for president and João Goulart as vice-president. After a great deal of hesitation and in vain hope of finding a "national union" candidate, the UDN settled on general Juarez Távora. Vargas' 1950 ally, ex-Sao Paulo governor Adhemar de Barros, nominated himself on the PSP banner. Finally, fascist Plínio Salgado, a close friend of Kubitschek and 1950 Vargas supporter, entered the ring with his Popular Representation Party.67

Although all four candidates promised close cooperation with the U.S., embassy officials clearly preferred Távora, whose views on Petrobrás gave them hope, and who was responsible for Brazil's about-face on atomic energy matters. U.S. officials considered Kubitschek "a thoroughly dishonest, ward-healer politician," who preferred Europe to the U.S., and considered Goulart "a demagogue and opportunist, without ideology or ideals." Although carefully avoiding open support for Távora, the United States Information Service
did double its budget for programs to educate Brazilians on
the dangers of communism and Communist-front organizations.
Unfortunately, the general ran a lack-luster and moralistic
campaign. Neither Salgado nor Adhemar seemed likely to do
more than syphon votes away from the two main candidates,
although Adhemar mobilized voters in his home state.68

Although nominated by two of Brazil's largest parties,
Kubitschek was the least known of the four candidates and
his greatest asset, as Vargas' appointed successor, was also
a serious liability; his candidacy provoked threats of a
coup d'état. Another liability was that the outlawed
Communist party endorsed his candidacy. Although Kubitschek
disavowed PCB support, the move increased voter and U.S.
concern. But Kubitschek proved to be a great campaigner. In
contrast to Távora, Kubitschek was a virtual hurricane. With
a campaign slogan of "Fifty Years Progress in Five," the
charismatic governor spoke constantly and confidently of a
new Brazil, promised accelerated economic development, and
massive public investment in power and transportation.69

Embassy officials correctly predicted a close race and
under the able leadership of Ambassador James Dunn (former
Ambassador to Spain, Italy, and France; married into Armour
family), who arrived in March, kept abreast of the chaotic
political developments. Fortunately, this time, a top
official controlled the embassy, for Washington was again
inattentive; a week before the election, Eisenhower suffered a heart attack, while Dulles shuffled between Washington, Denver, and the Middle East negotiating over Baghdad Pact and the Aswan Dam matters. Kubitschek's narrow victory emboldened his opponents to prevent his posse. UDN leader Carlos Lacerda challenged the election's validity, but after several legal and fraudulent maneuvers failed to stir sufficient opposition, he called on the armed forces to intervene. Lacerda declared: "These men cannot, should not, will not take office." 70

At this crucial moment, president Café Filho suffered a "heart attack," and transferred power to Chamber President Carlos Luz, an opponent of Kubitschek and Goulart. Luz began taking steps to replace army field commanders with officers opposed to the victors and provoked the resignation of War Minister Marshall Henrique Teixeira Lott. Believing a coup d'état to destroy the constitution inevitable, on November 10, Lott staged a "preventive" or "pro- legality" coup and removed Luz. Within days, Café Filho attempted to resume his duties, but Congress decided that the acting president, Senate Majority Leader Nehru Ramos, would remain in office until the January 31 inauguration. 71

His office preserved, Kubitschek anxiously desired to travel to the U.S. to dispel fears that he was a "fellow-traveller," to begin his administration with close
relations with the U.S., and to improve his image among Brazilians as a capable leader. There was much dissension within the U.S. government whether to invite the president-elect. One State Department official deemed it "undesirable," while Eisenhower balked because meeting Kubitschek would cut into his golf game and recuperation time. Dunn, Holland, and vice-president Nixon, scheduled to represent the U.S. at the inauguration prevailed, desiring to commit Kubitschek to an anti-communist program.\textsuperscript{72}

On January 5, 1956 in Key West, Florida, the presidents met. For Eisenhower the meeting was perfunctory, but pleasant; Ike found Juscelino to be a "delightful and attractive looking man." For Kubitschek, the stakes were far greater. As with Vargas, Kubitschek intended to base his development program and thus the success of his administration on large-scale American assistance (private and public). In order to secure this support, Kubitschek restated Brazil's case, but also sell himself to Eisenhower. Although differing on economic ideology, the two shared an affable smile, faith in hard work and good public relations, and a supreme confidence in their own ability to achieve even very high goals. Kubitschek stressed to Eisenhower his loyalty and affection for the U.S., his dependence on U.S. amity to achieve his economic goals, and his desire to renew Brazilian-American friendship.\textsuperscript{73}
Over the next four days, Kubitschek continued his personal campaign in Washington and New York, where he met virtually every important U.S. government official, as well as several important business leaders. Wherever he went Kubitschek always expressed confidence in Brazil, promised amity toward the United States, and disarmed or deflected pointed questions with a smile, a joke, and a promise: "our policies will show our attitudes."74

As Kubitschek prepared to don the presidential sash in January 1956, on the surface, there had been little change in the relationship since the early postwar years when proponents of a Brazilian-American alliance first expressed alarm over the unsatisfactory state of relations. Despite alternating between cries against U.S. intervention on one hand, and neglect on the other, Brazilian policymakers consistently strove to maintain the special relationship with Washington. Vargas' quid pro quo strategy, a desperate attempt to force Washington back into the special relationship, failed miserably and tragically. Likewise, Cafe Filho's unswerving alignment, a return to Dutra's strategy of proving Brazil's worthiness of special consideration, ended without reward. As Kubitschek began his term with only a minimum of support, needing to placate a suspicious, pro-U.S. military and having expressed a desire for close relations with the U.S., few expected any radical departures
in Brazilian foreign policy. But other forces were already growing that opposed the continuation of Brazil's "unrequited love."
ENDNOTES


4. The quote is from Hoopes, p. 156. On Dulles and Eisenhower's relationship and Dulles' primacy in foreign policy, see: Sherman Adams, Firsthand Report: The Story of the Eisenhower Administration, (New York: Harper & Brothers, 1961), 89-91; Parmet, Crusades, pp. 185-188. Richard Immerman disagrees with this viewpoint, stating forcefully that Eisenhower dominated Dulles and shaped foreign policy, and that Dulles simply executed decisions and took the criticism for policy. See: Richard H. Immerman, "Eisenhower and Dulles: Who Made the Decisions?" Political Psychology, Vol. 1 (Autumn 1979), pp. 21-38. While Eisenhower certainly prevailed in any disagreement, the important point is that they agreed to such a degree that Dulles had a free hand, and as the one implementing policy, Dulles, not Eisenhower, molded policy.

5. Louis L. Gerson, (Ferrell & Bemis, eds.) John Foster Dulles: The American Secretaries of State and Their Diplomacy, Vol. 17, (New York: Cooper Square Publishers, Inc., 1967), pp. 310-311. According to Gerson, Dulles was relieved that Milton Eisenhower spent so much time on Latin America, for it freed him to focus on Europe and Asia. In Dwight Eisenhower's memoirs, the only episode concerning Latin America to receive more than a couple of paragraphs was the 1954 CIA-led overthrow of the Arbenz regime in Guatemala.

7. Parmet, pp. 247-256; Brendon, pp. 242-254; Halle, pp. 272-275; Oral History Interview, Ellis O. Briggs, pp. 26-27. Eisenhower Library. Beginning in 1953, the State Department revised the weekly summary despatch and included Communist activities within Brazil as a separate activity. The increased attention to Communists in these summaries give the appearance of an increased threat. The McCarthy purges affected Brazilian-American relations when Ambassador Herschel Johnson was publicly removed from his post. Johnson was not particularly close to Vargas, but the nature of his removal caused much press speculation. Johnson, unmarried and a FDR Democrat, was forced out of the State Department as part of the McCarthy purges and Eisenhower takeover. Anyone with the rank of Ambassador and not offered a position must accept retirement. During 1952-1954, all unmarried career diplomats over forty years old were purged from the State Department at the insistence of McCarthy. On Johnson's removal, see: W.B. Smith to Eisenhower, 3/26/53, Eisenhower papers, Ann Whitman file, International Series.

8. Alexander, pp. 53-63; Griffith, pp. 112-114; Brendon, pp. 242-256; Halle, p. 315; Cabinet Meeting Minutes, 1/23/53, Eisenhower Papers, White House Office File, Office of Staff Secretary, Eisenhower Library, Abilene, Kansas. According to Brendon, McCarthy's presence prevented Eisenhower from seizing a great opportunity to make peace with the Soviets after Stalin's death. Halle supports this view, although he does not blame McCarthy, but instead blames the institutionalization of the cold war mentality.
9. U.S. Congress, Senate, Committee on Foreign Relations, 
Hearings on the Nomination of John Foster Dulles, Secretary 
of State Designate, 1/15/53, 84th Congress, 1st Session p. 
4; U.S. Congress, House, Subcommittee of the Committee on 
Appropriations (Departments of State, Justice, and Commerce 

10. National Security Council, "United States Objectives and 
Courses of Action with Respect to Latin America" (NSC 144), 
3/6 & 3/18/53, Eisenhower papers, Office of Strategic and 
National Security Affairs, Box 4. As part of this new policy 
of greater attention, both Eisenhower and Dulles attended 
meetings of the Council of the OAS in March. One of the 
major reasons for creating the USIS/USIA was that McCarthy 
destroyed its predecessor, the International Information 
Administration in his 1953 rampage against the Voice of 
America. On the expansion of the USIA, see: Robert E. Elder, 
The Information Machine: The United States Information 
Agency and American Foreign Policy (Syracuse, N.Y.: Syracuse 
University Press, 1968), pp. 38-41; Leo Bogart, Premises for 
Propaganda: The United States Information Agency's Operating 
Assumptions in the Cold War (New York: The Free Press, 
was preoccupied with public relations on the domestic level; 
it is not surprising to find this same concern in foreign 
policy also. Griffith, pp. 110-112.

11. LaFeber, pp. 140-145; Parmet, pp 299-300. A complete 
account of the crisis and uncertainty caused by Stalin's 
death in the U.S. government is recounted in W.W. Rostow, 
Europe After Stalin: Eisenhower's Three Decisions of March 
11, 1953, (Austin: University of Texas Press, 1982), pp. 3- 
83. The Eisenhower administration adopted a Latin American 
policy in February with the approval of NSC 144, which was a 
combination of Truman's NSC 56/2 and a statement of each 
individual's ideology. Under Secretary W.B. Smith called the 
hastily prepared document "a shotgun approach."

12. State Department Memorandum of Conversation, 12 January 
1953, FRUS, pp. 602-605.

13. Mann to Johnson, 1/16/53, and Memorandum of Conversa- 
tion, 1/19/53, file 500, box 18, post file: Rio, Record 
Group 84, State Department archives.

14. Johnson to Dulles, 1/26/53, post file, Rio, State 
Department archives.

15. Terrill to Johnson, 1/21/53, Rio post file; Ladd to 
Bohan, 1/22/53, file 832.00, State Department archives.
16. Bohan to Johnson, 1/30/53, post file, Rio, State Department archives; Bohan to Mann, 1/29/53, Bohan Papers; Bohan to Atwood, 1/29/53, file 732.5, State Department archives. Mann's "Blue Book" in the 1946 Argentine election is attributed to Ambassador Spruille Braden and was a major factor in Juan Perón's electoral victory. More important was its effect on public opinion against the U.S. throughout Latin America.

17. Johnson to State Department, 2/3/53, file 832.00, State Department archives; Ultima Hora, 2/3/53.

18. Vargas to Eisenhower & Eisenhower to Vargas, several letters in GV 53 02 02/1, Vargas Papers. According to Ernani do Amaral Peixoto, Vargas did not want to go the U.S. because he was afraid of flying and also because he spoke no English. FGV/CPDOC Oral History Interview, pp. 330-331. Truman invited Vargas to the U.S. in 1952, but Getúlio declined, citing his health. Eisenhower officials also entertained the idea, but the Embassy discouraged an invitation, stating Vargas would not accept. Acheson to Johnson, 1/24/52, Johnson to State, 2/1/52, #974, file 732.11, State Department archives; Office Memorandum, 11/25/53, file 732.00, State Department archives.

19. Aranha to Vargas, 9/16/52, Aranha papers; Aranha to Vargas, 12/2/52, & no specific date (December, 1952), Vargas papers; "Statement of the Staff of the Export-Import Bank," 12/19/52, Vargas papers; Hanson's Latin American Letter, 10/18/52; Dulles to Rio Embassy, 2/20/53, FRUS, 1952-1954, Vol. IV, pp. 606-607.

21. The term "moral commitment" is from Mandate for Change. According to Hilton and Parkinson, the Brazilian Congress refused to ratify the treaty until the U.S. granted the EXIM loan. Hilton, "End of the Special Relationship," p. 615; Parkinson, p. 30.

22. Statement by Secretary Humphrey before Senate Subcommittee (Capehart Committee) investigating EXIM and World Bank Relationship, 9/15/53, The Papers of George Humphrey, pp. 477-486; Hanson, pp. 18-23; Washington Post, 10/3/53. Hanson called the action a triumph for New York banking interests over U.S. foreign policy interests.


24. 137th Meeting of the NSC, 3/18/53, FRUS, 1952-1954, Vol IV, pp. 2-6. In the meeting Humphrey suggested the U.S. needed to send first-rate businessmen to Latin America as ambassadors and Eisenhower agreed. Author interviews with Céantho de Paiva Leite, 5/12/86 and General Artur S. Moura, 1/8/86; Dulles to Sherman Adams, 3/31/54, Dulles telephone conversations, Dulles papers. Dulles told Adams that "Kemper is not working out," but Adams, more sensitive to domestic political considerations said it would take time to work out a solution. According to Leite, Vargas avoided Kemper and was irked that the U.S. could send an unqualified person. When the U.S. asked for Vargas' assent to Kemper's appointment, Vargas replied: "Alright, if this is all they have to send, let them." Moura related a incident revealing Kemper's disaster. Invited to attend a dinner with several prominent generals, including Távora, Gomes & Cordeiro, Kemper arrived over an hour late and obviously drunk, asking "Where's the can? If I don't go soon, I'll piss all over the floor." Later, he refused to talk to the generals, stating "I don't have time to talk to men in boy scout uniforms." Kemper spoke no Portuguese and apparently thought the generals spoke no English; Moura was to be the interpreter for the dinner.

25. Bohan to J.W.F. Dulles, op. cit.; State Department Memorandum, Cottrell to Atwood, 3/6, 3/9, 3/12/53, file 732.5, State Department archives. George Humphrey opposed the gift to India as aid for a "socialist" government, but
in a cabinet meeting Eisenhower rebuffed his Treasury Secretary by stating: "George, you don't understand the Indian problem. Their situation isn't like our situation. We can operate a free-enterprise economy....But it depends on...a whole lot of underpinnings that the Indians simply don't have. If I were the Prime Minister of India, I feel confident that I would have to resort to many measures which you would call socialistic, just by the nature of the situation and and conditions in India. So its a quite mistaken idea that we should judge the Indian situation or the Indian needs or the Indian policies by criteria which may be relevant for us." Why Eisenhower chose to ignore Indian government policy while attempting to coerce Brazil into free market capitalism remains unanswered. Quote found in Parmet, p. 192.


30. Skidmore, pp. 112-114; Maria Celina Soares D'Araujo, O Segundo Governo Vargas, pp. 113-122; Author interview with Cleantho de Paiva Leite, 5/6/86. Maria Celina believes the cabinet reorganization was a sign of weakness, in that Vargas began relying on people he knew to be personally loyal instead of effective leaders. Leite affirmed Maria Celina, but added that Vargas probably selected Aranha in hopes that he would facilitate better relations with the U.S. U.S. officials were jubilant with the appointments. Green to State, #17, 7/3/53, file 732.00, State Department archives. Skidmore points out that the reorganization was a new variation of Vargas' two-step, left-right dance, where
moves to placate conservatives (Aranha, Rão) were off-set by a simultaneous move to placate labor (Goulart).

31. "Brazil to Tighten Imports Curb as Easing of U.S. Loan is Sought," New York Times, 7/17/53; Terrill to State, #265, 8/21/53, file 832.00, State Department archives; Bouças to Aranha, 7/14/53, "Cooperação Econômico entre os Estados Unidos e o Brasil," 7/18/53, Aranha papers.


33. New York Herald Tribune, 9/28/53; Hanson, pp. 25-30; Muniz to Aranha, 11/20/53, Aranha papers.

34. Walmsley to State Department, 6/19/53, Rio post file; Dulles to Rio Embassy, 6/23/53, Rio post file; Bohan to State Department, 5/20/53, FRUS, pp. 616-621.

35. Correio da Manha, 7/23/54; New York Times, 7/17/53; Sam Pope Brewer, "Brazilians Wary of Dr. Eisenhower," New York Times, 7/23/53; Simon G. Hanson, "End of the Good Neighbor Policy," pp. 6-7, 12-13; Milton Eisenhower, The Wine is Bitter: The United States and Latin America, (Garden City, New York: Doubleday & Co., 1963) p. 152; Aranha to Vargas, 6/22/53, Vargas papers. Aranha advised Vargas to discuss his disappointment frankly, his concern about Argentina, and the lack of assistance given to Latin America compared to Asia and Europe. Prior to arriving in Argentina, the U.S. announced the terms for easing a $125 million EXIM loan payment and had praised Perón's new attitude, but still had not complied with Brazilian requests. The Correio da Manha, a leading moderate newspaper called Milton's mission "protocolary," and said it would not solve Brazil's economic problems. In the same issue, an editorial called on the U.S. to fulfill its commitments.

36. Hanson, p. 30; Memorandum by Milton Eisenhower, 7/27/53, FRUS, pp. 626-627. Eisenhower suggested in his memorandum that Vargas seemed ill and that Aranha appeared to running the government.

37. Merwin Bohan Oral History Interview, Truman Library; Bohan to J.W.F. Dulles, op. cit.; International Bank for Reconstruction and Development, Supplement to the Eighth Annual Report, Washington, 1954. pp. 3-5. Eugene Black's decision to grant Brazil the three project loans in 1953 resulted from U.S. Congressional and Brazilian pressure and
not from Eisenhower administration pressure. By late September, even arch-conservative and anti-Vargas economist, Eugenio Gudin wrote Black asking for reconsideration of Brazil's case. Gudin pointed out that Brazil was able to absorb more credit, that Brazil had never expropriated a foreign company, and that Brazil was stable by Latin definitions. Gudin to Black, 9/28/53, Gudin papers, FGVCPDOC. Meanwhile, U.S. exporters rallied Congressional support to save the EXIM bank from extinction. Congress held hearings (Capehart Committee) on the EXIM Bank through November 1953, and Capehart travelled to Brazil to talk with Aranha and U.S. corporations in Brazil, which forced a more liberal IBRD lending policy than it had shown previously. See: Terrill to State, #695, 11/27/53, & #722, 12/4/53, file 732.00, State Department archives. Aranha emphasized Brazil's preference of EXIM to the World Bank.


40. Eisenhower, Mandate, pp. 292-294; Adams, Firsthand, pp. 384-386; Kaufman, pp. 19-25; Commission on Foreign Economic Policy: Records, 1953-1954, Box 59, "Study of United States Problems and Policy toward Latin America" (six sections), 10/14/53. Ironically, the final report of the Randall Commission contains less than one page on Latin America, but the Study was over one hundred pages.

42. Department of State, Bulletin, Vol. 29 (11/23/53), pp. 695-717; Milton Eisenhower, Wine is Bitter, pp. 187, 199; Bennent to Holland, op. cit., pp. 248-250; Milton Eisenhower to Dwight Eisenhower, 10/9/53, Eisenhower papers, Whitman File, International Series, Box 4. Milton wrote Dwight in response to a letter from Mrs. Gardner Cowles (whose husband was the publisher of Look & The Des Moines Register, and other publications and also a member of the Randall Commission) to the president, asking for preferential treatment for Brazil and help for Aranha, a close personal friend.


45. Skidmore, pp. 112-118; New York Herald Tribune, 9/28/53; Terrill to State, #642, 11/13 & #673, 11/20/53, file 732.00 State Department archives. To clarify, Company A invests 1 million dollars in an operation and makes $300,000. The first $120,000 would be taxed 20% or $24,000; the remaining $180,000 would be taxed $36,000 instead of $36,000. Vargas' appointment of Goulart as Labor Minister was central to his labor appeal and "Jango" immediately began siding with labor in demands, culminating in a wave of strikes in 1954.

papers, White House Central Official File.

47. Smith, Oil and Politics, pp. 96-97; New York Times, 10/6/53; Dahl Duff, "Brazil Turns Key in Closed Door," Oil and Gas Journal, 11/23/53, p. 79; R.G. Walker, "Government Oil Monopoly Confirmed in Brazil," World Petroleum, Vol. 24, No. 12, 11/53, pp. 118-122; Author interviews with Cleantho de Paiva Leite, 5/6/86 and General Artur S. Moura, 1/8/86; Rómulo Almeida to Vargas, 10/26/53, Vargas papers. Almeida was Brazil's representative to CEPAL. U.S. officials appear to have sincerely believed that a state monopoly would prevent Brazil from reaching its economic potential. By 1952 Brazil was paying $200 million/year for imported oil, the largest single dollar user. Terrill to State, #386, 9/18/53, file 732.00, State Department archives; Bennent to Holland, 8/20/54, FRUS, 1952-1954, Vol. IV, pp. 229-250. The memorandum itemizes Milton Eisenhower's recommendations, which included modification of the Petrobrás law.

48. Terrill to State, #386, 9/18/53, Green to State, #540, 10/16/53; Terrill to State, #642, 11/13/53, & #673, 11/20-53, Owen to State, #660, 11/18/53, file 632.00; Walmsley to State, #674, 11/20/53, Terrill to State, #819, 12/31/53, file 732.00; Hartman to State, #711, 12/3/53, file 432.00, State Department archives; Smith to Lay (NSC), 11/20/53, FRUS, 1952-1954, Vol. IV, pp. 26-35; Rão to Vargas, "Synthesis of the Activities of the Ministry of Foreign Relations, 1953," 12/53, Vargas papers; Muniz to Aranha, 12/1/53, Aranha papers. Treaties with Peru and Bolivia concerned oil, tin, lead, and sulphur for Brazilian sugar, rice, chemicals, and access to the Atlantic through the Amazon. They were also part of a traditional Brazilian policy of attempting to isolate Argentina. Almost all of Brazil's imports from the Eastern bloc were for machinery and grain (barley, hops, malt). Exports included coffee, sugar, and iron ore.


52. Vargas made the proposal to Stassen in January and Rão made the same proposal to Dulles in March. On the Consultative proposal, see: Cottrell to Atwood/Bennett, 1/18/54, Kemper to State, 1/18/54, Atwood to Holland, 4/9/54, Holland to Smith, 4/16/54, file 832.00 State Department archives. Eric Johnston of the International Development advisory Board supported the idea and continued to do so until July. Johnston to Vargas, 7/10/54, Vargas papers; Johnston to Stassen, 5/28/54, file 832.00, State Department archives. On Caracas, see: FRUS, 1952-1954, Vol. IV, pp. 264-312; Cabinet Meeting Minutes, 2/26/54, op. cit.; Terrill to State, 2/9/54, file 632.00, New York Times, 3/5, 3/23/54; Correio da Manha, 1/31, 3/20/54; Ultima Hora, 3/11, 3/22/54; Leitão de Cunha to Rão, 3/5/54; Rão to Vargas, 3/3/54; Maciel Filho to Vargas, 3/4/54, Vargas papers; Hermes Lima to Vargas, 5/1/54, Hermes Lima papers. On Guatemala, see: Hugo Gouthier to Exteriores, 6/24/, 6/25/54; Fernando Lobo to Exteriores, 6/25/54; Exteriores to Lobo, 6/25/54; J.C. Muniz to Exteriores, 6/26/54, Vargas papers; Briggs to State, #1573, 6/18/54, file 732.00, State Department archives.

53. Bandeira, pp. 354-360; Calhoun to Goodpaster, 2/19/60, Office of Staff Secretary, International Series, Box 2, Eisenhower papers. The Calhoun memorandum gives an extensive history of Brazilian-American atomic negotiations; 15 pages. A.F. Schmidt to Aranha, 1/12/54, Alvaro Alberto to Salles, 5/25/53, Alvaro Alberto to Rão, 9/17/53, Aranha papers; Alberto to Vargas, 7/25/54, Vargas papers; Terrill to State, #942, 1/29/54, file 732.00, State Department archives; Kemper to Dulles, 3/24/54, Dulles phone conversations, Reel 2, p. 6262; Oral History Interview with Renato Archer, #E-13, FGV/CPDOC, pp. 44-71.
54. Skidmore, p. 123; Bandeira, pp. 360-361; Terrill to State, #942, 1/29/54, & #967, 2/5/54, file 732.00, State Department archives; Ferrell, Eisenhower Diaries, 2/10/54, p. 275; Hanson's Latin American Letter, #490, 8/7/54; Cabot to Smith, 2/12/54, FRUS, pp. 293-298; Guilherme Araujo to Aranha, 12/28/54, Aranha papers; Rão to Vargas, 3/3/54, Vargas papers.

55. Skidmore pp. 135-136; Hanson's Latin American Letter, #490, 8/7/54 & #492, 8/21/54; Carvalho to Souza Dantas, 7/27/54; Drew Pearson to J.C. Muniz, 7/12/54; Drew Pearson, Washington Merry-Go-Round, 7/12/54, Aranha papers.

56. Hanson, Letter, op. cit.; Pearson, op. cit.; Aranha address at the Brazilian Institute of Coffee, 7/19/54, Aranha papers; Terrill to State, #68, 7/23/54, file 732.00, State Department archives.

57. On the final crises of the Vargas regime, see: Skidmore, Politics, 127-142; Dulles, Vargas, pp. 316-337; Schneider, pp. 61-64; Economist, 7/31/54, pp. 375-376; "Generals that Signed the Manifesto and Condemned Getúlio to Death," undated, GV 54 08 00/5, Vargas papers. On the gold for cash loan, see: Terrill to State, #68, 7/23/54, State Department archives. On Vargas-Perón, as well as the nuclear negotiations, see: João Neves da Fontoura, Depoimentos de um Ex-Ministro (Rio de Janeiro, 1957); Moura interview, 1/12/86; Cleantho de Paiva Leite interview, 5/6/86. Moura admitted that there probably was nothing to the allegations, but he believed them at the time because Carlos Lacerda confirmed them. Leite claimed that Neves had moved to the opposition and the charges were part of the design to discredit Vargas. While it is true that Vargas communicated directly with his ambassador in Buenos Aires, João Batista Lusardo, and bypassed Itamaraty, nothing in the Vargas-Lusardo correspondence suggests that Vargas seriously considered the idea. While Vargas did not fear Perón, to have courted him would have been politically disastrous, as were Neves' allegations.


59. Carlos E. Cortes, Gaúcho Politics in Brazil: The Politics of Rio Grande do Sul, (Albuquerque: University of New Mexico Press, 1974), p. 147; New York Times, 8/25/54; Kemper to State, #139, 8/10/54, #149, 8/11/54, file 732.00, State Department archives; Holland to Dulles, 8/10/54, Dulles telephone conversations. Dulles was not the only caught off-guard. The New York Times expressed surprise that "Brazilian mobs" would attack U.S. government installations and business-
ses following the suicide.

60. Cortes, op. cit.; New York Times, op. cit.; Ultima Hora, 9/17/54; Aranha radio address, 9/16/54, Aranha papers.

61. Skidmore, 143-145; George Owen to State, #215, 8/27/54; Kemper to State, #256, 9/3/54; Owen to State, #257, 9/3/54, file 732.00, State Department archives.


63. Skidmore, pp. 144-145; New York Times, 10/8/54; "Memorandum of Conversation (Gudin & Kemper)," 9/10/54; "Memorandum about Modus Vivendi Negotiated in Washington," 10/54; "Diary of Mission," 10/54, J.C. Muniz to Exteriores, 10/4/54, E.M. Bernstein (IMF) to Gudin, 10/8/54, Eugenio Gudin papers, FGV/CPDOC; Author interview with Eugenio Gudin, 11/21/86; Cottrell to Woodward, 10/11/54, file 611.32, State Department archives. In his interview, the 99 year-old former Finance Minister told me Humphrey was totally unfit and incapable to be Treasury Secretary. In the 1954 Congressional elections, the two pro-Vargas parties (PSD & PTB) made minor gains at the expense of the anti-Vargas UDN.

64. Regarding the sale of uranium, nuclear materials, and atomic energy, see: Bandeira, pp. 367-372; Memorandum of Conversation (Tâvora, Hoover, Kemper, Owen) & (Dutra, Hoover, Kemper) 12/3/54, State Department archives; Kemper to State, #603, 12/21/54, Terrill to State, #165, 8/11/55, Dunn to State, 8/10/55, file 320.1, Rio Post File, State Department archives. On the Rio Economic Conference, see: Holland to Gudin 11/17/54, Humphrey to Gudin, 12/14/54, Hoover to Gudin, 12/54, Gudin to Hoover, 12/54, Gudin papers; Owen to State. #565, 11/6/54, file 732.00, State Department archives.

65. On Petrobrás, see: Correio da Manha, 10/16, 10/17, 10/19/54; New York Times, 11/3/54; Owen to State, #500, 10/22, #565, 11/6, #633, 11/19/54, Boonstra to State, #745, 12/10/54, file 732.00, State Department archives.

66. Sam Pope Brewer, "U.S.-Brazil Plan on Aid is Lagging," New York Times, 5/9/55; Fernades to Muniz, 1/6/55 & Muniz to Fernandes, 2/3/55, João Café Filho papers, FGV/CPDOC; Gudin to Hoover, 12/54, Gudin papers; Muniz to Sherman Adams,
5/13/55, Eisenhower papers, White House Central Files, Official File, box 164; Dunn (Amb) to State, #1134, 6/11/55, file 732.00; Trimble to Holland, 1/7/55, file 320, Rio Post File, State Department archives. On the $75 million EXIM loan, see: Folha da Manha, 2/12/55. The Folha da Manha believed the loan was to compensate Brazil for its reducing coffee prices; had it known the greater surrender involved, it would have been even more angry.

67. Richard Bourne, Political Leaders of Latin America, (New York: Alfred A. Knopf, 1970), p. 184; Trimble to State, #767, 2/9/55, Briggs to State, #1156, 3/4, #1460, 5/10, #1623, 6/14, #1629, 6/15, file 732.00 State Department archives; FGV/CPDOC Oral History Interview with Ernani do Amaral Peixoto, pp. 1406-1407, 1418; Author interview with Coronel Afonso Heliodoro dos Silva, 4/2/86. Heliodoro told me Kubitschek asked Salgado to run in order to lessen Távora's votes, in order to counter the votes that Adhemar took from him. Bourne states Távora ran at the urging of Sao Paulo governor Janio Quadros to stop Adhemar.


69. Author interview with Lucas Lopes, op. cit.; Ted Riedinger, "The Making of the President, Brazil, 1955: The Campaign of Juscelino Kubitschek," (unpublished Ph.D. dissertation, University of Chicago, 1978), pp. 112-156, 375-378. U.S. concern about Kubitschek's reported ties to the communists is evident in the number of despatches from Rio to Washington and is one of the major factors why the U.S. invited Kubitschek to come to the U.S. before his assuming power - to check him out. Dunn to State, #162, 8/11, #291, 9/9, #320, 9/16, Briggs to State, #181, 8/15, #190, 8/16, #189, 8/16, #198, 8/17, #315, 9/8, Walmsley (Moscow) to State, #910, 10/18/55, file 732.00, State Department archives. Ironically, as Riedinger and Lopes point out, although distrusted by the U.S., Kubitschek was the only candidate to take advantage of the Brazilian-American relationship, by using the JBUSEDC reports as a basis for his economic pledges during the campaign.

70. Skidmore, pp. 149-154; Tribuna da Imprensa, 11/9/55; Dunn to State, #341, 9/20, #380, 9/29, #541, 11/2/55, file 732.00, State Department archives. Using the traditional PSD bases of Minas Gerais and the Northeast, Kubitschek polled 35%, enough to overcome Adhemar's Sao Paulo machine. Távora finished second with 30%; Adhemar had 26%. Lacerda challenged the election on the grounds that Kubitschek failed to win a
majority of votes and also because his votes were tainted by communist support. The Electoral Tribunal denied the petition. Lacerda then produced a letter which he claimed proved Goulart purchased weapons from Perón in 1953 to equip worker militias. Authorities quickly determined the "Brandi letter" to be a forgery, while Perón's ouster in September lessened the severity of the charges.

71. Manchete, 11/15/55; Briggs to State, #703, 11/29 & Salert to State, #785, 12/20/55, file 732.00, State Department archives; Oral History Interviews with Marshall Henrique Teixeira Lott and Nelson de Melo, FGV/CPDOC;

72. Rowell to Trimble, 8/31; Dunn to State, #501, 10/25; Holland to Rio, 10/25; Dulles to Rio, 11/23 & 12/20; Trimble to State, #758, 12/20/55, file 732.00, State Department archives; Barnes to Goodpaster, 12/21; State Department Memorandum of Conversation (Dunn, Holland, Nixon, Bernbaum), 12/15/55, Eisenhower papers, White House Central File, Official File, Box 854; Memorandum of Conversation (Dulles & Eisenhower), Eisenhower papers, White House Memoranda Series, Box 3; Dulles to Goodpaster & Dulles to Holland, 12/28/55, Dulles telephone conversations, Reel 8, p. 328.

73. Eisenhower to Dulles, 1/5/56, Dulles telephone conversations.

74. New York Times, 1/4, 1/9/56; Washington Post, 1/6/56; Conrad R. Wrzos, Juscelino Kubitschek: Estados Unidos-Europa (Rio de Janeiro: Livaria José Olympio Editoria, 1960), pp. 12-29. The men that Kubitschek met were a Who's Who for the United States. From the Eisenhower administration: Nixon, Dulles, Humphrey, Hoover, Hagerty, Milton Eisenhower, Holland, H.C. Lodge, Samuel Waugh, Sherman Adams, Herbert Brownell, & Nelson Rockefeller. From Congress: Representatives Rayburn, McCormick, J. Martin, J. Fulton, & Carl Durham; Senators L.B. Johnson, Knowland, & Hickenlooper. Others included Earl Warren, George Meany, Thomas Watson (IBM), Thomas Dewey, Adolph Berle, Averell Harriman, & General Douglas MacArthur, Jr., as well as several officials from the IMF and IBRD. Kubitschek visited Congress, the White House, the National Press Club, United Nations, Pan-American Coffee Bureau, Saint Patrick's Cathedral, and gave speeches at the Pan American Union and Voice of America. If he had gone to Disney World he would have been a typical Brazilian tourist. Such contacts proved invaluable to Brazil and were responsible for a great deal of the sympathy Kubitschek received his from the U.S. first two years.
CHAPTER IV

MILITARY ALLIANCE AND COLD WAR COOPERATION: THE SPECIAL RELATIONSHIP WITHIN THE SPECIAL RELATIONSHIP

If an American were condemned to confine his activity to his affairs, he would be robbed of half of his existence. Alexis de Tocqueville

In July, 1945 upon the return of the Brazilian Expeditionary Force (FEB), jubilant Brazilians enthusiastically cheered, embraced, and literally carried U.S. General Mark Clark on their shoulders. Less than twenty years later, on March 31, 1964 Brazil's armed forces overthrew the democratic regime of João Goulart with U.S. government assistance and encouragement. These two events provide a striking example of the serious deterioration in postwar United States-Brazilian diplomatic relations, but also indicate continued close relations between the respective armed forces. More importantly, both of the events mentioned above represented radical departures in the relationship.

Although diplomatic allies and economic partners, the U.S.-Brazilian alliance did not extend into the military sphere until World War II. Before then, France and Germany
were the principal suppliers and models for Brazilian military organization and tactics. Admiration and sympathy for Nazi Germany within the Brazilian officer corp concerned American policymakers, but being unable to supply the armaments Brazil required, the U.S. could not compete effectively until after Hitler invaded Poland. Even a special mission to Brazil headed by U.S. Army Chief of Staff George C. Marshall in 1939 accomplished little except to generate a measure of goodwill.

The war and consequent disruption in German supplies brought the two hemispheric giants closer together, especially after the fall of France in June of 1940. American strategists feared an Axis invasion of Brazil's Northeast bulge, only 1,200 miles from German-held Dakar, while Brazilians feared the growing closeness between the Axis and archrival Argentina. In 1940, Brazil became the first Latin nation to sign a military staff agreement with the U.S. and even before Pearl Harbor, Brazilian-American naval cooperation increased, as Brazil opened its ports to U.S. vessels.

Early in 1942 the two nations cemented their special relationship. After Brazil successfully influenced the Latin American nations to support the U.S. against the Axis and to create the Inter-American Defense Board (I-ADB) at the Rio Conference (Third Inter-American Conference of Foreign Ministers, in January), the U.S. began immediate shipment to
Brazil of lend-lease equipment. By the end of the war, Brazil received $361.4 million in lend-lease equipment, 73% of the total sent to Latin America, as well as $150 million to develop strategic materials and $45 million from the Export-Import Bank for the Volta Redonda steel mill. The massive infusion of American capital resulted in Brazil replacing Argentina as the dominant military power in South America. In May 1942, a secret treaty permitted the U.S. to construct and man naval and air bases in Brazil's northeast and established two joint commissions, the Joint Brazil-United States Defense Commission (JBUSDC, Washington) and the Joint Brazil-United States Military Commission (JBUSMC, Rio) to oversee lend-lease and newly-created training missions. Unique to the region, the joint commissions were symbols of the special relationship. More importantly, the joint commissions allowed the two militaries direct communication and a means of by-passing both State Departments.

After declaring war on Germany in August, Brazil's main contribution to the war was in supplying essential materials, but it also had a strategic importance. Its enormously long coast and deepwater ports were used to support the naval war in the Atlantic, and Vargas affectionately referred to U.S. Admiral Jonas Ingram as his top admiral. Brazil's northeastern bulge became the "trampoline to victory," the point of embarkation to provision the Russian,
East Asian, and African fronts. In addition, 30,000 FEB fought in Italy, the only Latin American ground troops to see action in the war.5

Wartime cooperation had a decisive impact on the Brazilian military. Brazil embraced American doctrine, organization, and weapons completely. By 1945, Brazil had the largest and best equipped military in Latin America, a condition enhanced by the U.S. relinquishing to Brazil fully supplied bases worth millions of dollars.6 More importantly, the Italian campaign convinced Brazilian officers of their allies' good intentions. This led to a more pro-United States military than one found among other Latin militaries and, one might add, the Brazilian military became more pro-United States than many sectors of the larger Brazilian society.7

American assistance also had important, unintended consequences for Brazilian politics and civil-military relations. While military involvement in politics antedated the war, lend-lease and the FEB increased military prestige and influence. With the Axis defeated and the Argentines eclipsed, the Brazilian military lacked a genuine mission, and increasingly turned to politics. In 1945, when Vargas announced new presidential elections, the two leading candidates, Eduardo Gomes and Eurico Gaspar Dutra, were both generals. The military coup that ousted Vargas a month
before the elections signaled the army's new role as political arbiter. After Dutra's election, a constitutional assembly crafted a new document and formally granted the military "the moderating power," or power to determine a regime's legitimacy. Competing military groups used the moderating power to justify their actions in all government crises before assuming direct control of the state in 1964.8

A successful use of the moderating power, however, required unity, which proved difficult to achieve. After 1945 the military divided ideologically on cold war and economic policy. While a consensus existed on the nation's need to industrialize, officers split into "conservative" (Air Force, Navy, and FEB) and "nationalist" (non-FEB Army) factions. Generally, conservatives favored a strategy of private investment and maximization of U.S. private capital, while nationalists favored a strategy of state-owned or controlled corporations and maximization of U.S. public assistance. Conservatives also favored a closer alignment with the U.S. in the cold war.9

As a former War Minister and staunch conservative, Dutra aligned himself domestically with the conservative branch and in foreign policy with the U.S. Dutra proved to be a reliable ally and Brazilian support was crucial to U.S. success in the inter-American conferences at Rio de Janeiro (1947) and Bogotá (1948), as well as in the early years of
the United Nations. Unlike his predecessor and successor Vargas, Dutra did not exact a quid pro quo of American support for Brazilian development in return. During Dutra's administration, the only serious complaint against the U.S. voiced by Brazilian officers concerned the quantity of arms given or sold to Brazil.

POSTWAR UNITED STATES POLICY AND ITS RAMIFICATIONS

As war became cold war and U.S. interests globalized, United States policymakers relegated Latin America to an area of "secondary space" in defense planning. The region's peripheral location and conservative political tendencies allowed the U.S. to focus on Eurasia and to ignore Latin concerns. This policy of neglect had two important consequences. As the region became less important the value of the special relationship with Brazil decreased and the State Department abandoned the alliance. At the same time, however, military relations became more important in U.S. foreign policy, because American officials perceived the Soviet threat primarily as military in nature.10

Although the "Rio Treaty" (Inter-American Treaty of Reciprocal Assistance) signified Latin acceptance to an anti-Communist alliance, American policymakers realized that with the possible exception of Brazil, Latin American armed forces could not make a significant contribution to hemispheric security. In an external conflict, the U.S. wanted
base rights and access to raw materials. At most, Americans hoped Latin nations could maintain order and prevent Communist sabotage and the need to disperse American troops. Thus, U.S. policy in Latin America relied primarily on bilateral relations with key nations to achieve its objectives and especially with Brazil and Mexico. At both Rio and Bogotá, U.S. policymakers rejected Latin attempts to strengthen the I-ADB or increase its functions beyond planning. 11

U.S. military officials considered Brazil the key to South America, because of its size, strategic location, and mineral wealth. Thus, unlike the State Department, Defense officials nourished the special relationship. There were several reasons for increasing reliance on military factors in Brazilian-American relations. Brazilian officers were predominantly conservative and very anti-communist. Military aid was therefore an inexpensive way to maintain influence over Brazilian policy. The military's political influence made close military relations good policy. Emphasizing military factors also made sense from the standpoint of achieving other U.S. foreign policy goals in Latin America, such as minimizing foreign influence and maximizing U.S. private investment and trade. In brief, U.S. military programs with missions, equipment, and training helped keep politically influential military elites pro-American. 12
Although Congressional and State Department opposition prevented Brazil receiving better quality arms than Argentina, particularly for the air force and navy, within its limits the Defense Department cultivated close relations with Brazil through a variety of methods. U.S. officials maintained the prestigious joint commissions long after they had lost their wartime justification and even registered the JBUSMC as an international organization. The U.S. also maintained their largest service missions in the region in Brazil; in the 1950's, 200 U.S. officers and 100 enlisted personnel were still stationed in Brazil. Both the Navy and Air Force held joint maneuvers. Brazil received extra appointments at Fort Leavenworth's command school and regular "goodwill missions" to the U.S. were arranged for senior Brazilian officers. Army and Air Force leaders also made a determined effort to maintain personal contacts with Brazilians and consulted regularly on hemispheric defense. U.S. officials even asked for Brazilian assistance in negotiations with Portugal for to ask permanent facilities in the Azores. With these efforts U.S. officials showed a willingness to treat their Brazilian counterparts as partners.13

THE ESCOLA SUPERIOR DE GUERRA

One of the most important links between the two militaries was in the Escola Superior de Guerra (ESG). Founded in
1949 at the insistence of General Cordeiro de Farias and War
Minister Canrobert da Costa, the ESG reflected the change in
d Doctrine and organization from the French to the U.S.
models. Cordeiro, Canrobert, and like-minded officers felt
existing service schools inadequately prepared officers for
the new army and for the civilian positions prominent
officers frequently held. Cordeiro travelled extensively in
the U.S. in 1948, visiting schools and formulating a
curriculum. Upon his return, the Brazilian government
requested a special U.S. mission, initially led by Colonel
William Verbeck, to assist in setting up the school.14

Cordeiro and Verbeck used the U.S. National War College
as a model for the ESG, and provided the ESG with its
parent's publications and curriculum. Throughout the 1950's
American officers served as liaisons, while several Ameri­
cans were guest lecturers. Cordeiro, who served as the ESG's
first commandant, developed a one-year course focusing on
national security and strategic problems for senior offi­
cers. Located at the base of Sugarloaf mountain in Rio, an
ESG appointment quickly became professionally rewarding and
comparatively relaxing.15

The ESG differed from its U.S. model in three signifi­
cant ways. Cordeiro believed that as an undeveloped nation,
Brazil had to marshall all of its scant human resources, and
thus, included as students civilians from government,
Congress, and business. Graduates were kept abreast of new developments through an active alumni organization and periodic refresher seminars. This program allowed the ESG to maintain unity and to train an ever-increasing talent pool.16

From its inception, the ESG curriculum focused on national security and economic development issues, accepting their intrinsic relationship. This innovative wedding of concepts led the ESG to study all aspects of Brazilian society and economy, as well as all government policy, including foreign policy. Thus, ESG theorists and instructors included not only General Golbery do Couto e Silva, whose Planejamento Estratégico was the major strategic document through the 1960's, but also General Juarez Távora, author of Petróleo para o Brasil, a work advocating U.S. corporate participation in Brazilian petroleum development. With its ties to conservative civilians, the ESG became the leading proponent of anti-Communism and pro-private foreign investment sentiment within Brazil. Still, the ESG was not unconditionally supportive of the U.S. and shared in the general perception that the U.S. did not do enough to assist Brazilian development.17

By the early 1950's, the ESG became a major actor in Brazilian politics, its influence seeming to extend far beyond its limited number of graduates and instructors. Its
ideology of development/national security gave the ESO a clear program, which nationalist military and civilian groups lacked. In addition, Brazilian governments used the ESO to "park" politically prominent and ambitious officers, such as Távora and Cordeiro, men too important to be denied a high post, but too dangerous to be given troop commands. With many of the best minds and leading opponents of nationalist policies on staff, the ESO eventually became the center of conspiracies against the government. 18

THE MUTUAL SECURITY ACT OF 1951

Generally stated, U.S. military objectives in Latin America were to keep the region friendly to the U.S. in the cold war and to maintain access to regional bases and minerals. Although training missions, service schools, joint manoeuvres, "boozing" missions, etc., were important tools in reaching these objectives, U.S. military leaders considered arms standardization to be most important. Through the 1940's, the major impediment to arms standardization was Congressional resistance to a regularized military assistance program. As early as 1946, Truman's supporters submitted an "Inter-American Military Cooperation" bill and supporters of the bill, including generals Dwight Eisenhower, George Marshall, and Matthew Ridgway, stated that arm supplies and standardization must be the cornerstone of an United States-led Inter-American defense system.
State Department opponents, led by Under Secretary of State Dean Acheson, Assistant Secretary Spruille Braden, and Office of American Republic Affairs director, Ellis Briggs, claimed military programs encouraged right wing dictatorships and placed unnecessary burdens on Latin economies. Senate opponents, Robert A. Taft and Claude Pepper killed the bill both in 1946 and in 1947. During the 1946-1949 period, therefore, arms transfers to Latin America came from the Surplus Property Act, which gave generous terms, but diminishing quantities until the act expired in 1948.19

By 1949, growing Soviet-American hostility led Congress to accept a small military aid (grant & sales) program in the Mutual Defense Assistance Program (MDAP). While MDAP gave containment an expanded military dimension, the act excluded Latin America from grant aid, and was thus, a negative influence on U.S. military relations with the region. Brazil was able to purchase two long-sought for light cruisers under the terms of MDAP in October 1950, but only after the State Department agreed to sell an identical pair to Argentina.20

Even before the Korean War, the Truman administration energetically adopted an aid policy that increased the importance of military aid. National Security Council document #68 (NSC 68, April, 1950) cited the dangerous world situation and advocated increasing the military power of
allies and potential allies as quickly as possible. Early in 1950, the administration requested Congress to broaden the military aid and sales program.21

War in Korea (June, 1950) and Latin America's failure to support the U.S. at the Washington Conference in March-April 1951, created the climate needed to include Latin America in the aid buildup program. The conference produced resolutions calling for increased military cooperation and empowering the Inter-American Defense Board to formulate a long-range hemispheric defense plan. These resolutions fit nicely with Truman's previous efforts to persuade Congress to start military assistance programs. The Mutual Security Act of 1951 pledged military grant assistance and sales of weapons to any nation whose security strengthened U.S. security. In practice almost any non-Communist nation became worthy of aid. Congress established an independent Mutual Security Agency, headed initially by W. Averell Harriman, who became aid czar. MSA coordinated and allocated all technical, economic and military assistance, except for the small Technical Cooperation Administration (TCA), which remained in the State Department.22

Mutual Security supporters used the Rio Treaty's collective security resolutions to justify passage of the act in Congress. Although MSP had a limited usefulness in attaining political objectives (to keep the region pro-U.S. in U.N.,
to assure access to markets/minerals, etc.), supporters focused on questionable military arguments: Communist threat to the hemisphere; common defense responsibilities; prevent diversion of troops to Latin America (U.S. troops actually increased after passage); and preparation of Latin forces for war. As supporters used military reasons to justify a political program, they also used a multilateral collective security rationale for a bilateral program. The MSP in retrospect, marked the end of the attempt to create a multilateral inter-American military system.23

Key sections made the Mutual Security bill unattractive to Brazil. Although pledging only $38 million in FY 1951 and $52 million in FY 1952 to the entire hemisphere, the act forced recipients to sever commercial ties with the Eastern bloc. Yet, as passed by the Congress, the Mutual Security Program was to be limited in duration to only two or three years. In addition, under the MSP, host countries paid the expenses of the training missions, whereas before the U.S. had assumed the cost. Also the act pledged a recipient to a vague "defense of the free world," while funds had to be used only for hemispheric defense. Internal security use of funds were specifically prohibited. With the largest Communist party in Latin America and with agitation rising due to Brazil's potential involvement in Korea, many Bra-
zilian officers desired assistance specifically for internal security.24

THE KOREAN WAR AND THE RETURN OF VARGAS

In 1950 a series of events revealed deep and irreconcilable cleavages within Brazil's officer class. In May, at the time of the Clube Militar presidential elections, the nationalist slate of Generals Estillac Leal and Horta Barbosa triumphed over ESG commandant Cordeiro de Farias. Although a social club, the Clube had long been a reliable barometer of officer opinion. Estillac's election indicated most officers opposed Dutra's oil policy and favored a government oil monopoly, a cause championed by Horta Barbosa.25

The Korean War both highlighted and intensified existing divisions in the Brazilian armed forces. Although a majority of officers opposed participating in the American call to arms, a significant number felt an obligation to join their ally. Finally, Brazil's presidential election returned ex-dictator Getúlio Vargas, despite the opposition of many conservative officers. Already distrusted, Vargas campaigned on the themes of stressing independence in foreign policy, increasing power for the lower classes, and promoting state involvement in Brazil's sagging economy—all to the delight of attentive nationalists.26
Vargas assumed office only after public assurances by himself, former army chief Gôes Monteiro and War Minister Canrobert Pereira da Costa (an extreme antigetulista) to follow constitutional procedures and maintain the "integrity" of the armed forces. Despite popular support, Vargas realized military acquiescence was crucial to the regime's stability, and thus appointed Estillac Leal War Minister.27

In July 1950, the Revista do Clube Militar, the Clube's official publication published an anonymous article suggesting the U.S. was responsible for starting the Korean War and advocating strict Brazilian neutrality. Six hundred officers immediately denounced the article as "Russophilic," prompting the publication's suspension to ensure the "climate of unity." Although Estillac tried to dissociate himself from anti-American extremists, and American officers in Brazil liked and respected him, the Revista article reduced the "Red general's" support.28

Shortly after Vargas' inauguration, at the Washington Conference, the question of Brazilian participation in Korea rose again. Within the military, three discernable factions emerged. The FEB/ESG group, heavily represented at the conference, favored accepting U.S. requests, not only for ideological reasons, but also to reinforce the special relationship. A small group, led by chief of staff Gôes Monteiro, favored participation if Brazil received substan-
tial economic and military aid, as in 1942. Nationalists opposed involvement, claiming the war did not affect hemispheric security nor Brazilian interests. The absence of unity, combined with Vargas' disinclination, public hostility, and American pressure paralyzed the government.29

In this climate of uncertainty, Gôes left for Washington almost four months after Truman's written request for support. Negotiations with the State Department proved fruitless as Acheson refused to offer any specific or substantial military aid, in part, because he did not trust Gôes' sincerity. Officials at Defense were more sympathetic to Brazil's internal security needs and political difficulties and with the exception of Marshall and Ridgway, were not especially anxious to engage Brazilian troops. Officials at Defense were more concerned to secure a Brazilian contribution to hemispheric defense and the I-ADB plan than in a Brazilian contribution to Korea. Despite a three-month stay and great personal efforts to reach a solution satisfactory to Vargas and the U.S., Gôes returned without a commitment. The aging general considered his mission to be disastrous for Brazil, in the sense that Brazil failed to reach the accommodation necessary to maintain the special relationship. In a letter to Neves, he stated: "our errors are becoming more expensive and probably will come to be prejudicial to our security and development."30
Although Góes Monteiro's mission failed to bring Brazil into the war, he made substantial progress on a Military Assistance Treaty. While the 1942 secret treaty already contained several clauses of MAP treaties being negotiated in the region, by 1951 the treaty needed to be updated. Negotiations continued after Góes returned and in March 1952, Brazil became the third Latin nation to sign such an agreement.31

Within Brazil, opposition to the treaty was immediate and vociferous. War Minister Estillac Leal resigned in protest and Vargas' own Labor Party (PTB) denounced the pact as a "secret door" to force Brazil into the war and to obtain her minerals at prices dictated by the U.S. While most officers supported the treaty, opposition was so intense Góes concluded the treaty's passage impossible and advised Vargas to withdraw it from Congressional consideration.32

Shortly after Estillac resigned in protest, he and Barbosa waged a re-election campaign for the Clube leadership. Their opponents, General Alcides Etchegoyen and Nelson de Melo ran with the support of the "Democratic Crusade," a militantly anti-Communist group. The main issues of the campaign were the MAP treaty, "discipline" among the officer corps, and Communist infiltration, a particularly sensitive issue after a PCB March raid on an Army ammunition depot in
March. The Crusade's smashing victory revealed the treaty's popularity among officers, and the shift in power to the conservatives. The shift was not absolute, however. Nationalists successfully lobbied to remove Gêes from his position as Army Chief of Staff. As one of Vargas' main conservative supporters, Gêes' removal was a blow to the regime. The new War Minister, General Espírito Santo Cardoso, pledged to restore unity and discipline. Personally loyal to Vargas, Cardoso had to contend with a military increasingly distrustful of the president.

The treaty languished in Congress more than a year, with its main opposition from Vargas' PTB and the anti-Vargas, but pro-United States UDN. Although Vargas publicly supported the treaty, his policy of conciliation of conservatives had so alienated the Left, he no longer controlled the PTB. At the same time, the MAP treaty was not a Vargas priority and the old president refused to fight for it, preferring to marshall his energies and support for Petrobrás. This refusal convinced many supporters that Vargas privately obstructed the treaty.

By early 1953 the treaty was in serious danger and Vargas, desiring a positive start with the new Eisenhower administration and in order to secure the $300 million EXIM arrears loan, finally intervened directly for ratification. In March, Vargas appointed General Eduardo Gomes (his UDN
opponent in the 1950 election) to chair the JBUSMC, the organization that would execute the treaty. Gomes' appointment brought most UDN opponents into the supporting and insured passage. Even with Vargas' support, the treaty passed the Chamber of Deputies only with simultaneous declarations forbidding sending troops to Korea and on the condition the U.S. grant the EXIM loan. The Senate passed the treaty the very day the treaty would have automatically lapsed.35

THE EISENHOWER ADMINISTRATION

When Dwight D. Eisenhower became president in 1953, United States-Brazilian relations were at a crossroads. Eisenhower considered his election to signal a "mandate for change" and promised more high-level consideration for Latin American needs. Once in office, however, military policy continued on the path set by Truman. The new administration also considered Brazil the key to U.S. Latin American policy and sought to continue military cooperation. Eisenhower endorsed renewing the joint commissions, due to expire in 1954 under the terms of the 1942 secret treaty. The administration also showed its desires by increasing the amount of military equipment loaned to Brazil so the latter could fulfill its I-ADB missions.36

While maintaining similar objectives in Latin America, the new administration relied more on military relations and
aid than its predecessor. There were several reasons for this. Committed to taking the offensive against Communism with a "liberation" ideology, but at the same time committed to reducing government, including military spending (the so-called "new look"), Eisenhower could only accomplish both if allies increased their military spending and roles. At the same time, the administration opposed purely economic assistance, believing that increased trade and private investment would provide sufficient funds for economic development. Eisenhower officials also saw military aid as a potent weapon in the battle against nationalism, as well as Communism.37

By 1953, however, the MSP faced severe challenges. European competitors continued to make successful in-roads, particularly in big-money items, such as cruisers and jets. U.S. officials either had to abandon standardization or increase grant assistance and sales. Increasing sales was nearly impossible due to the region's dollar shortage; U.S. prices were simply not competitive. At the same time, many Republicans and Southern Democrats in Congress, as well as a group within the administration, led by Treasury Secretary George Humphrey, opposed both grant assistance as too burdensome for the U.S. economy and sales as too burdensome for Latin economies. Despite the small size of the weapon's grant program, both in comparison to Latin purchases and to
the rest of the world, Congress was less likely to approve military aid requests than to provide economic assistance.38

Dulles and I-ADB planners did not abandon completely the goal of standardization, but they understood that Congressional and Treasury limitations prevented a continued monopoly of arms programs in Latin America. The Defense Department asked for yearly increases in MAP assistance, but also strove to give arms to Latin America by other methods, such as trading arms for the U.S. strategic mineral stockpile and using the EXIM bank to finance purchases. But the administration also supported purchases from other than the U.S., if purchases advanced American policy. For example, Dulles accepted and even encouraged Brazilian naval purchases from Finland and transport vehicles from Japan.39

"THE WEB OF BRAZILIAN POLITICS"

Throughout 1953-1954, as Vargas' military support crumbled and Brazilian-American political relations worsened, military relations remained close. In March 1953, War Minister Espirito Santo Cardoso travelled to the U.S. to plead Brazil's case for the EXIM $300 million commercial arrears loan, an indication that Vargas attempted to utilize the on-going special relationship. Although successful in securing the loan, by the end of 1953 the U.S. terminated all but military and technical assistance.40
Close ties permitted the U.S. to keep abreast of rising military discontent and conspiracies, both Left and Right, against the government. Speculating on a possible coup, one State Department official wrote: "A coup de'etat by the Army would not seriously affect our interests. The Army is conservative, anti-Communist by a large majority, and would respect existing agreements.... It would be unfortunate in principle... [though] our practical security objectives might even be enhanced...."41 As Brazil's financial position worsened, government officials sought to reduce military expenditures, intensifying officer hostility. In February 1954, after Labor Minister João Goulart endorsed a large increase in the minimum salary for civilians, eighty-one colonels protested the action for undermining "the unity of the military class." The challenge to the regime forced Vargas to dismiss both Goulart and Cardoso, for losing control of the Army.42

As Vargas attempted to weather the storm caused by the "colonels memorandum," the Tenth Inter-American Conference convened in Caracas, Venezuela. Desirous of a strong anti-Communist declaration, both for the upcoming Geneva Conference and to isolate Guatemala, Dulles found the American alliance with the Brazilian military a godsend. Prior to his troubles with the colonels, Vargas had hinted that Brazil would side with Mexico and Argentina in opposing Dulles'
"Declaration of Caracas," and would instead push for a resolution against intervention. Only the violent opposition by Finance Minister Oswaldo Aranha, delegate Marshall Mascarenhas de Morais (FEB Commander) and new War Minister General Zenobi da Costa prevented Vargas from taking a more belligerent course. At Caracas, Brazil therefore assumed its traditional role of United States-Latin American arbitrator, but the well-informed knew that a showdown approached.43

Just after the conference, ex-Foreign Minister Neves da Fontoura charged that Vargas conducted "secret negotiations" with Juan Peron to form an anti-American alliance with Argentina, a charge tantamount to treason to the Brazilian military and bad faith to the U.S. Thereafter, the ESG began plotting to remove Vargas. While there is no conclusive evidence proving U.S. complicity in the crises that resulted in Vargas' infamous suicide, despite Getulio's strong accusations, U.S. policymakers were undoubtedly sympathetic to and sided with the conspirators. After Vargas, the U.S. increasingly became involved in Brazil's partisan politics and linked itself to the UDN/ESG faction.44

Conservative officers and UDN leaders dominated Cafe Filho's caretaker government, whose main task was to restore order and prepare for the 1955 presidential election. The UDN candidate, former ESG commandant, Juarez Tavora, linked the two groups and held a prominent post in the government.
Although philosophically opposed to massive economic aid, the Eisenhower administration made an effort to assist the UDN/ESG faction. The U.S. granted Brazil 3/4 of the MAP funds for Latin America in FY 1955, as well as other lesser assistance and added a special "short-term" United States Information Service program to expose the ties between the PCB and the Soviet Union and counter anti-American sentiment exploited by nationalists. But while sympathetic to Távora, the U.S. refrained from overt support of his candidacy, and temporarily freed itself from the web of Brazilian politics.45

THE KUBITSCHEK ADMINISTRATION AND FERNANDO DE NORONHA

Vargas heir Juscelino Kubitschek entered office in January 1956, only with the help of the "legality coup" of November 1955, staged by War Minister Marshall Henrique Teixeira Lott to prevent another UDN/ESG takeover. Realizing his weakness and desirous of attracting extensive U.S. capital (private and public) to finance an ambitious development program, Kubitschek promoted stability with a policy of "bribing" the military. In Kubitschek's first two years salaries for military personnel doubled, and Brazil increased requests for U.S. military assistance and purchases. After the U.S. refused to sell a carrier Vargas initially requested, for the Navy's amusement and prestige, Kubitschek then proceeded to purchase from Great Britain an
old "white elephant" aircraft carrier, the *Minas Gerais*, appropriately named after the land-locked Brazilian state. Despite these conciliatory measures, military discontent remained high. As president, Kubitschek faced two Air Force-led rebellions. Though easily repressed, the rebellions forced the regime to act cautiously.46

Kubitschek also pursued close relations with the United States, both to placate conservatives and to achieve his economic goals, but also because he admired the U.S. The new president also believed that the U.S. obsession with the cold war could be used to Brazil's advantage. Kubitschek therefore cracked down on the Brazilian Communist Party, which Vargas had been reluctant to consider. Kubitschek also seized opportunities to prove his fidelity to the American relationship, stressing his desire for accommodation with Eisenhower in personal meetings and for continuing Brazilian support of the U.S. in the United Nations. The flamboyant president also publicly supported U.S. policy in the Middle East following the 1956 Suez War and sent troops as part of the U.N. peace-keeping mission. In spite of Kubitschek's dramatic gestures to the Eisenhower and Dulles, in 1956, the U.S. sharply reduced military assistance.47

Perhaps the best example of Kubitschek's efforts to support U.S. military policy is seen in his decision to accept and fight for Congressional ratification in 1957 of
the Fernando de Noronha treaty. As early as 1954, U.S. authorities wanted to construct a missile tracking station on Fernando de Noronha, an island group about 200 miles from Brazil's northeastern bulge, as well as a radar and communications facility on the mainland of the bulge. Although claimed to be purely scientific in nature, the Pentagon selected the sites, initiated negotiations, and invoked the 1952 MAP treaty to justify the request, an indication of probable military use. As events proved, the site was used for tracking Intercontinental Ballistic Missiles.48

Kubitschek and his military advisors favored the project, but as in 1952, Congressional opponents denounced U.S. "tutelage" and charged that the treaty opened Brazil to Soviet nuclear attack and would result in massive U.S. troops occupying the island. Such arguments and concerns threatened to delay or deny ratification.49

Instead of caving into nationalist opposition and lingering military resentment from long-standing equipment requests still pending, Kubitschek and Lott decided to take the offensive. He leaked to the press a proposal for an enormous aid request as a quid pro quo, for treaty approval, initially suggesting $500 million in new equipment needed for Brazil's "increased responsibilities to hemispheric defense." The press leak gave Brazil the necessary leverage to secure much of the outstanding requests and led to
Eisenhower writing to Kubitschek and asking his personal attention so construction of the station could begin without delay. Just four days later, in an address to the ESG, Kubitschek defended the agreement. His efforts to secure early acceptance were eased when a stray missile from Cape Canaveral landed in the Amazon jungle, prompting the president to declare that the station would provide insurance against such an accident. The two sides signed an agreement "in principle" on January 21, 1957, just three months after the initial request, before reaching an agreement on the exact amount of military aid, and after Brazil's Congress determined that the 1952 MAP treaty allowed the agreement and did not necessitate a new treaty.50

Negotiations on the amount of military hardware due Brazil dragged on for months, as U.S. and Brazilian negotiators used the initial $500 million request as a starting point. Within Brazil, all three services competed for funds, while the primary job of the Americans was to limit requests to a realistic figure. While Defense officials had advocated increased grant assistance for several years, Brazil's avaricious requests were such that the U.S. dropped plans for the communications facility on the mainland. Eventually, the U.S. agreed to pay $87.5 million, the bulk going to the Navy and Air Force for antisubmarine warfare, a mission
consistent with Department of Defense requests to Congress for MSP grant assistance. 51

Although one might expect Brazilian-American military cooperation to suffer as a result of the Fernando de Noronha negotiations, relations between the militaries remained strong. Unlike the State Department, officials in the Pentagon had more tolerance for the "yankee-baiting" peculiarities of Brazilian politics, including military politics, where a too-strong devotion to an alliance with the U.S. was not appropriate. Defense officials knew their Brazilian counterparts were pro-American and did not consider offensive Brazil's efforts to secure maximum advantage in Fernando de Noronha. Unfortunately, the same pressure tactics by civilians in the Kubitschek administration over economic development assistance resulted in a severe straining of United States-Brazilian relations.

TOWARD CIVIC ACTION AND COUNTERINSURGENCY: UNITED STATES REVIEWS OF MILITARY ASSISTANCE

In the second half of the 1950's U.S. military assistance policy to Latin America came under increasing attack from Congress and liberal Latins (the "Democratic Left"). Eisenhower's open support of anti-Communist dictators, shown in his decorating President Odria of Peru and by his continuing assistance in the face of mounting domestic dissent to Perón and Cuban strongman Fulgencio Batista, infuriated groups who claimed military aid strengthened
these repressive regimes and were thus antithetical to American ideals and interests. Opponents also charged U.S. military programs retarded Latin economic growth. Moreover, critics claimed that the absence of a genuine external threat to the region meant that U.S. equipment, when not used on civilian populations, posed a threat to hemispheric peace.52

In the face of these charges, both the administration and the Congress reviewed the policies and purposes of the military assistance program. In September 1956, Eisenhower appointed U.S. Steel Corporation President, Benjamin Fairless, to head the "President's Citizen Advisors on the Mutual Security Program." Charged with evaluating all foreign assistance, the Fairless Committee did not focus on Latin America, however, Committee members (former Under Secretary of State) General W. Bedell Smith, General J. Lawton Collins, and Ambassador John C. Hughes travelled to several Latin nations, including Brazil in preparing to write their report. Their findings, as well as the final report to Eisenhower, praised the existing program but also made important recommendations. Among the most significant were to re-examine strategic considerations to better determine military assistance requirements, to increase military assistance, to separate the MAP from economic assistance, and to place control of MAP funds in the Defense
Department. The Fairless Committee also advised Eisenhower that the mutual assistance program must continue indefinitely.53

Congress also reviewed the MSP and arrived at similar conclusions. Even before the Fairless Committee began its review, a 1956 House study of MAAG’s recommended increased MAP funding. A Senate study, conducted by former Ambassador to Argentina and Under Secretary of State, David K.E. Bruce and completed at the same time as the administration’s also praised existing assistance policy and advocated expansion of military assistance programs, standardization efforts, and amplification of the I-ADB.54

Armed with the reports, the administration expanded grant requests for Latin America, which Congress seconded by almost doubling the amount previously assigned. Eisenhower also attempted to implement Bruce’s recommendation of an expanded I-ADB, by suggesting an OAS/NATO "Atlantic Triangle" strategic link, with joint manoeuvres and planning. Although Peru and Brazil supported the concept, most Latin American nations opposed the attempt to "militarize the OAS" and the U.S. dropped the idea. Still, reflecting Eisenhower’s initiative, Defense planners channelled most of the MAP requests in 1957-1958 to antisubmarine warfare.55

Vice President Nixon’s infamous "goodwill" tour to Latin America in 1958 destroyed the complacency generated by the
Bruce and Fairless Committee reports. That mobs would riot and stone America's second citizen seemed to prove the deteriorated state of United States-Latin American relations and prompted still another round of administration and Congressional reappraisals. Fidel Castro's successful guerrilla insurgency against Fulgencio Batista at the beginning of 1959 provided further incentive to determine the weaknesses in U.S. policy.

As before, the two branches worked simultaneously, though not together. Shortly after Nixon's return, the Senate Foreign Relations Committee announced a two-year, $150,000 review of policy and relations, to be conducted by private organizations, staff research, and hearings. In August 1958, eight members of the Senate Foreign Relations Committee (including Presidential hopefuls J.F. Kennedy, H.H. Humphrey and administration critic Wayne Morse) also criticized Eisenhower's reliance on military aid over economic assistance in U.S. foreign policy. Eisenhower responded by appointing Retired Major General William Draper (former Army Under Secretary) to head "The President's Committee to Study the United States Military Assistance Program."

Popularly known as the Draper Committee, this blue ribbon panel included many of the men responsible for shaping postwar foreign and military policy: John McCloy
(Chairman Chase Manhattan Bank; former Assistant Secretary War & President World Bank); Retired Admiral Arthur Radford (former Chairman Joint Chiefs of Staff); Joseph Dodge (banker, former Budget Director); James Webb (oilman, former Budget Director & Under Secretary of State); Dillon Anderson (former National Security Advisor); and Retired General Alfred M. Gruenther (President Red Cross, former NATO chief). The Draper Committee also utilized several other prominent officials and academicians. Combined with the Senate review, the Draper Committee represented the most comprehensive review of U.S. policy since World War II.56

Although not alarmist in tone, the Draper Committee recommended sweeping changes in the mutual security program. The Committee found the MSP a "sound concept and essential tool," which had "maintained the morale of threatened peoples" and kept them allied to the U.S. Also, the Committee called for a higher priority for the Third World, greater effort by U.S. allies, and better cooperation between the State and Defense Departments, which could only be realized by increasing the State Department's role in planning and coordination.

More importantly, the Draper Committee stressed the need both to increase funding for the Military Assistance Program and to consider MAP a permanent program. Above everything, MSP was cost-effective; less than 1% of the GNP and 5% of
the federal budget went to foreign assistance. Without MAP, the U.S. would have to drastically increase defense spending and stop relying on the nuclear deterrent. The Committee considered "soft loans" preferable to grants as politically expedient and tending to encourage the feeling of alliance among recipients. At the same time, the Committee recognized the limits of aid, stating "working out a solution to Brazil's coffee problem was more important than any amount of aid."57

The Committee also made two specific recommendations which justified increased military assistance and which administration officials immediately incorporated into its Latin American MAP program. Recognizing the powerful political and unifying role of Third World armed forces, the Committee suggested using the military for economic development or "civic undertakings," a role the U.S. military assumed in the early 19th century. Since modern military equipment and training frequently had civilian uses (communications, engineering, transportation, administration, mapping, medical services, construction), Third World militaries were able to assist civilian economic development. Using Brazil as the model on the proper use of the military in expediting economic development, the Committee cited the high percentage of officers in key administrative posts, the use of engineers in railroad and highway con-
struction, the use of the Air Force in civilian aeronautical instruction and for military efforts in literacy campaigns. To gain acceptance of Third World militaries in civic action, the Committee recommended increased U.S. training assistance and activities.58

Just as important as civic action, the Committee also emphasized the need to change the focus of Third World armed forces from external to internal security. In Cuba, in the Belgian Congo, and other revolutionary situations Communist forces had changed tactics, which could only be met through antiguerrilla and unconventional warfare, use of small and mobile units, counterintelligence, and troop indoctrination programs. An internal security focus also necessitated increased training assistance and extended duty tours for U.S. instructors.59

Administration officials used the Draper Report, completed before its Senate counterpart, to change their justification for the MAP program. As expected, civic action replaced antisubmarine warfare as the primary rationale for the program, although standardization remained a goal as well. Despite these arguments, because of its own investigation, Congress cut military assistance in 1959 and 1960.60

The Senate Foreign Relations Committee finished its studies in 1960. Not surprisingly, Senate investigators were more critical than the Draper Committee concerning the MAP.
Republican Senator George Aiken of Vermont recommended reducing military assistance and Latin military expenditures in order to promote civilian control of Latin armies and to free resources for economic development. Aiken also endorsed civic action, however, and U.S. training to teach Latin soldiers democratic values. Other aspects of the Senate review, such as creating an inter-American force, using the I-ADB to channel MAP funds, and creating an inter-American staff college, found little enthusiasm among Latins and active opposition from the Defense Department.61

TOWARD A RETURN TO DOLLAR/GUNBOAT DIPLOMACY: THE SANTIAGO AND SAN JOSE CONFERENCES

In 1959-1960 the Caribbean became the main focus of United States-Latin American policy. Although primarily concerned with Cuba and its attempt to export revolution, Panama, Nicaragua, Venezuela, and the Dominican Republic also seethed with discontent. In April 1959, a macbethian drama of intrigue began to unfold as Panama, Nicaragua, and Dominican patriarch Rafael Trujillo appealed to the OAS for assistance to stop Cuban and Venezuelan aggression, while representatives from Cuba and Venezuela charged Trujillo with aggression. In August the Fifth Meeting of Consultation of Ministers of Foreign Affairs convened in Santiago, Chile to discuss the charges.

Secretary of State Christian Herter wanted to transform the conference into a multilateral condemnation of Castro,
but several Latin nations desired to make the meeting into a
denunciation of dictatorship. In the resulting impasse, the
U.S. looked to Brazil for support, only to find Brazil’s
delegate, San Tiago Dantas steering clear from both posi­
tions. The resulting Declaration of Santiago, written by
Dantas, was a compromise which preserved inter-American
unity, but displeased Herter. The Declaration condemned
dictatorship, approved democracy, reaffirmed non-interven­
tion, and created an inter-American Peace Committee to
monitor the Caribbean until the scheduled Eleventh Inter­
American Conference for February 1960, in Quito, Ecuador.62

Continuing and growing hostility between the U.S. and
Cuba and Trujillo and Venezuela, as well as growing sentiment
within Latin America to reform the OAS and make it more
responsive to Latin needs forced a postponement of the Quito
Conference. In June 1960, however, Trujillo, the longtime
brutal dictator of the Dominican Republic, was implicated in
a nearly successful assassination attempt on Venezuelan
President Rómulo Bentancourt, which prompted still another
meeting of Foreign Ministers in August, in San José, Costa
Rica.63

This time a more tactful Herter joined in condemning
Trujillo with trade sanctions and suspension of diplomatic
relations in order to secure Latin acceptance to punish
Communist Cuba. While few Latin delegations eagerly suppor-
ted the U.S., Herter secured a unanimous vote for the weak Declaration of San José, which condemned extracontinental intervention and ideologies, or economic and political principles foreign to the hemisphere (Before the vote, Cuban Foreign Minister Raul Roa left the conference calling the OAS a "ministry of colonies"). As usual, Brazil supported the U.S., but also moderated the U.S. position and weakened the resolution.64

Latin America's weak response in the face of the Cuban-Communist threat dismayed American officials and prompted a re-evaluation of the non-intervention doctrine. As early as 1956, NSC officials secretly adopted NSC 5613/1 (9/25/56), which breached the taboo subject by declaring new Soviet tactics might force appropriate military action. In early 1959, NSC 5902/1 included a section of "exceptions to non-intervention," which was updated 11/15/60 in response to increased revolution in Latin America. In the revision, Assistant Secretary Thomas Mann stressed the importance of a stable Brazil to the effective working of the inter-American system and to achieve U.S. objectives and warned of provoking a neutralist Brazilian foreign policy. Yet in the face of Latin resistance to multilateral action, the U.S. would act unilaterally in Cuba.65

Despite Congressional and Executive differences over the relative merits of economic versus military assistance and
Latin American policy in general, by 1960, most observers realized the state of emergency within the region called for even greater efforts. More importantly, a consensus had emerged concerning the new nature of the Soviet threat and the importance of indigenous armed forces to meet that threat in "the race between evolution and revolution." Despite continued concern about dictatorship, American leaders agreed that Latin military skills must be channelled toward modernization of Latin society; the military seemed the only force capable of maintaining order and providing a bulwark against Soviet expansion during the uncertain yet eagerly anticipated economic "take-off" period.66

There were other reasons for placing hopes on the military, however, as the Brazilian experience suggests. By 1960, the United States-Brazilian diplomatic relationship was one of contention and mistrust, but the military relationship was very strong. Brazilian and American strategic interests coincided and Brazilian officers shared the cold war perceptions of their American counterparts. Moreover, although Brazilians complained over military aid levels, officials at the Defense Department had bargained in good faith, treated the Brazilians as equals, and had been sympathetic to political considerations. Indeed, as the Draper Report suggested, U.S. officials considered the Brazilian armed forces a Third World role model; their best
pupil. In short, the Defense Department had maintained a special relationship with Brazil that the State Department had abandoned, and in doing so had succeeded in achieving their objectives, while State Department objectives grew more remote. With the Defense and State Departments moving in tandem toward a more active anti-Communist policy, intervention by proxy became a more realistic and desirable alternative. By 1960, the Brazilian military represented an "island of sanity" in a unhappy bi-national relationship.

2. McCann, pp. 201-212; Child, pp. 52-53; FRUS, 1941, Vol. VI, pp. 538-542. Another indication of increased cooperation before Pearl Harbor (cited in FRUS) was the 5/41 treaty on strategic minerals. Brazil agreed to send 100% of its strategic minerals in return for unspecified assistance, which became Volta Redonda and other aid to exploit those minerals. Brazilian exports of these minerals rose from $3 million in 1938 to $44 million in 1942.


4. Child, pp. 53-54; McCann, pp. 267-275. Sumner Welles, The Time for Decision, pp. 210-226. Letter Maj. General Richard Steinbach (Ret.) to author, 10/11/1984. Welles lauds Aranha and Vargas for the conference's success and states the U.S. chose Rio de Janeiro for the site because Aranha would preside over deliberations. During the war, the joint commissions were necessary conduits for cooperation, and aided the American effort to help modernize and train Brazilian forces.

5. McCann, pp. 242-246, 259-281; Child, pp. 54-55. McCann covers the campaigns of the FEB in excruciating detail, and is virtually the only source in English. Nearly every Brazilian participant published something on the Italian campaign. Although fairly minor battles, for years the FEB has been one of the biggest sources of pride among Brazilians, their actions ranking with Stalingrad, Midway, the
invasion at Normandy, and the Battle of the Bulge as the major events of the war.

6. The extent of Brazilian-American armed forces integration can be found in the "Army Ground Forces Plan," A.A. Berle to Stettinius, 7/26/45, Adolph A. Berle Papers, Franklin D. Roosevelt Presidential Library, found at FGV/CPDOC. These two letters, totaling 16 pages go into exhaustive detail of Brazilian needs, capabilities, and the on-going cooperation through the JBUSDC/JBUSMC. Base equipment and supplies were more easily left in Brazil than returned to the U.S. and thus marked surplus. Lt. General Fred M. Dean, Oral History Interview, #K239.0512-834, U.S.A.F., Maxwell Air Force Base; Letter from Major General Richard Steinbach (U.S.A. Ret.) to author, 10/11/84.


8. Every presidential election in the Democratic Republic (1946-1964) had a general as a major candidate, although the military candidate lost in 1950, 1955, and 1960. From 1964 to 1985, five generals consecutively served as president. It was easier to win the office by force than by the ballot. The events leading to the first ouster of Vargas in 1945 remain unclear, as do Vargas' intentions. Vargas' son-in-law, Ernani do Amaral Peixoto claimed the coup was designed to ensure a Gomes victory, and thus was aimed at Dutra, not Vargas. See: História Oral #E-66, Fundação Getúlio Vargas, Center for Documentation of Contemporary History (hereafter cited as FGV/CPDOC), Rio de Janeiro, pp. 418-427. The most complete accounts of the 1945 coup in English are: Thomas E. Skidmore, Politics in Brazil, pp. 48-64; John W.F. Dulles, Vargas of Brazil, pp. 258-278. The moderating power is a Brazilian constitutional device, originally used by the emperor in the 19th century to alternate political parties. After 1889, the military informally assumed this power, but the constitution of 1946 assigned the military the duty of insuring legitimate, constitutional acts by the executive. This formal assumption was a sign of the great prestige and power of the military. On the lack of a genuine role for the military after World War II, see Irving Louis Horwitz, "The Military Elites," in Seymour M. Lipset and Aldo Solari, Elites in Latin America (London: Oxford University Press, 1967), pp. 146-147, 158.
9. On the consensus for industrialization, see: Stanley E. Hilton, "The Armed Forces and Industrialists in Modern Brazil: The Drive for Military Autonomy, 1889-1954," Hispanic American Historical Review, Vol. 62 (November 1982), pp. 629-673. The two sides' viewpoints and membership is oversimplified: obviously the Navy and Air Force had some nationalists, although the conservatives dominated these branches. Similarly, not all febianos were conservative; the greatest hero of the nationalists, Marshall Henrique Teixeira Lott served in Italy. The Army, unlike the other two branches divided almost equally, and many officers belonged to both camps depending on the issues. The most comprehensive study on division in the military is Alfred Stepan, The Military in Politics: Changing Patterns in Brazil (Princeton: Princeton University Press, 1971). Other commentators and participants corroborate Stepan's analysis. See: Renny interview, op. cit.; Steinbach letter, op. cit.; Ronald M. Schneider, The Political System of Brazil: Emergence of a "Modernizing" Authoritarian Regime, 1964-1970 (New York: Columbia University Press, 1971), pp. 50-67. Juraci Magalhães suggested that one's feelings toward Getúlio Vargas determined which side one belonged to, with the Air Force, Navy, and FEB united only in their opposition to Vargas. This parallels the political party system, in which the PTB and PSD supported Vargas, while the UDN opposed. Author interview, 7/15/86.


Child, pp. 77-79, 90-100; Edwin Lieuwin, Arms and Politics in Latin America, (New York: Frederick A. Praeger, Publishers, 1961), pp. 3-10, 198-200. The best example of the bilateral approach to inter-American security are the MAP (Mutual Assistance Pacts, also referred to as MSP or MSA) treaties of the 1952-1961 period, but Brazil's bilateral ties stem from the 1942 secret treaty.

12. In the 1945-1961 period, as in World War II, Brazil received the lion's share of military aid, although not to the same degree. In the 1945-1961 period, Brazil received $374.1 million of $1,136 million, or about 33% of the total for the region. The second largest recipient was Chile, which received approximately 12%. Military aid figures, like economic aid figures, are extremely difficult to analyze or even determine. Martin C. Needler, The United States and the Latin American Revolution (Boston: Allyn and Bacon, Inc., 1972) p. 42; Author interviews with General Artur S. Moura (USA, Ret.), 1/8/86 and Col. William P. Renny (USAF, Ret.), 1/14/86. Both officers claimed that good military relations were essential because the Brazilian military "called the shots." Steinbach called military aid "protecting the investment." On the conservative, as opposed to progressive nature of the Latin American military, see: José Nun, "The Middle-Class Military Coup," in Véliz, C., ed., The Politics of Conformity in Latin America. (London: Oxford University Press, 1967), pp. 66-118.

13. Moura and Renny interviews, op. cit.; Jan Knippers Black, United States Penetration of Brazil (Philadelphia: University of Pennsylvania Press, 1977), pp. 161-176. Moura vigorously defended the junkets of Brazilian officers to the U.S., claiming that the relatively small amount spent paid very handsomely. Missions usually included stops at West Point, New York, Washington, Fort Knox, and Fort Leavenworth. Much of the effort to revise the joint commissions in the 1950's reflects they had lost their usefulness, other than the prestige and by-pass functions. The papers of such key Brazilian policymakers as Oswaldo Aranha, Góes Monteiro and San Tiago Dantas have many letters from U.S. officers, but very few from U.S. State Department officials. With the Brazilian reliance on personal contacts, exchange at the military level made good sense. An assignment with the JBUSMC/JBUSDC was extremely rewarding for Brazilian officers; three of the first four military presidents (Castello Branco, Medici, and Ernesto Geisel) served on the commissions, as did three members of Castello Branco's cabinet (Távora, Cordeiro, Juraci Magalhães). On the Azores negotiations, see "Pending Political Problems with Brazil: Paper Presented in Preparation for the Rio Treaty Conference," 1947, no specific date, Clark
M. Clifford Papers, Truman Library.


15. Cordeiro de Farias, 407-411; The ESG course was divided into four sections: eight weeks doctrine; twenty-two weeks issues; ten weeks application; three weeks tour of U.S. In addition there were nine weeks vacation sprinkled liberally through the year. Since many of the civilians remained at their posts, this time off was necessary. Schneider, Political System, p. 248. The ESG course was not necessary for promotion, but as former U.S. liaison Col. William Renny told me: "It certainly helped. The prestige of the course and the contacts made at the school, made it highly desirable." Renny interview, op. cit.

16. By the mid-1950's, almost half of the 100 yearly students at the ESG were civilians. Schneider, p. 245. Moura interview, op. cit.; Renny interview, op. cit. Renny served as U.S. liaison; Moura has been a guest lecturer and interpreter. See also: Stepan, pp. 175-186; Cordeiro de Farias, Meio Século, pp. 412-415.

17. General Golbery do Couto e Silva, Planejamento Estratégico (Rio de Janeiro: Biblioteca do Exercito, 1955). General Juarez Távora, Petróleo para o Brasil (Rio de Janeiro: Livraria José Olympio, 1955). Arruda, pp. 17-29, 89-95, 201-220; Stepan, pp. 177-186, 231-232; Schneider, pp. 65-66, 243-252; Cordeiro de Farias, pp. 419-424; Oral History Interview, Ernani do Amaral Peixoto, pp. 311, 800-806; Oral History Interview, General Nelson de Melo, #E-56, FGV/CPDOC. Many ESG writers considered the cold war a religious war that bound Brazil to support the U.S. At the same time, ESG lecturers criticized the lack of preferential treatment for Brazil and limited U.S. financial assistance. See: Johnson to State Department, 9/1/50, #330, Johnson to Aranha, 9/11/50, file 320, State Department archives; Kidder to Miller, 9/27/50, 611.32, State Department archives. Aranha had requested specific figures to use in a speech at the ESG to counter critical attitudes of the U.S.
18. Moura interview, op. cit. Moura emphatically denies that the ESG has either a monolithic ideology or was a center of conspiracy, but others, such as Ernani do Amaral Peixoto, General Nelson de Melo, and Alfred Stepan back up the claim. Moura and Jan Knippers Black both assert that the General Staff College was more important in promoting conspiracy. Black, pp. 169-174. The ESG dominated the conspiracies against Vargas in 1954, Kubitschek in 1955, and Goulart in both 1961 and 1964, as well as dominating the caretaker government of José Café Filho (1954-1955) and the first military government of Castello Branco (1964-1967). Although the term "parking" came from Moura, in a separate interview with Cleantho de Paiva Leite, who served on the council of the National Development Bank (BNDE) in the 1950's, also suggested that civilians chosen to attend the course were "parked," or gotten rid of for the year. Interview conducted 5/22/86.

19. Child, pp. 90-95; Mecham, pp. 298-300. Stephen G. Rabe, "Inter-American Military Cooperation, 1944-1951," World Affairs, Vol. 137, No. 2. (Fall 1974), pp: 132-149; Lieuwin, Arms and Politics in Latin America, pp. 198-200. There is considerable evidence that State Department opponents were correct in their assumption that military equipment purchases limited economic growth by using foreign exchange that could better be used to purchase goods able to have a multiplier effect on the economy. At the same time, however, proponents were correct in their belief that Latin militaries would buy weapons anyway, and that the bill would ensure that they would get U.S., instead of British, French, or Soviet weapons. During the debates on the bill, there was also often rancorous discussion on whether military assistance would militarize politics or politicize the military, a debate which continues to this day. Concerning the on-going debate, see I.L. Horowitz, "The Military Elites, pp. 149-158; Black, Penetration, pp. 179-215; Lieuwin, Arms and Politics, pp. 3-12, 242.

20. On the cruiser deal, see: FRUS, 1950, Vol. II., pp. 767-768, 774-775; Memorandum of Conversation, 10/19/50, Acheson papers. The MDAP legislation was Public Law 329, October 6, 1949. Unlike MSP, MDAP still gave economic recovery and assistance priority over military assistance. Under MDAP Latin nations could purchase equipment, but was not eligible for grant assistance. See: Harold A. Hovey, United States Military Assistance: A Study of Policies and Practices (New York: Frederick A. Praeger, Publishers, 1965), pp. 50, 134.
21. "United States Objectives and Programs for National Security, 4/7/50, FRUS, 1951, Vol. I, pp. 235-292. NSC 68 was a comprehensive review of U.S. foreign policy conducted under the leadership of Secretary of State Dean Acheson and Paul Nitze, the director of the State Department's Policy Planning Staff. The review began in February, 1950, after the 1949 Communist "victories" (USSR atomic weapons, China, etc.). Basically, NSC 68 sought to militarize and globalize containment, counter neutralism, and restore confidence in U.S. leadership. Congress passed the Mutual Defense Assistance Act of 1950 (Public Law 621, 7/26/50) embodying many of NSC 68 recommendations. Before the invasion, both the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations reported favorably on the legislation.

22. Child, pp. 115-122; Hovey, p. 135; Truman, Years of Trial and Hope, p. 273; Department of State, "Fourth Meeting," pp. 66-75. The resurgence of Europe in the 1950's destroyed any hope of complete standardization as most Latin nations, including Brazil began to purchase European weapons the U.S. could not or would not sell. For example, in 1952, Brazil and Britain exchanged cotton for jetB without advanced U.S. knowledge. See: "Minutes of the Meeting between the Department of Defense-State Department Latin American Coordinating Committee, 11/25/52, FRUS, 1952-1954, Vol. IV, pp. 135-136.

23. Child, 117-126; Lieuwin, 198, 212-220; Michael J. Francis, "Military Aid to Latin America in the U.S. Congress," Journal of Inter-American Studies, Vol. VI, No. 3, 7/64, pp. 390-391. Needler, United States and the Latin American Revolution, 26-42. Needler notes that in the rampant McCarthyism of the early 1950's, military and cold war arguments were more effective than political reasons for policy, which explains their use in passing the Mutual Security Act. An example of the new emphasis on key country approach is found in FRUS, 1951, Vol. II, pp. 1024-1029. Ironically, only a few months before, at the Washington Conference, Latins and Americans agreed to increase the importance of the I-ADB. But Latin nations did not readily ratify/approve the I-ADB general plan, and as the threat of war receded, the U.S. quietly dropped the I-ADB from any significant role in hemispheric defense. Brazil approved the plan in September, 1952. But even in Congress, I-ADB spokesmen admitted the MSP meant the end of a significant role for the I-ADB. See: U.S. Congress, Senate, Committee on Foreign Relations and Committee on Armed Services, Hearings on S. 1762, 82nd Congress, 1st Session, 1951, pp. 396-399; and U.S. Congress, Senate, Committee on Foreign Relations and Committee on Armed Services, Report on H.R. 5113, Report 703, 82nd Congress, 1st Session, 1951, pp. 31-34.

23. U.S. Congress, Senate, Committee on Foreign Relations, Hearings, Mutual Security Act of 1952, 82nd Congress, 2nd Session, 1952, p. 730. Only eight Latin nations qualified for MSP/MAP funds in the first year, although the number was subsequently raised to fourteen. One of the eight (Mexico), never signed an agreement. Under the terms of the Battle Act, the President could suspend aid to any nation trading with the Soviet bloc, although this rarely happened. See: Matthews (Deputy Under Secretary of State) to Lay (Secretary of NSC), 3/18/52, FRUS, 1952-1954, Vol. IV, pp. 122-125. Although State Department officials accepted the MSP, they were cost conscious and aware of the negative psychological impact of Latin payment for the program. See: Bruce (Under Secretary of State) to Lovett (Secretary of Defense), 12/23/52, FRUS, 1952-1954, Vol. IV, pp. 137-139.

25. Stepan, Military in Politics, pp. 44-45; Skidmore, Politics, pp. 104-107. The Clube Militar was only for army officers. Both the Navy and Air Force had separate clubs. Horta Barbosa was president of the National Petroleum Council in the 1930's and opposed foreign participation in petroleum as a matter of national security. The chief spokesman in favor of foreign participation was General Juarez de Tavora, second commandante of ESG and UDN presidential candidate in 1955. Their duel lasted over twenty years, even after the government created Petrobras. Estillac's election gave another green light to Vargas' campaign. The best account in English of the Barbosa/Tavora feud is in Peter S. Smith, Oil and Politics, pp. 54-86.

26. On Brazilian involvement in the Korean War, see: Skidmore, pp. 100-107; Parkinson, pp. 23-26; Hilton, "Cold War," pp. 605-609; OHJ, Nelson de Melo, pp. 46-51. Participation in Korea showed clear divisions between nationalists and conservatives, although the navy was not eager to participate, a rare breaking with the conservatives. The FEB/ESG group dominated the pro-involvement wing, although some, such as Cordeiro de Farias did not favor sending troops. On the election, see: Skidmore, pp. 73-80; Dulles, pp. 290-296; Johnson to State, 9/7/50, file 732.00; Keeler to State, 9/14/50, file 732.00; Keeler to State, 9/28/50, file 632.00; Adair to State 10/13/50, file 732.00, State Department archives.

27. Skidmore, Politics, pp. 102-107; Johnson to State, /50, file 732.00; State Department archives.
28. Parkinson, p. 25; Skidmore, *Politics*, p. 105; Moura interview, 1/8/86; Steinbach letter; *O Estado de Sao Paulo*, 12/13, 12/16/50. *O Estado de Sao Paulo*, a prestigious, but very conservative newspaper began calling Estillac the Red General, which according to both Moura and Steinbach was unjust and inaccurate. A staunch anticommunist, Estillac felt Brazilian troops were necessary at home, not in Korea. State Department officials did not share the opinion of Moura and Steinbach. See: Kuppinger to State, #1121, 1/9/52, file 732.00, State Department archives.

29. Parkinson, p. 24; Vargas to Fontes, 7/31, *A Face Final de Vargas*, pp. 74-77; Bandeira, pp. 322-330; Author interview with Cleanto de Paiva Leite, 5/6/86.

30. Góes' mission represented the attempt by the middle group to win their position, but the U.S State Department refused their demands. State Department officials considered Brazilian troops the key to hemispheric strategy, but Generals Charles L. Bolte, Robert L. Walsh and Edwin L. Sibert of the Inter-American Defense Board did not believe in their necessity or even in their desirability. As they saw it, the costs of training and equipping a division outweighed any benefits. State Department officials wanted Brazilian participation precisely because Brazil had American equipment and thus, would not need the equipment and training Góes demanded. State Department officials wanted reimbursement for any training or equipment. At the front, Ridgway wanted troops and worked with Brazilians in Italy. See: Webb to Lovett, 10/10/51, *FRUS, 1951*, Vol. II, pp. 1022-1024; Department of State, Memorandum of Conversation, 9/17/51, file 732.5, State Department archives; Ridgway to Miller, 8/21/51, Miller papers. On Acheson's distrust, see Acheson to Johnson, 8/3/51, and Johnson to State, 8/24/51, #291, file 732.5, State Department archives. On Góes' views of his mission, see: Góes to Neves, 8/16/51 & Góes to Vargas, 8/13/51, Góes Monteiro papers, Arquivo Nacional, Rio de Janeiro; Góes and U.S. policymakers did negotiate a draft "Brazil-United States Military Cooperation Treaty," for a possible Brazilian contribution, but Vargas did not approve. The treaty draft is reprinted in *FRUS, 1951*, Vol. II, pp. 1226-1228.

31. Parkinson, pp. 29-30; Moura interview, 1/8/86; General Omar Bradley to Góes, 3/24/52, Góes Monteiro papers. Góes returned in ill health and negotiations were completed by a member of the general staff, General José Bina Machado, later Vice-Chief of Staff of the Brazilian Army and commandant of the the Army Command and General Staff School (ECEME) and U.S. Captain Artur S. Moura, later General and U.S. Military
Attache to Brazil.

32. Interview with Cleantho de Paiva Leite, 5/6/86; Economist, 4/26/52; Coutinho, O General Gomes Depoe, p. 517; O Estado de Sao Paulo, 3/8/52, 3/28/52, 4/15/52; Tribuna da Imprensa, 10/26/52; Diario de Sao Paulo, 7/5/51; Neves da Fontoura to Vargas, 6/18/52, Vargas papers; Johnson to State, 11/8/52, # 683, file 732.5, State Department archives. Opponents of the MAP treaty, such as Estillac Leal also claimed the treaty was an unconstitutional and unnecessary restriction of sovereignty. Deputy Bilac Pinto (UDN), who voted for the pact, claimed the treaty placed Brazil in a "quasi-state of occupation."

33. Skidmore, Politics, pp. 106-107; Moura interview, 1/8/86; Oral History Interview with General Nelson de Meio, FGV-/CPDOC, #E-56. W. A. Wieland to Johnson, 10/28/52; Eaton to State, #2030, 6/2/52, file 732.5; State Department Memorandum of Conversation (Kidder & Friele), 4/2/52, file 832.00, State Department archives. Eaton states Vargas vigorously supported the Democratic Crusade and its victory would strengthen the regime. Meio was one of the important "swing" generals, whose impact on issues was greater because he did not belong to any camp. While an opponent of Vargas, and aligned with the FEB/ESG faction on many issues, he did not oppose Kubitschek in 1955. Melo states Estillac's inability to maintain discipline was the main cause for being deposed as War Minister and Clube president. Goes lobbied strenuously for the treaty and accused opponents of being Communist tools serving Russian interests. His removal also hurt the U.S. because of his willingness to cooperate and give sensitive information to the Americans.

34. Moura interview, 1/12/86; Leite interview, 5/6/86; Coutinho, O General Gomes Depoe, pp. 519-521. Johnson to State, 11/27/52, #767, file 732.5, and Johnson to State, 1/5/53, file 732.00, State Department archives. Johnson was particularly upset that Vargas did not fight harder for the treaty. Moura claimed Vargas privately obstructed the treaty, but that since the military wanted it, the treaty had to pass. Leite stated that the MAP treaty was a great example of the failure of Vargas' government, which tried desperately to conciliate both the Left and Right and ended up making enemies with both. Goes also claimed Vargas privately obstructed the treaty to enhance his power and role of arbitrator. According to Leite, Vargas let Neves lead the fight for ratification.
35. Parkinson, p. 30; O Jornal, 2/24/53; Estado de Sao Paulo, 3/12/53; New York Times, 5/4/53; Johnson to State, 4/9/53, #1521, file 732.5, State Department archives. W.M. Walmsley to State, 4/1/53, file 732.5, State Department archives. The final vote in the Chamber of Deputies was 135 to 40. The vote for the three major parties was: PTB- 18 for, 15 opposed; PSD- 54 for, 14 opposed; UDN- 41 for, 6 opposed. The Senate passed the treaty without significant debate one month later.

36. Eisenhower titled the first volume of presidential memoirs Mandate for Change. The title describes the feeling, if not Eisenhower's performance during the period perfectly. On the essential sameness of Eisenhower's foreign policy compared with Truman, see: Wagner, United States Policy Toward Latin America, pp. 34-36, 88-93; Martin C. Needler, Latin American Revolution, pp. 20-33; Dick Steward, Money, Marines, Mission, pp. 119-128. Concerning negotiations for a "Combined Board on Defense", to continue the JBUSMC and JBUSDC, see: State Department Memorandum of Conversation (Bennett & Jamison), 9/10/52, file 732.5, Holland to Murphy, 4/7/54 & Murphy to Wilson, 10/12/53, file 732.5, State Department archives; Smith to Lay, "Second Progress Report on NSC 144/1," 11/20/53, FRUS, 1952-1954, Vol. IV, pp. 26-43; "Memorandum on Substance of Discussions at a Department of State-Joint Chiefs of Staff Meeting, Held in the Pentagon, 4/9/54, pp. 647-650 and Holland to Murphy, 7/12/54, FRUS, 1952-1954, Vol. IV, pp. 653-657; Trimble to State, #301, file 732.5 State Department archives. State Department officials delayed the implementation of the joint commissions, primarily because they desired their inclusion on the boards. The final note was signed 9/13/54 (with State Department inclusion). Concerning Eisenhower's interest in both giving Latin American concerns high-level consideration, as well as maintaining the boards, see: Memorandum by W.B. Smith (Under Secretary of State) to Lay (Executive Secretary of the NSC), "First Progress Report on NSC 144/1," 7/23/53, FRUS, 1952-1954, Vol. IV, pp. 10-26. One of the major ways to show high-level consideration was to increase the use of "goodwill missions," both to the U.S. by high ranking Latins and to Latin America by the Navy and Air Force. See: "Third Progress Report on NSC 144/1," 5/25/54, FRUS, 1952-1954, pp. 45-65; Barry M. Blechman & Stephen S. Kaplan, "The Use of the Armed Forces as a Political Instrument," Naval War College Review, Vol. 30, No. 4. 1978, pp. 80-87.

creased military assistance, Eisenhower noted that it was much less expensive to train, clothe, and feed a foreign soldier than an American soldier. While Truman officials were not supportive of Latin nationalism, they were more tolerant than Eisenhower. The National Security Council felt increased military aid would be an effective counter against nationalism. See: NSC 5432, 9/3/54, "United States Objectives and Courses of Action with Respect to Latin America," Eisenhower papers, White House Office File, Office of the Special Assistant for National Security Affairs. John Moors Cabot, Assistant Secretary of State for Inter-American Affairs testified to the House that failure to grant military aid would strengthen both Communists and extreme nationalists. See: U.S. Congress, House, Committee on Foreign Affairs, Hearings, Mutual Security Act Extension, 1953, 83rd Congress, 1st Session, 1953, p. 1081.

38. Hovey, pp. 182-183; 199-201; Francis, pp. 394-395. Within the administration, George Humphrey, one of the most influential men in the administration, led the attack for fiscal orthodoxy, advocating abolishing the EXIM Bank and ending grant military aid on behalf of sales. By 1956, Humphrey even opposed sales as unnecessary use of Latin exchange. See: Humphrey to Dodge, 2/14/56, & "Latin America: United States Military Assistance and Economic Development," 3/7/56, Eisenhower papers, Special Assistant on Foreign Economic Policy. Eisenhower Library, Abilene, Kansas. From 1950 to 1955, European sales to Latin America exceeded U.S. grant and sales combined ($275 million to $230 million). On the percentage of sales compared to grants, see U.S. Congress, House, Committee on Appropriations, Hearings, Mutual Security Appropriations for 1958, 85th Congress, 1st Session, 1957, p. 648.

144/1, op. cit.


41. Office Memorandum, S. Cottrell (OSA) to Atwood & Tapley Bennet (OSA), 2/24/54, file 732.00, State Department archives. Kemper wrote earlier in the year that the Communists planned a coup against the regime. Kemper to Dulles, 1/4/54, telegram #543, file 350.21, Rio Post File, State Department archives. Vargas officials were concerned with three possible conspiracies: Estillac Leal and his supporters; the ESG/Canrobert faction; and Adhemar de Barros. See: GV 54 00 00/6, undated, Vargas papers.

42. Caspar D. Green to State, 6/5/53, #1838, file 732.00, State Department archives; "Some notes about the possibility of reducing military expenditures in foreign currency," 1954, no exact date, file Forcas Armadas II, Oswaldo Aranha papers. The policy paper advocated reducing material allocations, naval voyages to foreign countries, reducing the number of people, both civilians and military personnel assigned overseas. It also advocated increasing requests for grant assistance from the U.S. On the colonels memorandum, see: Skidmore, Politics, 127-131.

43. R.P. Terrill to State, #660, 2/17/54, Terrill to W.T. Bennet, 2/19/54, W.T. Briggs to W.C. Trimble & G.H. Owen, 7/23/54, file 320.OAS, State Department archives; Author interview with Ciantho de Paiva Leite, 5/6/86. Leite claims Foreign Minister Rão's instructions were sufficiently broad to allow him to feel how the wind was blowing and that there
was no about-face due to military pressure, although they made their opinions known to Vargas. It is possible Vargas decided that the Declaration was not important enough to risk military wrath.

44. U.S. officials were apparently caught off-guard by Vargas' downfall, but once they determined that the PCB was not involved, stepped aside. See: Kemper to State, #139, 8/10 & #149, 8/11/54, file 732.00, state Department archives; Holland to Dulles, 8/10/54, Dulles telephone conversations, reel 2, p. 594. On the final crisis of the Vargas regime, see: Skidmore, Politics, 127-142; Dulles, Vargas, pp. 316-337; Schneider, pp. 61-64; "Generals that Signed the Manifesto and Condemned Getúlio to Death," undated, GV 54 08 00/5, Vargas papers. The generals ran the entire spectrum from nationalist to conservative, but over half of them were associated with the FEB/ESG. Vargas people planted a mole among the conspirators, led by Cordeiro de Farias, Juarez Távora, Alcides Etchegoyen, Eduardo Gomes and Neves da Fontoura. See: "Confidential," GV 54 04 00/2. Vargas' suicide note appeared in the New York Times, 8/28/54. On Neves' charge, see: João Neves da Fontoura, Depoimentos de um Ex-Ministro (Rio de Janeiro, 1957); Author Interviews with Moura, 1/12/86 and Cleantho de Paiva Leite, 5/6/86. Both General Nelson de Melo, FEB/ESG, but also Goulart War Minister and Adm. Ernani do Amaral Peixoto, Ambassador to the U.S. under Kubitschek, Vargas' son-in-law, and a very powerful figure claim repeatedly in their FGV/CPDOC Oral History Interviews that the UDN and the ESG joined forces in both overthrowing Vargas and in the subsequent attempt to deny the presidency to Kubitschek through military force. Tancredo Neves (Vargas' Justice Minister, ESG graduate, and later President), agrees and also claims the CIA overthrew Vargas. See: Valentina da Rocha Lima & Plinio de Abreu Ramos, Tancredo Fala de Getúlio (Sao Paulo: L & PM Editores Ltda, 1986), pp. 52-53. Both U.S. and observers at the time questioned the U.S. support for the UDN, which had opposed the MAP treaty and foreign participation in Petrobrás in their zealous campaign against Vargas. See: Terrill to State, #1888, 6/15/53, File 350.2, Box 16, Rio de Janeiro Post File, State Department archives.

45. "United States Objectives and Courses of Action with Respect to Latin America, NSC 5432, 9/3/54, Eisenhower papers, White House Office File, Office of the Special Assistant for National Security Affairs; "Progress Report" to NSC, 1/19/55, FRUS, 1952-1954, Vol. IV, pp. 89-115. As the progress report indicated, part of the reason for the large increase in grant assistance to Brazil in 1954-1955 was that Brazil lacked the exchange necessary to make desired pur-
chases. Although the USIS increased its activities for the election, relations with the U.S. were not a major issue in the campaign; all four candidates pledged close cooperation. Regarding the goals and activities of USIS/Brazil, see Trimble to Kemper, 9/28/54, file 320, Rio Post File, State Department archives. USIS received $490,000 for 1955, compared to $360,000 for 1954.

46. Skidmore, pp. 148-158, 170-172; Stepan, pp. 92, 106-107, 184; Ernani do Amaral Peixoto, FGV/CPDOC Oral History Interview, pp. 320-322, 897-898; Lieuwin, p. 78, 167; Maria Victoria de Mesquita Benevides, O Governo Kubitschek: Desenvolvimento Economic e Estabilidade Politica (Rio de Janeiro: Editora Paz e Terra, 1979), pp. 147-198. On military discontent, see: John W.F. Dulles, Unrest in Brazil: Political-Military Crisis, 1955-1964. (Austin: University of Texas Press, 1970), pp. 65-73, 79-83, 91-100; Raine to State Department, #525, 11/7/58, Wendelin to State, #8, 7/2/59, Raine to State, #593, 12/11/59, file 732.00(W), State Department archives. Much of the Air Force discontent centered on War Minister Lott, a direct result of his intervention on behalf of Kubitschek after the 1955 election. In the 1959 Aeronautical Club elections, factions broke into Lott and anti-Lott, with anti-Lott forces winning 881-222. The Minas Gerais became the source of a bitter inter-service dispute between the Brazilian Navy and Air Force over control of the airplanes on the carrier. Kubitschek wisely refrained from involvement, but the U.S. was drawn into the dispute when both services requested training. Both the U.S. Navy and Air Force sided with their Brazilian counterparts, thus transferring the inter-service rivalry overseas and reducing Brazilian-American military cooperation. In 1961, JBUSMC chairman General Cordeiro de Farias extricated the U.S. from the embarrassing situation by giving the Air Force control. Author interviews with General Artur S. Moura and Colonel William R. Renny, op. cit.; Cordeiro de Farias, Meio Século de Combate, pp. 501-502.

47. Skidmore, pp. 171-174; Kubitschek gave a speech praising Eisenhower's Middle East policy and pledging unconditional support. Wendelin to State, #73, 7/18/58, State Department archives. The Suez battalion remained until at least 1960. Evidently the U.S. considered Brazil's presence important because in 1959, when Brazil threatened to pull the battalion out to save foreign exchange, the U.S. arranged for the U.N. to pick up the costs of the battalion. Wendelin to State, #922, 2/13/59, file 732.00, State Department records from the Freedom of Information Act. As is usual, much fanfare surrounded the return or departure of the Suez battalion units to Brazil. Wendelin to State, #178, 8/14/58, Ibid. On


49. Author interview with General Artur S. Moura, 1/16/86; Statement of Senator Kerginaldo Cavalcanti, 10/10/56, Diário do Congresso Nacional; Newsweek, 1/7/57, p. 34.

50. Author interview with Moura, op. cit.; Newsweek, 2/4/57, p. 32; Claudio Velez, "Gun Fever in Latin America," The Nation, 3/30/57, p. 257; Estado de Sao Paulo, 11/14/56, 12/18/56, 12/26/56; Bernbaum to Murphy, 12/14/56 and Eisenhower to Kubitschek, 12/14/56, op. cit.; Briggs to Macedo Soares, 1/21/57, Joint Chiefs of Staff archives, Washington D.C.; Richard M. Nixon to Amaral Peixoto, 1/15/57 and Peixoto to Nixon, 1/24/57, Amaral do Peixoto Papers, Serie, Embaixador dos EUA, Dossie, Assuntos Militares, FGV/CPDOC; Presidencia da Republica, Sintese Cronologica 1956 (Rio de Janeiro, 1959), entry of December 18, 1956, pp. 324-326. The agreement is reprinted in Current History, Vol. 32, No. 188, 4/57, pp. 239. Kubitschek publicized five conditions before signing the agreement, none of which were detrimental to the U.S., but soothed nationalist fears: only the Brazilian flag would fly on Fernando de Noronha; a Brazilian would command the installation; Brazilian technicians would assist, be trained, and eventually replace Americans; at the end of five years, Brazil would assume ownership of the facility.

51. Herter to Eisenhower, 3/6/57, Box 1, Herter Papers, Chronological Series; Memorandum of Conversation (Eisenhower, Rubottom, & Amaral Peixoto), 3/12/57 and Eisenhower to

52. Within the Congress, the most vociferous critics of aid were Senators Wayne Morse and Frank Church and Representative Charles Porter. They continually attempted to stop all aid to dictatorships. In 1959, Morse and Porter proposed a resolution prohibiting all military aid to Latin American nations that failed to adhere to the principles of the OAS (representative democracy). Francis, p. 401; O Estado de Sao Paulo, 5/30/59. On Morse and Church's opposition to the use of assistance for internal security, see: Senate Foreign Relations Committee, Hearings, Mutual Security Act of 1958, 85th Congress, 2nd Session, pp. 62-63, 551. Interestingly, Morse travelled to Brazil in December 1959 and was enthusiastically received by Kubitschek and the Brazilian press, much to the consternation of Embassy officials. Many Brazilians, including Kubitschek supported Morse's efforts to reduce U.S. military assistance and to reduce Latin military expenditures as well. See: Raine to State, #593, 12/11/59, State Department Records.


54. U.S. Congress, House, Committee on Armed Services, Military Assistance Advisory Groups (The Porter Hardy Report), 84th Congress, 2nd Session, 1956; U.S. Congress, Senate, Special Committee to Study the Foreign Aid Program, Report on United States Foreign Assistance Program: South America (Peru, Chile, Argentina, Uruguay, and Brazil, by
David K.E. Bruce, 85th Congress, 1st Session, 1957.


56. Among the staff were economists Max Millikan and Lincoln Gordon, retired generals J. Lawton Collins, Charles Bolte, Carl Spaatz, and Edward Lansdale and State Department officials Paul Nitze and Leonard Cottrell. Most had substantial Latin American experience. In addition, the Committee interviewed officials from the State & Defense Departments, Bureau of the Budget, EXIM Bank, CIA, USIA, ICA, and DLF, as well as prominent quasi-officials, such as Milton Eisenhower. The letter from the Senators and list of the staff members are in: The President's Committee to Study the United States Military Assistance Program (Draper Committee), Conclusions Concerning the Mutual Security Program, (Washington, 1959), pp. 185-192. James Webb and Charles Bolte headed the Latin American Subcommittee. This Subcommittee interviewed foreign officials, such as Columbian President and former OAS chief Alberto LLeras Carmago. Their "Preliminary Report," dated 2/25/59 contained most of the recommendations the Draper Committee later accepted and is in Eisenhower papers, Draper Committee, Box 2.

57. Draper Committee, Conclusions, pp. 17, 22-32, 38; Paul H. Nitze, "The Purposes of Military and Economic Assistance," Annex A, Conclusions, pp. 18-19. A soft loan either uses the recipient's currency as to repay the loan or gives such easy terms that the loan becomes a type of hidden grant.


63. Mecham, pp. 419-423; Ultima Hora, 12/8/59; A Gazeta, 12/16/59; Cabot to State, 12/8/59, file 363, State Department archives; Philip Areeda to Eisenhower, 2/11/60, Box 17, file South American Economic (1), Philip Areeda papers, Eisenhower Library; Herter to Eisenhower, 3/17/60, Eisenhower papers, Ann Whitman File, Dulles-Herter Series, Box 10. Herter warned Eisenhower that Brazil would condition its Cuban support on securing more aid.

64. Mecham, pp. 456-461; Connell-Smith, The Inter-American System, p. 167; O Estado de Sao Paulo, 7/17, 8/7, 8/9, 8/10/60; U.S. Department of State Bulletin, Vol. 43, (9-12/60), pp. 395-407; Mann to Herter 7/12/60, Herter to Eisenhower, 8/17, 8/18, Eisenhower papers, White House Office File, Staff Secretary, Subject Series: State Department, Box 4; Herter-Rockefeller telephone conversations, pp. 773-774, Herter telephone conversations, Eisenhower Library; "Confidencial Notas sobre Cuba-Estados Unidos," August, 1960, Vasco Leitão da Cunha papers, FGV/CPDOC.


66. The phrase "race between evolution and revolution" is from Senator George Aiken's 1960 report to the Senate (p. 1). The concept of economic "take-off" is from W.W. Rostow, The
CHAPTER V

TRADE, AID, INVESTMENT, AND THE ECONOMIC DEVELOPMENT
CONTROVERSY

The fight against underdevelopment represents a long term investment, with guaranteed returns for the defense of the Americas. Moreover, justice and moral law condemn as impious the co-existence of poverty and the excess of riches. To allow poverty to spread in this Hemisphere is to weaken the cause of the West.

-Juscelino Kubitschek, 6/20/58

American and Brazilian military elites maintained their special relationship through the 1950's. Common values, ideology, parallel interests, and mutual trust based on personal relationships, all helped to maintain a sense of partnership. But even as the respective militaries co-operated closely, diplomatic relations continued to deteriorate through the decade. Perhaps the most striking example of the extent of deterioration in Brazilian-American relations came in June 1959, when President Juscelino Kubitschek rejected an economic austerity plan demanded by the International Monetary Fund (IMF) and backed by the U.S. government as a precondition for continued economic assistance. Kubitschek stated that only Brazil could accept or
reject the opinions of financial experts on Brazilian economic affairs. Instead of advice, he said, "we need effective and dynamic cooperation.... We want to continue to believe that our friends are really our friends." 1

Kubitschek's break with the IMF climaxed a decade-long deterioration in Brazilian-American relations that marked the end of Brazil's efforts to maintain a special relationship with the United States based on economic cooperation. Kubitschek's dramatic action also symbolized the beginning of an "independent" foreign policy that featured increased divergence between Brazilian and American foreign policies. The break was also a witness to the growing divergence in economic interests between the two nations, with conflicts that spanned a wide range of economic issues centering on Brazil's development strategy.

DEVELOPMENT AS A FACTOR IN RELATIONS BEFORE 1953

Although economic cooperation had always been the deciding factor in fostering the Brazilian-American special relationship, direct U.S. assistance for Brazilian development did not begin until World War II. In return for Brazil's crucial diplomatic, economic, and military cooperation, the United States supported President Getúlio Vargas' industrialization plans. During the war, Brazil received over $600 million in military, economic, and technical assistance from the Roosevelt administration. United States
assistance included a technical mission (Cooke Mission) that analyzed Brazil's resources and development needs and a $40 million Export-Import Bank (EXIM) loan for construction of a steel mill for the government-owned National Steel Company. The Volta Redonda steel mill project became a symbol of United States-Brazilian economic cooperation.2

United States assistance during the war exercised a decisive and positive impact on Brazilian development. Brazil outstripped Argentina as the most industrialized nation in South America. The pattern of Brazil's impressive economic growth increased both its import needs and its dependence on the United States. Dependence dismayed Brazilians and convinced them of the necessity of continued industrial growth in order to achieve greater prosperity and economic independence. American assistance (whatever its motivations) also convinced Brazilians of U.S. goodwill and led to increased expectations for postwar economic cooperation.3

Attaining world and regional economic stability, not rapid development, became the first priority of the U.S. policymakers who constructed the new international economic system at the Bretton Woods conference in 1944. Policies to promote European reconstruction and the orderly transfer of goods and currencies lay behind the creation of the International Monetary Fund (IMF), International Bank for
Reconstruction and Development (IBRD or World Bank), and the General Agreement on Trade & Tariffs (GATT). Although the U.S. expected Latin America to adhere to the economic guidelines sponsored by these organizations, Latin concerns were not addressed at Bretton Woods and the United States refused to join an International Trade Organization (ITO) to stabilize commodity prices.4

Economic development, which both Brazilian and American policymakers initially accepted as meaning industrialization, became the dominant issue in postwar Brazilian-American relations. Brazilians quickly became disillusioned with the rapid move away from economic cooperation and Pan Americanism in postwar U.S. policy. As U.S. interests globalized, Brazilian economic development ceased to have any real priority in U.S. policy. Except for technical assistance programs, U.S. assistance to Brazil in the immediate postwar period was given primarily to promote U.S. strategic and cold war objectives. In fact, Brazilians viewed U.S. policies and positions at Inter-American conferences as inimical to its own development. U.S. policymakers constantly stressed free trade and private investment as the best way to achieve development, an approach that in time came to infuriate Brazilians. In the meantime, the United States refused to accept an Inter-American Development Bank (IDB) or commodity price controls
and opposed restrictions to its access to Latin markets and raw materials.5

Brazilian-American differences over economic development were conceptual and the result of their respective national experiences rather than a product of seeking calculatedly antagonistic goals. Policymakers on both sides desired a stable, prosperous, and democratic Brazil. A fear and hatred of communism and America's rapid development in the late nineteenth century through private investment, however, led U.S. policymakers to distrust state intervention in the economy as proto-socialism unless that intervention clearly aided the growth of private enterprise. U.S. and international lending institutions that provided development assistance, such as the EXIM and IBRD, were designed to aid business as much as they aided recipients. Brazil, however, lacked a liberal tradition and its entrepreneurial class was incapable of leading the nation toward development because of its late start, small size and its traditional dependence on state direction in economic affairs. In addition, a regime's stability in the Democratic Republic (1946-1964) depended on its economic performance. Thus, in order to develop rapidly, Brazilian leaders were inclined to use the state more actively in economic planning than U.S. leaders thought desirable.6
A major problem in U.S. postwar economic and technical assistance was its lack of clarity in defining its objectives. Brazilians saw economic and technical assistance strictly as development assistance, but U.S. policymakers hoped to achieve a multitude of goals with aid programs: political and economic stability; encouraging pro-American (or anticommunist) and democratic regimes; gaining increased U.S. private investment; promoting national security and peace; and stimulating economic growth or development. U.S. policymakers believed (or at least hoped) that economic aid could help to achieve all of these objectives simultaneously. That some of the goals were difficult to reconcile or that aid might not be able to achieve some of the objectives, was never seriously considered. Such confusion and multiplicity of goals lessened the effectiveness of U.S. assistance. Truman's major reviews of foreign aid and economic policy (Gray & Rockefeller Reports) did not even address the appropriateness of the goals, only the best methods to achieve the multifaceted objectives. Without experience on aid and development to guide its efforts, U.S. government commissions simply assumed the achievability of the wide variety of goals.

Brazil's lukewarm support for the United States during the Korean War precipitated a change in U.S. policy toward active assistance for Brazilian economic development, which
Vargas demanded as a *quid pro quo*. As outlined earlier, the U.S. agreed to form a Joint Brazil-United States Economic Development Commission (JBUSEDC) to draw up specific infrastructure projects, in the power and transportation areas, to be submitted to the EXIM Bank or World Bank, and it also agreed to fund those projects up to $300 million. During 1951-1952 EXIM/IBRD loans to Brazil totaled over $200 million and fourteen of the forty-one JBUSEDC projects ($125 million) received funding. The JBUSEDC helped restore Brazilian goodwill toward the United States.8

Unfortunately, the new Eisenhower administration refused to honor the commitments made by Truman officials and it unilaterally terminated the JBUSEDC. Brazil's economic problems (inflation and trade deficit) and its adoption of a state petroleum monopoly (Petrobrás) were significant factors in the decision to end the Joint Commission. A more important reason, however, was Treasury Secretary George Humphrey's determined ideological opposition to U.S. government financing development projects. Humphrey's dogmatic insistence on private investment for development represented the views of top officials in the U.S. government. Regardless of whether the Eisenhower administration was correct on the superiority of a private investment strategy, it misunderstood the psychological importance of government assistance to Brazil. In 1953 the
EXIM ceased project loans and U.S. relations with Brazil quickly worsened.9

Initially, the Eisenhower administration lacked a concrete Latin American development policy. In August 1953, Eisenhower had formed a bipartisan Commission on Foreign Economic policy (Randall Commission), to review trade and aid policy. The Randall Commission submitted its report in January 1954. Randall called for liberalized U.S. trade policies, including a lower tariff. He also advocated stimulating American private foreign investment by reducing subsidiary income taxes and negotiating investment guarantees. The Commission strongly opposed foreign aid, arguing that increased trade and private investment alone would stimulate foreign economic development. Eisenhower quickly endorsed the report and made the Council on Foreign Economic Policy (CFEP) a permanent organization.10

At approximately this same time, however, Eisenhower received proposals contradictory to those of the Randall Commission. In November 1953, Dr. Milton Eisenhower reported the results of his fact-finding mission on the state of U.S.-Latin American relations, which his brother also immediately approved and made public. While the shallow report and its attack on "excessive industrialization" policies offended Brazilians, Milton advocated policies Brazilians also favored. Several proposals contradicted the
Randall Report, including a recommendation to increase EXIM loans and to adopt policies to assure economic stability, such as a long-range materials purchase policy that included increasing the strategic stockpile to stabilize commodity prices. Dr. Eisenhower also made specific proposals concerning Brazil that stressed the need to increase assistance and to encourage Brazil to modify the Petrobrás law.11

President Eisenhower's endorsement of the two contradictory reports reflected the confusion and inconsistency of his administration's policy toward Latin American development. The U.S. could not both increase and decrease development assistance, or help stabilize and at the same time do nothing about the commodity problems. The reports provided clear evidence of the disunity among U.S. policymakers and the limited attention given to Latin American development, at a time when Latins were becoming more united and concerned with their economic problems.

THE UNITED NATIONS ECONOMIC COMMISSION FOR LATIN AMERICA

By the mid-1950's, a group known as "developmental nationalists," emerged to challenge U.S. policies and theories of economic development. Developmental nationalists derived their development theories from the United Nations Economic Commission for Latin America (ECLA or CEPAL).

In 1948 two members of Brazil's U.N. delegation, economists Roberto Campos and Miguel Osorio de Almeida,
conceived ECLA after the U.N. Economic and Social Council created similar organizations for Europe and East Asia. Concerned with the sluggish pace and narrow parameters of the Pan American Union's Economic and Social Council (I-AECOSOC), the Brazilians convinced other Latins of the need for an organization concerned with Latin American economic problems that would be free from U.S. control. Although the United States opposed the proposal, the U.N. agreed to establish ECLA for a three-year period to conduct regional economic surveys. ECLA began its operations in Santiago, Chile to emphasize its independence from Washington. Shortly afterwards, Argentine economist Raúl Prebisch assumed control of the organization and ECLA soon became the indispensable advocate of Latin American development.12

In 1949, Prebisch wrote The Economic Development of Latin America and its Principal Problems, described by its critics as the "ECLA manifesto." The work's immediate widespread acceptance among Latins produced a revolution in economic thought and created a Latin American development ideology. Prebisch popularized the theory of unequal exchange, as well as the concepts of underdevelopment (instead of "backward"), and of Latin America belonging to an economic periphery in the world economy. According to ECLA, overcoming Latin American underdevelopment required dif-
ferent solutions than those advocated by orthodox economists, or even by Keynesians.

Prebisch's unequal exchange doctrine, which quickly became the *raison d'être* of the "structuralist" school, stated that the world economic structure impeded Latin America development. According to Prebisch the terms of trade between the developed (core; exporters of finished goods) and developing nations (periphery; exporters of raw materials) increasingly worked to the advantage of the developed nations, thereby accentuating the gap between the two. To overcome this prejudicial "international division of labor," lesser developed nations had to reduce their dependence on the developed nations. This goal entailed adopting a broad spectrum of policies both internationally (commodity agreements to stabilize prices and allow planning) and internally (import-substitution industrialization). Prebisch presented a theoretical justification for policies Brazil had already adopted, and he directly placed responsibility for Latin America's future economic development on the United States.13

Prebisch's *Economic Development* and other ECLA works dismayed American officials because, in addition to blaming U.S. policies for Latin problems, ECLA advocated state planning and direct intervention in the economy by means such as state investment, import controls, and high tariffs
to protect nascent industries. ECLA did not oppose foreign corporate investment, but it warned that many of its intended benefits were mitigated by "invisible" factors, such as profit remittances, and royalty, service, and transportation payments. Such factors served to further aggravate balance of payment difficulties. ECLA also pointed out that foreign investment usually centered on promoting raw material exports (mining, petroleum & agriculture), not in expanding industrial capacity, and thus were not the panacea to development that U.S. officials and theorists believed.14

With ECLA's three-year term due to expire at its fourth meeting (May-June, 1951) in Mexico City, U.S. delegate Merwin Bohan proposed an ECLA and I-AECOSOC merger to avoid duplication for their "essentially similar functions." Some Latin delegations were receptive to the idea, but Brazil pressed to make ECLA a permanent organization. Miguel Osorio, Vargas advisor Cleantho de Paiva Leite, and economist Celso Furtado, convinced most of Latin America to save ECLA. Thereafter, the I-AECOSOC was relegated to multilateral technical assistance and ECLA became the dominant organization analyzing and making policy recommendations on inter-American economic relations.15

Through the 1950's, many U.S. officials watched uneasily as ECLA's support within Latin America grew, yet
the organization gained the grudging respect of some officials within the U.S. government. CFEP officials discussed killing ECLA by eliminating U.S. funding (approximately 30%), but decided the political repercussions would be disastrous. In 1953, the United States again failed in an attempt to merge ECLA with the I-AECOSOC. Vargas opened the conference (held in Rio, April 1953) with a rousing speech of support, calling the commission's work a "program of political action and objective foresight," and in a private meeting asked Prebisch to conduct a survey of the Brazilian economy.16

Most of ECLA's work was not controversial, however. Its proposals for diversification of agricultural exports in order to move away from single-crop dependency, were in accordance with U.S. policy, as were proposals to increase Latin trade both within the region and globally by simplifying tariff procedures. ECLA reports on the general economic conditions repeatedly proved valuable to U.S. and Latin American officials and economists. Other ECLA recommendations, to create regional economic associations, such as the Latin American Free Trade Association (LAFTA), commodity agreements to promote price stability, as well as to intensify industrialization by import-substitution, gradually won U.S. acceptance by the end of the decade. While economic purists such as Treasury Secretary George
Humphrey, opposed ECLA’s plans as unworkable and dangerous early in Eisenhower’s administration, the U.S. gradually accepted each major ECLA proposal before 1961. Because of its influence on Latin American policymakers, ECLA played a large role in changing U.S. policy.17

More important than its practical reports, however, was that ECLA was at the forefront of a Latin American revolution in thought concerning development. By the 1950’s, ECLA reports supplied ammunition for developmentally-minded but politically moderate politicians against the orthodox fiscal policies demanded by the U.S. government and international financial agencies (IBRD, IMF) established to provide development assistance. According to ECLA, stabilization policies to control inflation also limited growth and thus were politically unfeasible. Such policies also addressed only the symptoms and not the structural causes of the region's economic crises, which increased in severity after the Korean War.18

THE RIO ECONOMIC CONFERENCE, 1954

In order to secure Latin acceptance for a strong anti-communist declaration at the Caracas Conference (March 1954), Secretary Dulles had to promise an immediate increase in EXIM funding and to agree to an inter-American meeting of Finance Ministers in Rio de Janeiro later in the year. The Finance Minister's conference was to be the preliminary step
in the long-delayed Inter-American Economic Conference. As the host country, the Vargas government called for a November 22 opening date.

By 1954 Brazil's economic troubles were severe. Drought in the northeast had reduced agricultural production for domestic consumption and exports (cacao, sisal, manioc, bananas, carnauba wax). A 1953 frost in the south destroyed about half of its coffee crop and thus approximately 25% of its normal export revenues. These agricultural failures stimulated inflation, negating the effects of a stabilization program which already had restricted imports and produced an industrial recession. Moreover, Brazil had to pay back $100 million to EXIM for the 1953 bailout. In view of the crisis, continued resentment over the JBUSEDc, and Brazil's attempt to maintain coffee prices internationally, the U.S. could expect stiff Brazilian opposition at the meeting. Vargas, however, committed suicide on August 24 and the new president, conservative João Café Filho, was anxious to win U.S. support, and thus he was less likely to be antagonistic.

For the conference a group of experts that included Vargas advisor and BNDE director Cleantho Leite, prepared an ECLA report, entitled International Cooperation in a Latin American Development Policy. The report called for a ten-year, $1 billion per year foreign capital assistance program
(public & private), double the U.S. net investment in public and private funds for the preceding three years. Other recommendations included an expansion in technical assistance and inter-American trade, and the creation of an inter-American development fund with a nominal capital of $250 million, to be funded by U.S. taxes on U.S. corporate profits in Latin America.19

ECLA's report received widespread approval among Latins and Brazilian Finance Minister, conservative economist Eugenio Gudin sympathized with its suggestions. However, U.S. assistance for Brazil's emergency was crucial and Gudin feared Brazilian support for ECLA recommendations would jeopardize negotiations for a PL 480 wheat sale and $200 million for an EXIM bailout. Gudin instructed his delegates not to oppose the U.S. unless a proposal already had overwhelming Latin support.20

Eisenhower created a Committee on United States-Latin American Relations to prepare U.S. positions for the conference. Led by Assistant Secretary of State for Inter-American Affairs Henry F. Holland and composed of the Assistant Secretaries of several departments, as well as representatives from the EXIM and Foreign Operations Administration (FOA), the Committee met weekly from late May to early November.
FOA officials proposed "dramatic new lines of action" for the United States to assume leadership to discuss and promote Latin development. FOA Director Harold Stassen wanted to seize the initiative before the Soviets took credit for advancing social justice and commodity stabilization as part of their "economic offensive." Yet most of FOA's recommendations were ordinary, such as a greater use of technical assistance, new PL 480 surplus commodities agreements, use of soft loans (generous terms or payable in local currencies) and a general increase in credit. Others, such as an investment guaranty program, measures to eliminate double taxation, and a willingness to participate in commodity price studies, were part of Milton Eisenhower's recommendations. FOA officials did propose U.S. acceptance of an Inter-American Development Bank, establishment of a Latin American Common Market and establishing as well a clearing union to settle foreign exchange balances. These significant departures would ensure at least a new "psychological attitude" in U.S.-Latin American relations.21

Both the Defense Department and the CIA endorsed the FOA positions, but the State, Treasury, and Commerce Departments firmly opposed the program and so convinced the president. Treasury Secretary Humphrey only agreed with measures to increase private investment, trade, and to eliminate double taxation. Eisenhower accepted an increased
technical assistance program and a more liberal EXIM lending policy (over Humphrey's dissent), but vetoed the IDB, a Latin Common Market, participation in commodity studies, and soft loans or grants for development purposes. As FOA/LA head Marion Hardesty stated: "[The] feeling is how little we can do to appease them instead of how much it is in our interests to help them."22

Assistant Secretary Holland spoke to the Pan American Society on October 27 to outline the U.S. positions for the Rio meeting. Holland reiterated Dulles' promise to increase EXIM funding and the need for Latin America to attract private capital. Holland accepted increased technical assistance and trade, but pointedly refused to commit the U.S. to help stabilize commodity prices, stating such arrangements "would simply shift to this nation a large part of the risk of price fluctuations."23

Holland's speech intensified Brazilian pessimism, as did the announcement that Humphrey would head the U.S. delegation. Correio da Manha announced the conference had "failed before it has begun," while Roberto Campos wrote Merwin Bohan, U.S. Ambassador to the I-AECOSOC, that if Holland had announced "the maximum American concessions and not simply a starting point, then the conference will be a major flop." Bohan had publicly endorsed the ECLA report shortly before Holland's speech and resigned from the State
Department. Bohan's departure, combined with Milton Eisenhower's refusal to attend, left the orthodox hardliners (Humphrey, Hoover, Holland) in control of the U.S. delegation. 24

Without optimism or enthusiasm, President Café Filho opened the conference. He stressed the need for greater economic cooperation and an inter-American bank. Humphrey followed with a message from Eisenhower that urged the delegations to join "in common dedication to the policy of the good partner." He then proceeded to confirm Latin fears with a vigorous defense of laissez faire capitalism, current U.S. tariff policy and stressed the role of IBRD and sound money in economic development. Humphrey did unveil one surprise: U.S. support for an International Finance Corporation (IFC) as an affiliate of the World Bank, to assist private corporate investment. 25

Humphrey had been blunt and obstinate, but the conference revealed the existence of considerable dissent within the U.S. government. Three Congressional observers in Rio publicly disagreed with the administration. Representative James G. Fulton (D-Pa.) announced dissatisfaction with "offering a mere pittance to our own family in Latin America," and stated that he would submit a bill to allocate $1 billion for long-term loans and to sell surplus agricultural commodities at reduced prices. Senator George A. Smathers
(D-Fla.), agreed with Fulton and criticized Humphrey. Even Senator Homer Capehart (R-Ind.) expressed a need to "cooperate directly with Latin America." More embarrassing to the administration was Harold Stassen's ill-timed advocacy of a "Marshall Plan for Asia," a program similar to the one that had been long-desired by Latins.26

With the administration's united front shredded, the conference quickly deteriorated into an adversarial circus. Eisenhower had instructed Humphrey not to reject flatly any proposals with majority support, in order to deny the Soviets a propaganda weapon. Instead, the U.S. abstained on a series of measures advocated in the ECLA report. The most prominent abstention concerned the IDB, but others, such as the maintenance of "critical price levels" for commodities, and the creation of an institution to promote cooperation in industry, technology, trade, and production, emphasized the growing division between the United States and Latin America and the later's growing assertiveness.27

Had Vargas' nationalists been in control, however, the results probably would have been even worse for the U.S. Prevented from exerting influence by Gudin, Brazil merely sided with the majority. While the conference was not the success proclaimed by Humphrey and Holland on their return, it was not a total washout either. By returning to the ever-popular tactic of postponement (agreeing to "study" a
proposal) and making a few concessions (EXIM financing and the IFC), the Eisenhower administration escaped from the conference relatively unscathed. But to knowledgeable Latins, the "good partner policy" was now just an empty phrase.28

U.S. POLICY ADJUSTMENT ? 1955-1957

In retrospect, the Rio conference marked a turning point in the Eisenhower administration's dogmatic insistence on financial orthodoxy and private capital as the major source for economic development. The EXIM Bank returned to development financing and the United States began to explore alternative methods of economic assistance for Latin America, such as soft loans. U.S. innovations represented a tactical shift in policy, not a new emphasis on Latin development or changed ideological assumptions. As with the Korean War and the Cuban Revolution, cold war events provided the stimulus for new policies that Latin resentment alone could not force.

Communist victories and the emergence of a fledgling neutralist bloc in Asia convinced several officials that increased government assistance was necessary to augment private capital in economic development in order to advance U.S. security interests in certain Third World areas. In 1955 Eisenhower established the Asian Development Fund, abolished the FOA, and placed economic and technical as-
istance programs under State Department control with the International Cooperation Administration (ICA). Adding a sense of immediacy to the need for increased developmental assistance was the Soviet economic offensive in the Third World. Begun in 1953 as part of a new, post-Stalin tactical manuever, by 1955 the Soviets had made substantial progress in selected countries. Brazil was the Soviet Union's major Latin American target, and Vargas had been receptive to increased trade with Eastern bloc countries.29

In addition to cold war imperatives, the United States found itself under increasing attack from Latin America for its refusal to help stabilize commodity prices. Raw material prices declined steadily after 1954, which lessened export receipts and made U.S. arguments that increased trade would lead to economic development appear ridiculous. Although the U.S. agreed to study the world coffee situation at the Rio Conference, Humphrey and Agriculture Secretary Ezra Taft Benson remained implacably hostile to commodity agreements. Brazilians considered U.S. attitudes selfish and inconsistent. Brazilians pointed to U.S. participation in the World War II coffee agreement, as well as current wheat and sugar agreements and to the PL 480 surplus sales program to show that the U.S. only resorted to free market principles when their own interests were not involved. Indeed, Humphrey had negotiated a PL 480 wheat deal with Brazil at Argentina's
expense. Brazil's resentment intensified with the announce-
ment in early 1956 that the U.S. would sign a new interna-
tional wheat agreement. 30

There was also a growing realization that some of
Brazil's complaints over the inadequacy of private corporate
investment as the sole development impetus had merit. For
example, in 1955, Finance Minister Gudin issued Superinten-
dency for Money & Credit (SUMOC) Instruction #113, which
exempted foreign investors importing machinery (even used)
from providing exchange cover. In effect, the decree subvi-
dized foreign investment and gave foreign investors a built-
in advantage over domestic manufacturers. Despite the
preferential treatment, the fact that the government had
removed Vargas' restrictions on profit remittances, and that
American corporations that did invest made good profits,
Brazil's balance of payments and inflationary problems made
many American corporations reluctant to invest in Brazil. 31

Compounding the appearance of U.S. corporate and
government indifference was the fact that Western European
nations were aiding Brazil. In 1956 Brazil signed an agree-
ment with the "Hague Club" (West Germany, Great Britain,
France, the Netherlands, Italy, Belgium, and Austria), which
eased Brazil's exchange difficulties and increased European
imports. Additionally, by the mid-1950's European investment
increased substantially, particularly in establishing
industries American corporations were most reluctant to enter (automobiles, chemicals, pharmaceuticals). By the "law of similars" that protected locally produced goods from imported competitors, European corporations actually forced U.S. corporations to invest in Brazil or lose markets.32

In the face of Brazilian resentment, the Soviet economic offensive, and increased foreign competition, the United States modified its policies. Beginning in 1955, the U.S. government slowly began to make soft loans for Brazilian development. The most widely used device was PL 480 (Agricultural Trade Development and Assistance Act of 1954) to expand sales of surplus commodities, particularly wheat, dried milk, and flour. Brazil paid cruzeiros for the commodities, and the ICA returned some of the cruzeiros to Brazil's National Development Bank (BNDE) to pay the local currency costs for EXIM project loans. The USIA and State Department used the remainder for normal program expenses. U.S. officials liked the PL 480 program because of the multitude of problems it apparently solved. Some liked the program for its humanitarian image and for its reduction of the costly food surplus problem. Others supported PL 480 because it appeared to reduce Brazilian inflation, aided the balance of payments problem and yet was an inexpensive form of assistance.33
Brazilians were ambivalent toward PL 480, although they made extensive use of the program. Brazilians made two specific complaints about PL 480 and its successor, Food for Peace. Critics argued that through the PL 480 program Brazil actually lost dollars instead of saving them. Surplus disposal of American agricultural commodities undercut Brazilian cotton and tobacco exports, and Brazil also lost exchange that the State Department, USIA, military missions, and tourists would have purchased. Brazilians also resented that the nominal payments for PL 480 commodities went for what would have rotted in normal market conditions. Brazilians saw PL 480 as a subsidy for American farmers and shipping interests and thus a dumping program rather than a generous assistance program.34

Another soft loan program created by the United States was the Development Loan Fund (DLF). The DLF resulted from a series of reviews of U.S. foreign economic assistance conducted under Congressional auspices by W.W. Rostow and Max Milligan of the Massachusetts Institute of Technology, Center for International Studies. The Rostow/Milligan report stressed the need for the U.S. to fund projects that neither the EXIM nor IBRD normally approved—so-called social development projects such as schools, hospitals, and housing projects, which were necessary and important, but did not earn dollar exchange or directly increase productive capaci-
ty. Proponents believed the DLF not only would promote political stability and economic development, but that it would also stimulate foreign investment through an improved infrastructure. Congress agreed to establish the DLF as an adjunct to the EXIM in 1957, but sharply reduced Eisenhower's request for funding.35

Brazil did not benefit from the meager DLF. In its first two years of operation, the DLF distributed only $65 of its $800 million to Latin America, while Brazil received only one loan for $240,000. Also, DLF monies went to develop products that competed with Brazil's traditional exports, such as a $5 million DLF loan to Guatemala for a rubber project, only four years after the U.S. cancelled a rubber agreement with Brazil. Moreover, combined with the mixed blessings of the DLF and PL 480 programs, was the fact that the United States had not addressed the number one problem in Brazilian-American relations--development assistance.36

Development assistance came primarily from the EXIM Bank and the World Bank. In turn, these banks relied heavily on the advice of the IMF, although the Treasury or State Departments could approve or veto EXIM loans for political considerations. At both the Caracas and Rio Conferences U.S. officials promised EXIM would fund "all sound projects." Despite these assurances, in 1954 and 1955 EXIM collected more than it loaned to Latin America. In those years Brazil
received only $4 million in development project loans from EXIM and nothing from IBRD, because of Brazil's political instability, inflation, and trade deficit. EXIM reopened its doors to Brazil in 1956 and IBRD did the same in 1958, but not to the degree Brazil desired.37

As constituted, EXIM was a useful instrument for achieving certain American foreign economic policy objectives, but not for developmental needs. Loan recipients had to purchase U.S. products that were frequently more expensive than those that could be purchased elsewhere. Recipients also had to use U.S. carriers to transport for one half of the purchases, carriers whose high costs also reduced the loan value. More upsetting than the expected subsidies for American exporters was the leverage the U.S. used to impose political and economic policies. Orthodox fiscal and monetary policies and openness to foreign private investment were perhaps, within normal diplomatic prerogatives, but Brazil objected to EXIM's arbitrary and inconsistent standards as discriminatory and an unwarranted intrusion in domestic politics. Brazil also resented EXIM's delays in disbursements to Brazilian agencies, as contrasted with the prompt processing for U.S. subsidiaries in Brazil receiving loans.38

Perhaps the most important complaint concerning U.S. assistance was that Brazil and Latin America continued to be
a marginal or peripheral area of United States concern and that U.S. security interests remained paramount in determining aid levels. In the 1945-1961 period Brazil received more aid (hard and soft loans, grants, military, technical, etc.) than any other Latin American nation, but during that period, Marshall Tito's Yugoslavia received more aid than all of Latin America. Even in years of increased assistance, such as 1956 and 1957, Brazil received less aid than Taiwan, Iran, Indonesia, Israel, Egypt, Thailand, South Korea, India, and Pakistan. Moreover, grant aid made up the bulk of assistance given to African and Asian nations, while assistance to Brazil was overwhelmingly in the form of loans.39

Brazil's relations with the World Bank were so stormy that Brazilians preferred EXIM to IBRD loans, despite the problems with the EXIM. Although technically an international organization, many Brazilians did not distinguish between the IBRD and the U.S. government because of the U.S. government's effective control of IBRD, its Washington headquarters, and its American directors. Brazil disliked the World Bank for several reasons. Its status as an "apolitical," international organization and its "technical soundness" standards for loans insulated IBRD from Brazilian political pressure. IBRD officials were even more insistent than those of the EXIM in demanding that Brazil adopt
policies to attract foreign investment, to ease currency conversion, and to adhere to orthodox fiscal policies, even while giving less generous terms than EXIM. As with the DLF, Brazilians were sensitive about IBRD loans for projects that competed with Brazil's exports. Another irritant was that the IBRD consistently opposed organizations, such as the EXIM and IDB, that made development loans, which it regarded as its exclusive area. From 1946 to 1960 Brazil was the largest recipient ($250 million) of the miserly amount of IBRD loans allocated to Latin America, despite its complaints and the Bank's 1954-1957 lending hiatus.40

THE KUBITSCHEK ADMINISTRATION AND THE PROGRAMA DE METAS

During Brazil's 1955 presidential election campaign, Juscelino Kubitschek promised a "programa de metas" (program of goals) to give Brazil "fifty years progress in five years." Incorrigibly optimistic, the charismatic governor from Minas Gerais pledged to bring rapid and widespread prosperity and economic development to Brazil. Specifically, Kubitschek promised to accelerate Brazilian industrialization with a massive infusion of capital or a "big push" to remove the structural bottlenecks in the economy as had been identified by the JBUSED report. More than any other candidate, Kubitschek identified himself with Brazilian aspirations for rapid development.
Shortly after his narrow victory, which the army preserved by its "preventive coup," Kubitschek travelled to the U.S. to secure American assistance for his formidable goals. Despite campaign pledges to maintain close relations with the United States, Eisenhower officials were uneasy because of Kubitschek's grandiose plans and the fact that he had received Communist Party (PCB) support in the election. Although Kubitschek's considerable personal attractiveness and talents dazzled the U.S. press and won him some support within the administration, most officials in the State and Treasury Departments remained skeptical of his talents and "softness" toward communism.41

During the campaign and preinaugural transition, Kubitschek utilized a group of técnicos (technocrats) to determine economic plans and priorities. JBUSEDC and BNDE veterans Roberto Campos and Lucas Lopes were the main authors of the "Metas" and most of the técnicos came from the JBUSEDC, BNDE, and ECLA. Kubitschek created a Development Council made from this group to implement the metas, which incorporated the ideas of the "development" organizations into a systematic economic plan.42

The "Metas" five-year plan consisted of thirty specific targets in five basic sectors: energy; transportation; food production & storage; basic industries; and education. Targets established were to remove factors impeding growth
(bottlenecks) or to stimulate factors multiplying (linkages) growth. An additional goal was to make certain that the specific targets must either reduce foreign currency expenditures or increase export receipts. The Development Council allocated over seventy per cent of the development funds to tackle the two primary bottlenecks, energy (electricity, coal, oil production & refining) and transportation (which included railroad equipment & construction, highway construction, ports & dredging, merchant marine, and airplane production). Agricultural development and education received only six percent of the funds. Growth in basic industries such as steel, aluminum, rubber, cement, ship & motor vehicle construction, heavy machinery & electric equipment accounted for the remaining 21% of the projected Metas program.43

An added target became the construction of a new capital, Brasilia, located deep in the interior. Constitutionally mandated since 1891, the construction of Brasilia was also an important step toward achieving national integration and promoting growth of the underutilized north and center-south regions. As important as the legal or economic imperatives was Brasilia’s immense psychological impact. Brasilia symbolized the nation’s development surge and instilled as well a sense of pride and confidence among Brazilians. Conservative opposition to Brasilia forced
Kubitschek to complete its construction and to move the capital during his administration to ensure Brasilia's permanence.44

Finding sufficient external financing was the key and potential Achilles heel of the program. Of the $5.75 billion in anticipated expenditures in the metas, $2.3 was projected to come from foreign sources, both public and private. Foreign capital was necessary to reach the targets without resorting to inflationary deficit financing. While the government attempted to increase exports and tax revenues, falling commodity prices and the government's inability to curb continued widespread tax fraud made private foreign investment and large-scale U.S. or World Bank loans necessary. In order to attract private capital and qualify for U.S. public assistance, Kubitschek continued to grant preferential treatment to foreign investors. Brazil actively sought foreign investors for key industries with great success. Perhaps the best example occurred in the motor vehicles sector. Before 1956 Brazil either imported or assembled all of its trucks, cars, buses, tractors, etc. Foreign corporations, however, created an entire industry so that by 1960 Brazil produced 135,000 motor vehicles. Similar success stories occurred in chemicals, plastics, cement, and paper, to name only a few.45
Kubitschek also sought massive EXIM or IBRD loans for bottleneck sectors unlikely to attract private investment, such as highway construction and port dredging. Securing public assistance was the main purpose of Kubitschek's pre-inaugural trip to the U.S. and Europe and the topic of discussion between the new president with vice-president Nixon during the inaugural festivities. Although Nixon brought a goodwill gift of an EXIM $55 million loan for two projects (steel expansion at Volta Redonda & a JBUSEDC railroad project), he stressed the value of trade and the necessarily limited U.S. role in Brazilian development more than American willingness to provide large-scale assistance.

If Kubitschek welcomed private investment in many sectors, like the "developmental nationalists" or "structuralists," he also accepted the necessity of state control over vital sectors of the economy, especially oil and steel. Petrobrás' enormous popular support mandated continuing the state oil monopoly, but U.S. officials considered a "solution" to Petrobrás to be one of the key litmus tests to further assistance. The U.S. stopped direct pressure to eliminate Petrobrás, but refused to consider EXIM loans to develop petroleum fields in Brazil and attempted to subvert a petroleum treaty between Brazil and Bolivia. Almost as important to the United States as petroleum liberalization
were measures to contain inflation and to reduce the burden on the balance of payments. Despite a trip to Washington by vice-president João Goulart to reassure policymakers, Washington adopted a "wait and see" attitude.47

Less than three months later, however, U.S. officials anointed the programa de metas with an EXIM loan of $151 million and hinted at the possibility of further assistance. Despite continued misgivings about Kubitschek, U.S. policy changed because Brazil proved its openness to private foreign investment, appeared willing to curb inflation, and to stimulate exports. More importantly, an upsurge of Brazilian nationalism suddenly made Kubitschek seem a more reasonable leader. The loan resulted in part from negotiations in Washington between U.S. officials and Lucas Lopes, president of the BNDE and Secretary General of the Development Council. Lopes' use of "dusted off" JBUSED projects made the U.S. vulnerable to criticism in view of its earlier pledge to fund all "sound projects." Still another factor was Eisenhower's desire for Brazilian support at the Panama meeting of American presidents, scheduled immediately following the negotiations.48

Unfortunately, the Lopes mission did not usher in a new era in Brazilian-American economic cooperation, an era that both sides originally thought possible. The U.S. opened EXIM's vaults for over $220 million in development projects
in 1956 (as much as the entire 1951-1955 period) and at the end of the year signed a five-year PL 480 wheat deal worth $117 million. Disbursement and further loans, however, depended on Brazil's control of inflation and her balance of payments position. Controlling these factors necessitated scaling-down targets, which Kubitschek refused to consider, or instituting administrative and agricultural reforms for which Kubitschek lacked political support. Thus, by mid-1957, although Brazil achieved an impressive rate of economic growth, and kept inflation in check, exchange reserves fell dangerously low. Brazil expected and applied for another $200 million in project loans from the EXIM in 1957, but received a disappointing though still substantial $50 million.49

Through Kubitschek's first two years in office Brazil pursued its ideal of a special relationship with Washington on a bilateral basis. Kubitschek gave perfunctory endorsement to Eisenhower's call for a revitalized OAS and an increased I-AECOSOC role at the Panama meeting. Juscelino relied on his embassy in Washington to gain U.S. largess, which he staffed with top people, such as Ernani do Amaral Peixoto (Vargas' son-in-law, PSD chairman, ex-governor of Rio de Janeiro) as Ambassador and Miguel Osorio de Almeida, as First Secretary. The bilateral strategy, which included loyalty on strategic issues and in the United Nations, shown
by Kubitschek's active support to secure an American missile tracking station on Fernando de Noronha, seemed to work until mid-1957.50

By mid-1957, however, some Brazilians began to question the bilateral strategy. The pace of EXIM projects loans slowed, coffee prices continued to fall and Brazil's trade deficit in 1957 rose to $250 million. Another exchange crisis appeared inevitable and U.S. officials feared that further project loans would exacerbate the problem. U.S. officials showed little sympathy for Brazilian political conditions and insisted that Kubitschek institute austerity measures and respond to an IMF demand for eliminating the multiple exchange rate system adopted in 1953. The EXIM delay and apparent U.S. indifference frustrated the impatient Kubitschek.51

Of greater consequence were the results of the long-awaited Buenos Aires economic conference of August 1957. As in the 1954 Rio meeting, in order not to jeopardize bilateral relations with the U.S., Brazil did not strive for a major role. This time, however, the Spanish American nations united and pressed strongly for comprehensive changes in hemispheric economic relations, a result of greater acceptability of ECLA analyses and of the region's bleak economic prospects. U.S. opposition to Latin proposals also grew more
vehement. Buenos Aires marked the end of Brazilian-American cooperation on the economic components to Pan Americanism.  

Newly installed Treasury Secretary Robert Anderson headed the U.S. delegation, and as usual, an inter-departmental committee determined U.S. positions for the conference. State Department and CFEP officials anticipated difficulty, but their recommendations proved just how little U.S. policy had changed, despite Congressional and Executive branch reviews. At Buenos Aires, Anderson and Under Secretary of State for Economic Affairs, Douglas Dillon, found the U.S. virtually isolated and voting against several resolutions that gained majority support. Most damaging to U.S. interests were resolutions that asserted the primacy of national law over private foreign investments, that permitted nations to forbid foreign investor intervention in internal legal affairs, and that encouraged ECLA to continue studies toward a regional common market or trade association. The U.S. made no friends when it opposed any move toward international commodity agreements or government measures to correct price fluctuations. Anderson and Dillon explained their government's position, that such proposals contradicted the goal of greater investment and economic development, but to no avail.  

Instead of showing sympathy for Latin demands, Anderson opened the conference by advising Latins to reduce military
expenditures. He also declared regional economic problems would not be solved by dramatic programs or announcements, but by "individual efforts of each people and their dedication to a program of work and saving and orderly management by their own government of economic affairs." Anderson's speech certainly disappointed Latins and the conference quickly stalemated. The U.S. did approve an I-AECOSOC feasibility study for an inter-American development bank, but Douglas Dillon expressed the U.S. opinion that existing institutions could adequately fund all Latin development projects. Buenos Aires succinctly showed the fundamental differences between the two sides' interests and development policies.54

For Brazil, whose traditional role in inter-American meetings was that of the conciliator between the U.S. and Spanish America, the conference produced much anguish. Brazil continued to pursue U.S. assistance through bilateral channels and successfully coaxed American support for an IBRD $73 million loan for a hydro-electric power plant and softened U.S. opposition to the IDB. But Brazil also sympathized with most of the proposals that the U.S. voted against. Buenos Aires seemed to threaten to isolate Brazil from her Spanish cousins because of her allegiance to an unsympathetic United States. Unfortunately, the conference did nothing to counter a growing sentiment about Brazil's
need to strengthen its ties with both Spanish America and other Third World nations.55

THE INSTITUTO SUPERIOR DE ESTUDOS BRASILEIROS (ISEB) AND THE CALL FOR "AUTONOMOUS" DEVELOPMENT

Kubitschek's development strategy was a unique synthesis of several existing development models that reflected not only his basic non-ideological pragmatism and the disparate views of his advisors, but also the lack of consensus within Brazil. Barely elected by a diverse coalition in an atmosphere of instability, to govern, Kubitschek stressed the two themes that united Brazilians—nationalism and development. Within a short time Kubitschek's flamboyant and enthusiastic style stimulated Brazil, intensified nationalism, and made "development" a national obsession. As one author notes:

The growth of euphoria induced by the manifest indeed conspicuous achievements of the Kubitschek regime led to a kind of generalized ideological effervescence.... Probably no major phase of culture and society remained apart from this enthusiasm and concern. A kind of national developmental definition of reality, or world perspective, grew up in terms of which every intellectual issue and topic was discussed under the aspect of (national) development.56

But if Brazil had enormous potential and made spectacular progress, its equally formidable problems generated considerable debate over the definition of development and the means to attain that goal. By the late 1950's the most important organization dealing with these weighty topics was
the Instituto Superior de Estudos Brasileiros (ISEB), a part of the Ministry of Education & Culture. ISEB was the intellectual center for a diverse group of nationalists attempting to create a national development ideology.57

To nationalists development meant not merely economic growth, but growth that led to greater national control over economic affairs, a "conquest of the centers of decision." In their economic analysis ISEB theorists accepted the Prebisch model of unequal exchange in international economic relations and the fundamental asymmetrical interests between the core and periphery nations. Nationalists also accepted the corrective measures advocated by ECLA, including state intervention (import controls, high tariffs, etc.), structural reforms, and state planning to promote industrialization.58

Foreign investment was the issue that separated the ISEB nationalists from ECLA and the "developmental nationalists" within Brazil. Developmental nationalists favored foreign investment (with certain controls) in high-risk and capital-intensive industries as a source of necessary capital, technology, and organizational skills. To nationalists, who viewed the United States as an obstacle to Brazilian autonomy, such attitudes represented entreguismo (selling out). Radical nationalists believed foreign investment had a colonizing effect because of its control
over vital economic sectors. They also believed foreign investment exacerbated balance of payment problems because of profit remittances, and that it had a spoliative effect through generation of excessive profits, absorption of local capital and through exclusion of domestic investment in vital sectors.59

According to these nationalists, an independent or neutralist foreign policy was necessary for economic autonomy. Brazil's dependent alliance with the United States prevented maximizing trade opportunities with other nations, reduced Brazil's ability to play a significant role in world affairs because of its semi-colonial status, and strengthened internal groups opposed to autonomy. More importantly, Brazil's alliance in the cold war prevented development from becoming the central focus of Brazilian foreign policy. Independent foreign policy advocates rejected the cold war as an issue of Brazilian concern and instead sought an alliance with other Third World nations to gain less onerous trade and credit terms than in past years from the developed nations.60

ISEB was both a reflection and cause of the radicalization of Brazilian society in the late 1950's. U.S. Embassy officials naturally considered ISEB dangerous and riddled with Communists, as did many Brazilian businessmen and military officers. Despite their critical analysis ISEB was
not Marxist, but xenophobic and sensitive about Brazil's continued underdevelopment. ISEB provided Kubitschek with an alternative development model to the liberalism promoted by organizations such as the Escola Superior de Guerra and opened the way for the president to pursue a more aggressive foreign policy.61

TOWARD ESTRANGEMENT: GROWING PAINS, OPERATION PAN AMERICA, AND THE IMF CONTROVERSY

Despite the success of Kubitschek's policies in promoting economic growth and attracting private capital, economic factors continued to complicate relations with the United States. Brazil attained the world's highest growth rate (10% per year) for 1957-1959 and appeared on the verge of "self-sustaining growth" or of reaching the "take-off cycle." At the same time, growing inflation and balance of payments difficulties caused the United States to limit EXIM loans. By 1958 Kubitschek began energetically to explore alternatives to the illusory special relationship with the United States.

Low world coffee prices due to overproduction remained Brazil's most serious problem and the cause of its trade deficit. Coffee sales determined import capacity and thus were essential to industrialization. Through the 1950's, unilateral Brazilian strategies to maintain coffee prices (price supports, crop destruction, valorization, underselling) failed. By late 1957, coffee fluctuated between 40 and
50 cents per pound, and Brazil assumed leadership of the "coffee bloc" to solve the problems multilaterally. Latin producers formed the American Coffee Federation (ACF) and signed a Latin American Coffee Accord (10/57), that pledged unity toward establishing an international accord. In January 1958, Brazil hosted an International Coffee Conference, that thirty-five producer and consumer nations and eleven organizations attended. Brazil willingly bore the brunt of the ACF's attempt to maintain prices by withholding 40% of its production.62

Negotiations continued into 1959 without success, due to Brazil's insistence that all major coffee producers adhere to an agreement. U.S. officials opposed any coffee agreement that hurt American consumers, but participated in the discussions. Early in 1959 Brazil resorted to a price war that lowered coffee prices to 37 cents and forced its reluctant competitors to agree to the International Coffee Accord (9/59). Signed by 28 nations that controlled 93% of coffee exports, the Accord allowed a nation to export a volume equal to 90% of its best year from the 1949-1958 decade. The Eisenhower administration refused to endorse the Accord although Fidel Castro's emergence, the first round of OPA negotiations, and a Senate Foreign Relations Committee study that advocated support for certain commodity agreements, caused the administration to lessen its opposition.
Through the Accord and price war, Brazil earned $50 million more in 1959 than in 1958 and while the Accord indicated future market stability, it did not alleviate the current economic crises.63

In 1958, Brazilian coffee exports received only $700 million, $350 million less than in 1956, which aggravated Brazil's trade deficit. That same year drought again ravaged the northeast, which forced massive government relief outlays, increased food imports, and stimulated inflation. In addition to low coffee prices and drought, Kubitschek's metas program led to increased consumption of imported goods, particularly oil and machinery. By the start of the year Brazil's external debt reached $1 billion, and experts predicted the 1958 trade deficit would be $250 to 300 million. Moreover, the government had exhausted its exchange reserves and faced bankruptcy. Again Brazil went to the IMF and EXIM for emergency assistance.64

Treasury and EXIM officials made a bailout loan and further project loans contingent on successful negotiations with the IMF and private banks. IMF officials demanded an austerity program with tighter Brazilian bank credit, sharp cuts in government spending, and a liberalized foreign trade policy that included eliminating the multiple exchange rate system and import subsidies for oil and wheat. When Finance Minister, J.M. Alkmin proved reluctant, Kubitschek replaced
him with BNDE President Lucas Lopes, who signed the agreement. Lopes, however, requested that the program be delayed until after the October 1958 congressional elections, a condition the IMF accepted in June. Brazil drew $37.5 million from the Fund and shortly afterwards, signed agreements for a $158 million EXIM/private bank bailout loan.65

After the congressional elections, Kubitschek endorsed an austerity program written by Lucas Lopes and Roberto Campos, Lopes' replacement as BNDE President. IMF officials hesitated, but accepted a gradual plan to address simultaneously inflation, internal and external debt, and the exchange system. Kubitschek refused to abandon the metas or limit the public investments necessary to achieve his targets, however, and stabilization proved politically impossible. Industrialists convinced Bank of Brasil president Sebastião Pais de Almeida to continue easy credit policies, while coffee growers successfully lobbied for increased price supports. Labor unions greeted wage freezes and the end of wheat and oil subsidies with strikes. Political opposition grew, as nationalists called Campos and Lopes tools of Wall Street, while conservatives denounced the "corruption" of Brasilia.66

Within this acute financial disequilibrium, rising discontent, and diplomatic stalemate, Kubitschek launched
Operação Pan Americana (OPA) in May 1958, immediately after Richard Nixon’s disastrous mission. American officials saw OPA as an attempt to bring multilateral pressure on the United States in order to increase economic assistance and also to divert attention from Brazil’s domestic problems by a dramatic foreign policy initiative. In reality, Kubitschek’s proposal for a revived Pan American alliance stemmed from his beliefs that only economic development could deter communist revolutions and that development could be attained only with a united effort and explicit U.S. commitment. Kubitschek sought to make Latin American development a United States priority. Moreover, since economic issues were virtually the only obstacles to improved U.S.-Latin American relations, to strengthen hemispheric solidarity, OPA sought implementation of economic programs long-desired by Latins, including the IDB, social development loans, and more assistance with less strings.67

Although top American officials considered the Nixon fiasco to be communist-inspired, the dramatic events provided the impetus for new policy. In 1957, both Congress and the administration favorably reviewed foreign economic and military aid policy. Despite the positive reviews, several institutions, most notably M.I.T. (Rowstow/Milligan) and the Rockefeller Brothers Fund, advocated sweeping changes in U.S. policy toward Third World development. These
reports called for increased economic and technical assistance, and government efforts to promote trade, investment, and commodity price stability. The Nixon riots and OPA overcame the bureaucratic inertia within the administration and galvanized support for the more liberal policies. Even before the Cuban Revolution of 1959 accelerated the pace of U.S. foreign economic and aid reform, U.S. policy began to change.\(^{68}\)

Fidel Castro, not Juscelino Kubitschek prompted the new policies adopted by the Eisenhower administration in its last years. If Kubitschek’s alternative was preferable to Castroite Communism, U.S. officials hid their gratitude. Even as the United States grudgingly acquiesced and established the IDB, officials viewed as dangerous Kubitschek’s high-stakes economic gambles and seizure of the initiative with OPA, which they saw as the siren song for a hostile Latin bloc. Incredibly, U.S. EXIM loans to Latin America decreased in 1959 and 1960, and Brazil actually amortized more than it received.\(^{69}\)

Brazilian-American economic differences widened even as the Eisenhower administration acted on OPA. Negotiations for the IDB and Brazil’s tariff reform proved indicative that the two sides had differing conceptions of economic cooperation. Under Secretary of State Dillon announced his government’s acceptance of the IDB late in 1958, but negotiations
stalled on the extent of the U.S. capital contribution. Eventually, the United States agreed to provide $350 million and received 41% of the IDB voting stock. Both the delay in organizing the IDB and the size of the U.S. contribution disappointed Kubitschek.

Brazil had to reform its tariff policies in order to comply with IMF recommendations to eliminate the multiple exchange rate system. Brazil desired tariff protection for its new industries, and as early as 1957 had announced its termination of the 1935 Reciprocal Trade Agreement and 1948 GATT agreement. Although technically an international concern, successful bilateral negotiations with the United States were crucial for a new GATT schedule. Many U.S. officials opposed the new tariffs as a retreat from free trade, but Acting Secretary of State Christian Herter convinced Eisenhower that the case was a test of GATT's flexibility with developing nations and of Brazilian-American economic cooperation. A more crucial argument was that Brazilian-Soviet trade would increase without an agreement.70

U.S. policymakers understood that Brazil's economic problems related directly to its discontent and made Kubitschek vulnerable to domestic pressure. Officials also realized Brazil's short-term economic prospects were bleak, but they were unwilling to commit the United States to a
long-term assistance program to enable Brazil to get "over the hump." Instead, Eisenhower officials considered GATT revisions, acceptance of the IDB, and granting Brazil a small portion of Cuba's sugar quota to be major concessions, which proved that strategic considerations continued to determine economic assistance and that security still had priority over development.71

Kubitschek struggled with increasingly apparent but difficult choices. He could abandon the metas to fight inflation, which would alienate key support groups and thus was politically difficult, or he could complete the targets through inflationary financing, which might stifle foreign investment and destroy Brazil's credit rating. A third option was to convince the U.S. government to modify its loan policies. Through the first months of 1959 Brazilian, American, and IMF officials exchanged missions between Rio and Washington in a series of negotiations that dramatized Brazil's external problems, but also indicated that Kubitschek still hoped for a change in U.S. policy.72

By June 1959 domestic and international events forced Kubitschek to act. In April, at an OPA meeting in Buenos Aires, Fidel Castro demanded that the U.S. provide Latin America with $30 billion in development assistance over a ten-year period. Castro's demand and subsequent visit to Rio received a lot of publicity and the support of Janio
Quadros, the chief rival to Kubitschek. One month later, Rio Grande do Sul governor Leonel Brizola, another rival to Kubitschek for nationalist support, expropriated the holdings of the American & Foreign Power Company, a move that received widespread support. Unrest then seemed to increase geometrically from groups whose support Kubitschek needed. After a final effort failed to bypass IMF intransigence for a serious stabilization effort and after a direct appeal to the U.S., on June 9, Kubitschek broke off negotiations with the IMF. In the end, he believed inflation was less politically damaging than stabilization.73

Kubitschek's act represented a definitive victory for nationalists and revived his popularity. Kubitschek finished his term of office and successfully completed his metas program with ad-hoc financing. Kubitschek sacrificed Lopes and Campos and abandoned stabilization to maintain nationalist support. Eisenhower urged a modus vivendi between Brazil and IMF, which both reluctantly accepted. Trade with the Soviet bloc and other Latin nations increased, but brought little exchange. Brazilian printing presses worked overtime and inflation rose to 50% in 1959 and 1960. To acquire dollars, Kubitschek relied on short-term, high-interest loans from private banks, which doubled Brazil's foreign debt to $2 billion and saddled his successor with impossible obligations. In addition to greater trade with
the Soviet bloc, Brazil moved toward a more independent foreign policy and joined the Third World nations in overriding U.S. objections to the Special United Nations Fund for Economic Development (1958), the International Development Association (1960), and the Latin American Free Trade Association (1960). Kubitschek moved tentatively away from alignment with the United States, but his successors fully embraced the new foreign policy. From 1961 until the 1964 coup, the Brazilian-American relationship was openly confrontational.

By the end of the decade policymakers on both sides perceived the other as a threat or impediment to their interests. Brazilians believed U.S. policy opposed and prevented economic development, while Americans thought Brazil fostered instability or socialism. Eisenhower's parsimonious and security-oriented aid policy relegated Brazil to secondary status and angered Brazilians. Likewise, Brazil's "industrialization at all costs" policy that featured inflation, easy credit, and use of state corporations in key sectors alarmed U.S. officials.

Despite mutual hostile perceptions, Brazilian-American economic cooperation was extensive. Their already substantial trade grew slowly toward the end of the period and the United States remained the primary importer (52%) of Brazilian goods and exporter (33%) to Brazil's economy.
Moreover, in the 1951-1960 period Brazil maintained a favorable balance of trade with the United States. In that period, U.S. corporations made almost $1.3 billion in direct investments, 3/4 after 1956. Also, unlike other U.S. investment in Latin America, most U.S. investment in Brazil was in manufacturing. Brazil also received well over $1 billion in U.S. government economic assistance in that period, although most of the aid benefitted U.S., not Brazilian corporations and interests.75

More important than assistance levels or specific economic policies in creating an adversarial relationship, however, were theoretical differences on the ultimate goals and pace of development. Although Brazil economic growth in the decade was almost incredible, its problems remained substantial. In terms of economic indicators (per capita income, literacy, food & electric consumption, etc.), Brazil remained behind many Latin American nations. Most Brazilians felt that the United States was not doing enough, an attitude that increased in 1958, when U.S. imports, economic assistance, and investments declined. Although due in part to a recession in the U.S., such policies appeared as conspiratorial to many Brazilians.76

That Brazil, strategically and economically crucial, and traditionally the United States' closest ally in Latin America, would make such a defiant gesture was clear
evidence of widespread dissatisfaction in the relationship. More importantly, Brazil's developmental nationalism and independent foreign policy portended a threat to U.S. security far greater than even Castro and explains, in part, and U.S. assistance for the 1964 military coup d'état.
ENDNOTES


2. *FRUS. 1941*, Vol VI., pp. 73-74, 128-129; McCann, *The Brazilian-American Alliance*, pp. 193-199, 242-246, 259-283 385-387; Sumner Welles, *The Time for Decision*, pp. 210-226; Claude C. Erb, "Prelude to Point Four," pp. 255-268; Author interview with Miguel Osorio de Almeida, 7/1/86. The Cooke Mission made the first systematic survey of Brazilian resources and development needs and was a valuable precursor to several joint technical programs in the 1940's and 1950's.


the U.S. to recognize its "duty" to promote Latin economic
development, and also a proposal to allow tariff protection
for new industries.

6. Robert A. Packenham, Liberal America and the Third World,
pp. xv-49; Raymond F. Mikesell, The Economics of Foreign Aid
(Chicago: Aldine Press, 1968), pp. 1-11; Teresa Hayter, Aid
as Imperialism, pp. 15-16, 46-65; Herbert Feis, Foreign Aid
and Foreign Policy (New York: St. Martins Press, 1964), 54-
57, 128-129; Fernando H. Cardoso, "The Industrial Elite," in
Seymour M. Lipset, Elites in Latin America (London: Oxford

7. Packenham, pp. 20-42; Raymond F. Mikesell, The Economics
of Foreign Aid (Chicago: Aldine Publishing Co., 1968), pp. 1-
17; Gordon Gray, "Report to the President on Foreign Economic
Policies," Department of State Bulletin. Vol. XXIII (November
27, 1950), pp. 842-852; (Nelson Rockefeller), Partners in
Progress: A Report to the President by the International
Development Advisory Board (Washington, D.C., 1951), pp. 1-
15. Gray and Rockefeller both advocated increased assistance
and measures to stimulate trade and U.S. corporate invest­
ment, such as investment treaties and guaranties.

8. W. Michael Weis, "O Mito da Relação Especial: A Comissão
Mista," Revista Brasileira de Políticas Internacionais (RBPI),
Vol. 29, No. 2 (Summer, 1987); Many documents from the U.S.
point of view can be found in the FRUS, 1951 & 1952-1954. The
final report of the JBUSDEC was published in 1954 under the
title of The Development of Brazil. See especially, pp. iii-
viii & 241-251. From the Brazilian point of view, many
documents can be found in the Getúlio Vargas papers at the
Fundação Getúlio Vargas, Center for Research and Documenta­
tion of Contemporary History (FGV/CPDOC), GV 51 07 27.

9. Weis, op. cit.; Statement by Secretary Humphrey before
Senate Subcommittee (Capehart Committee) investigating EXIM
and World Bank Relationship, 9/15/53, The Papers of George
Humphrey, pp. 477-486; Hanson, pp. 18-23; Washington Post,
10/3/53. Hanson called the action a triumph for New York
banking interests over U.S. foreign policy interests. State
Department Memorandum of Conversation (Dulles, Cabot, Cale,
Nolting), 10/2/53, pp. 197-201; Cabot to Smith, 1/20/54, pp.
203-205; White House Memorandum of Conversation (DD & Milton
Eisenhower, Smith, Waugh, Cabot, Humphrey, Weeks, Edgerton),
1/21/54, pp. 206-207; NSC Report, 2/17/54, pp. 208-217,
FRUS, 1952-1954, Vol. IV.; Dulles Telephone Conversations,
Reel 1, 190, Dulles Papers.
10. Eisenhower, Mandate, pp. 292-294; Adams, Firsthand, pp. 384-386; Kaufman, Trade & Aid, pp. 17-25; Commission on Foreign Economic Policy: Records, 1953-1954, Box 59, "Study of United States Problems and Policy toward Latin America" (six sections), 10/14/53. Ironically, the final report of the Randall Commission contains less than one page on Latin America, but the Study was over one hundred pages.

11. Department of State, Bulletin, Vol. 29 (11/23/53), pp. 695-717; Milton Eisenhower, Wine is Bitter, pp. 187, 199; Milton Eisenhower to Dwight Eisenhower, 10/9/53, Eisenhower papers, Whitman File, International Series, Box 4. Milton wrote Dwight in response to a letter from Mrs. Gardner Cowles (whose husband was the publisher of Look & The Des Moines Register, and other publications and also a member of the Randall Commission) to the president, asking for preferential treatment for Brazil and help for Aranha, a close personal friend. Also: Bennet to Holland, 8/20/54, FRUS, 1952-1954, Vol. IV, pp. 229-237, 248-250. The report was over one hundred pages. Russians were unenthusiastic about the report. Ambassador João Carlos Muniz, extremely anti-Communist and pro-American called the report a "superficial document" which rationalized U.S. policy and concluded Brazil and the U.S. were headed for a crisis. Muniz to Aranha, 12/1/53, Aranha papers.

12. Joseph L. Love, "Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange," Latin American Research Review, Vol. XV, No. 3, 1980, pp. 46-56; James S. Bradshaw, "The 'Lost' Conference: The Economic Issue in United States-Latin American Relations, 1945-1957," unpublished Ph.D. dissertation, Michigan State University, 1972, pp. 89-92; Celso Furtado, A Fantasia Organizada (Sao Paulo: Editora Paz e Terra, 1985), pp. 53-61, 99-110; Author interview with Miguel Osorio de Almeida, 7/1/86. Normally, Chile's Hernán Santa Cruz receives credit for proposing ECLA, but Miguel Osorio told me that he and Roberto Campos conceived the idea, but that U.N. Ambassador Oswaldo Aranha vetoed Brazil's making the proposal, both because he knew the U.S. would oppose the idea and thus did not want to unnecessarily jeopardize Brazilian-American relations, and because were in the forefront of a controversy with U.N. Secretary General T. Lie over the hiring of Latin Americans in the U.N. Campos and Osorio gave the idea to the Chileans, who made the proposal. Campos trained at the "socialist" London School of Economics, while Osorio trained at Columbia University in New York. The I-AECOSOC had been created during the war, and was made a permanent organization at the Bogotá Conference, but by that time many Latins believed it to be useless. The U.S. opposed ECLA not only on ideological grounds, and a desire to limit costs, but also in fear that it could not control a Latin
organization that would only produce impractical ideas. Mexican Octavio Martínez Cabanas was the original Executive Secretary, but Prebisch replaced him in 1950. Prebisch had been a top official in Argentina's Central Bank in the 1930's and early 1940's and negotiated the infamous Roca-Runciman Pact of 1933. Furtado points out that in the early years of CEPAL, Brazil, Chile and Argentina gave the organization its greatest support and personnel, while Peru, Colombia, and Venezuela opposed the organization.


15. Webb to Rio Embassy, #2960, 11/27/51, file 312, Rio Post File, State Department archives; Bradshaw, pp. 121-122; Osorio interview, op. cit; Author interview with Cláudio de Paiva Leite, 5/6/86; Furtado, Fantasia, pp. 107-124. Interestingly, the three Brazilians that saved ECLA were all minor figures in the government. Both Furtado & Osorio (who were present) claim to have been alarmed by the U.S. proposal and that Osorio sent both a false and real telegram to the delegation (from Mexico City) signed by Getúlio Vargas, to oppose any proposal weakening ECLA. Furtado & Leite claim the
telegram arrived in Rio, but that Vargas was out of town and that Leite sent the reply in Vargas' name, believing that would be the response of the president if he was able to reply. The Washington Conference, called to discuss hemispheric cooperation for the Korean War, dealt extensively with economic cooperation. Brazil took the lead in pressing U.S. development assistance as a necessary prerequisite for military cooperation. Brazil also conducted bilateral negotiations during the conference. The inconclusiveness of these negotiations was a deciding factor in Brazil's support for ECLA only two months later.

16. United States President's Commission on Foreign Economic Policy (Randall Commission), Records, 1954-1961, Box 3, File CFEP 514, Eisenhower Library; Bohan to State, 4/9/53 & #1460, 4/16/53, file 312, Rio Post file, State Department archives; O Estado de Sao Paulo, 4/26/53; Furtado, Fantasia, pp. 158-162. Mervin Bohan, U.S. Ambassador to the I-AECOSOC and Chairman of the JBUSDEC was a big supporter of ECLA and praised its work as moderate and realistic. His enthusiasm was not shared by others.

17. ECLA reports, often made in conjunction with another U.N. agency (such as the Food and Agriculture Organization (FAO) and the Technical Assistance Administration (UNTAA), or individual Latin nations, were excellent and practical recommendations on ways to improve agricultural output, through the use of fertilizers or improved livestock breeding, improve government budgeting, planning, tax collection, and labor productivity, etc. A good case can be made that ECLA was responsible for the U.S. acceptance of for the LAFTA and the coffee and other international commodity agreements. ECLA advocated the LAFTA and Central American Common Market as early as 1954. In the case of coffee, ECLA reports in 1959 stimulated Brazilian efforts to win U.S. acceptance for a commodity agreement to replace the ineffective producers agreement, which the Kennedy administration finally accepted.

18. ECLA, Development Problems in Latin America, pp. xiii-xvii; Raúl Prebisch, "Economic Development or Monetary Stability: The False Dilemma," Economic Bulletin for Latin America, Vol. VI, No. 1 (March 1961), pp. 1-9; Roberto Campos, "As Quatro Ilusões do Desenvolvimento," (speech given at the ECLA Conference, 5/57) in Ensaios de História Econômica e Sociologia (Rio de Janeiro: APEC Editora, 1963), pp. 83-101. Campos is by no means a structuralist and in the speech attacked the notion that inflation was merely the result of structural imbalances, but also advocated a Latin American Common Market and increased industrialization. At the time of the speech, Campos headed Brazil's National
Development Bank (BNDE).

19. United Nations, ECLA, International Cooperation in a Latin American Development Policy (New York, 1954) E/CN 12/359, pp. 15-18, 129-137; Author interview with Cleantho de Paiva Leite, op. cit. Among the other authors were Eduardo Frei, future president of Chile and Carlos Lleras Restrepo, future president of Colombia. Interestingly, the Charter of Punta del Este in 1961, which established The Alliance for Progress used these same figures from the 1954 ECLA report.

20. "Suggestions about the Position of Brazil in Relation to Item II on the Agenda," October, 1954, San Tiago Dantas papers, Box 21, Arquivo Nacional, Rio de Janeiro; Author interviews with Roberto Campos, and with Cleantho de Paiva Leite, 5/19/86. San Tiago Dantas and Campos headed the Delegation on Economic Development (Item II on the agenda). Gudin's caution made certain that the ECLA report would not pass; only a united front by Brazil, Chile, Argentina, and Mexico could overcome U.S. resistance.


22. Memorandum of the 224th Meeting of the National Security Council, 11/15/54, FRUS, 1952-1954, Vol. IV, pp. 344-352. Secretary Dulles was conspicuously quiet during the meeting.


24. Correio da Manha, 10/30/54; New York Times, 10/31/54, p. 28 and 11/21/54, p. 1; Merwin Bohan, "U.S. Relations with Latin America," Department of State Bulletin, Vol 31 (October 11, 1954), pp. 535-538; Roberto Campos to Merwin Bohan, 8/31/54, Eugenio Gudin papers; Milton Eisenhower to Dulles, 9/15/54, Dulles to Woodward, 10/27/54, Dulles to M. Eisenhower, 10/27/54, Dulles Telephone Conversations, Reel 2, pp. 822-823, 877, Dulles papers; M. Eisenhower to Dulles, 10/22/54, General Correspondence & Memoranda Series, Confidential Subseries, Box 2, File E-H (1), Dulles papers; Dulles to D.D. Eisenhower, 11/18/54, White House Memoranda Series, Box 1, Dulles papers. Dulles did not want to go to Rio; apparently, Caracas had been enough for him. Milton Eisenhower refused to go to the conference if Humphrey led the
delegation. He thought the decision "tragic" and wrote to Dulles: "As much as I admire George, I do not believe he is greatly interested in U.S.-Latin American relations, and I do not believe he will support the program in this area which was agreed to by the National Security Council....I would not wish to go if George were in charge, for such little prestige as I have in Latin America today then would be would apparently be supporting what I think would prove to be a very unhappy position."


26. New York Times, 11/26/54, p. 1 and 11/28/54, p. 1; Robert H. Farrell, The Diary of James C. Hagerty: Eisenhower in Mid-Course, 1954-1955 (Bloomington: University of Indiana Press, 1983), p. 121; Kaufman, Trade & Aid, pp. 51-53. Hagerty quotes Humphrey as saying "Stassen couldn’t have possibly pulled a worse boner if he had tried. South America will immediately want more money." Also: D.D. Eisenhower to M. Eisenhower, 12/1/54, White House Central File, Eisenhower papers. The letter is very revealing of Ike’s attitude toward Latin America, one Latins would have appreciated, if not agree with. He wrote: "I agree Stassen could have avoided talking about ideas with respect to Asia that could damage our relationships in this hemisphere....Gifts do not encourage a partnership effort....In the case of South America we want to establish a healthy relationship that will be characterized by mutual cooperation and which will permanently endure...."

28. Wagner, pp. 92-93, 131-134; Author interview with Roberto Campos, op. cit. Campos told me the Rio Conference was "worthless" and that the IFC was not a "real" concession, but merely a public relations and stalling tactic, or an inexpensive way to prevent real initiatives. EXIM loans to Latin America did not increase in 1955 despite Humphrey's pledge. In June, Special Presidential Assistant, Nelson Rockefeller wrote Eisenhower with suggestions on ways to increase EXIM funding for development projects. Rockefeller to Eisenhower, 6/1/55 (attached to Wallach to Randall, 4/22/55), Dodge Series, Box 2, CFEP Records, Office of the Chairman.

29. Kaufman, Trade & Aid, pp. 49-73; Adams, Firsthand Report, pp. 64, 109-11, 318; Stassen to Humphrey, 3/31/55 and Humphrey to Stassen, 3/31/55, box 4, Humphrey papers, Western Reserve Historical Society, Cleveland, Ohio. According to Adams, Stassen had no supporters in the cabinet and that Dulles was particularly irked by Stassen's willingness to negotiate without instructions. John B. Hollister, a staunch conservative ex-Congressman, with close ties to Robert Taft and Humphrey became the first director of the ICA.

30. Kaufman, Trade & Aid, pp. 77-80; C.W. Nichols (Chief, International Resources Division, Department of Agriculture) to Angelo Suzana, 3/7/55, Clarence Francis papers, Eisenhower Library; Humphrey to Holland, 10/11/55 and Paul H. Cullen to Dodge, 10/21/55, CFEP 531, CFEP Records, Box 6; "Staff Paper re International Coffee Agreement," 4/9/56, White House Central File, Confidential File, box 18, file CFEP (6), Eisenhower papers; Randall to Amador, (Chairman, I-AECOSOC), 4/27/56, CFEP 537/1, CFEP Records, Box 7. By mid-1955 coffee had fallen to $.50/pound, from its high of $.97 in 1954. Concerning the PL 480 program and the 1954 negotiations, see: Trudy Huskamp Peterson, Agricultural Exports, Farm Income, and the Eisenhower Administration (Lincoln: University of Nebraska Press, 1979), pp. 52-58; Memorandum of Certain Members of the United States delegation at the Rio Conference, Hoover to Dulles, 12/1/54, Dulles to Hoover, 12/1/54, FRUS, 1952-1954, Vol. IV, pp. 358-362; State Department Memorandum of Conversation (Atwood & Kemper), 12/28/54, & Highby to Alexander, 11/1/54, file 411.3231, State Department archives.

31. This is not to say that American corporations were not investing in Brazil; by early 1956 over 200 American corporations had invested $550 million between 1952 and 1956 in Brazil. Rather, U.S. corporations were not investing at the rate Brazil desired and thus were an impediment to development. Between 1950 and 1953, new investment averaged only $15 million/year and although this figure picked up considerably
in 1955-1956, it was still below Brazilian aspirations. See: 
164-166, 168; J. Peter Grace, "Brazil in the Future of 
541-544 and Grace to Dodge, 3/30/55, Dodge Series, Box 3, 
CFEP Records; Lincoln Gordon and Engelbert L. Grommers, 
*United States Manufacturing Investment in Brazil: The Impact 
University Press, 1962), pp. 19, 33-38, 88; Eric N. Bakla-
noff, "Foreign Private Investment and Industrialization in 
Brazil," in Eric N. Baklanoff, ed., *New Perspectives of 
129-136.

32. The Hague Club agreement allowed Brazil to use foreign 
exchange from one nation to make purchases from the other 
members. Thus, Brazil did not have to have favorable balances 
with each member. See: *Business Week*, 8/20/55, p. 138, 
10/13/56, p. 149; Galbreath to Randall, 11/56, CFEP Records, 
Chronological File, file November 1956 (2). On European 
investment, see: Claude McMillan, Richard F. Gonzalez & Leo 
G. Erickson, *International Enterprise in a Developing 
Economy: A Study of United States Business in Brazil* (East 
Baklanoff, op. cit., pp. 110-111; Gordon & Grommers, op. 
cit., pp. 48-64. West Germany also agreed in 1953 to create a 
"Joint Brazil-German Economic Development Commission" to 
facilitate German investments and in 1954 this commission 
agreed to a five-year, $210 million investment plan. See: 
Walder Lima Sarmanho (President, Brazilian section) to 
Aranha, 3/5/54, Aranha papers. The law of similars forced 
corporations to manufacture in Brazil or be left out of the 
Brazilian market. In 1956 Volkswagen, Mercedes, and Toyota 
all agreed to produce automobiles and trucks in Brazil, which 
forced G.M., Ford, and International Harvester also to 
construct plants.

Stanley, *Food for Peace: Hope and Reality for U.S. Aid* (New 
York: Gordon & Breach, 1973), pp. 59-71; Robert H. Deans, 
"U.S. Foreign Assistance Programs: The Impact of Local 
5, No. 4 (July 1971), pp. 589-604; United States Senate, 
Committee on Agriculture and Forestry, *Hearings: Policies and 
Operations Under Public Law 480*, 85th Congress, 1st Session 
(Washington, D.C., 1957), pp. 52-55, 131-133; United States 
Senate, Committee on Foreign Relations, *Hearings: Mutual 
Security Act of 1954*, 83rd Congress, 2nd Session (Washington, 
D.C., 1954), pp. 68-70; Trimble to Kemper, 1/6/55, Kemper to 
State, #636, 1/6/55, & Cottrell to Terrill, 4/28/55, file
299

320.1, Rio Post File, State Department archives. In 1959 PL 480 was enlarged and became the Food for Peace program. The programs had much support from the Southern and Midwest farm states; Senator Hubert Humphrey was the biggest advocate of PL 480 and Food for Peace. Huskamp points out that the U.S. used food surplus to counter the Soviet Economic offensive.


36. According to Burton Kaufman, Eisenhower proposed the DLF to deflate Latin America's desire for an Inter-American Development Bank and a Special United Nations Fund for Economic Development (SUNFED), which Brazil supported, a reflection on Brazil's frustration over the levels of U.S. financial assistance and a growing belief that it would


38. Export-Import Bank of Washington, "Statement of Loans and Authorized Credits, 3/31/59; Samuel C. Waugh, "The Export-Import Bank and Economic Development in Latin America," 4/16/59, Dossie EXIMBANK, Amaral Peixoto papers; *Jornal do Comercio*, 7/18/59; *O Estado de Sao Paulo*, 11/13/59; Simon G. Hanson, "The Good Partner Policy," *Inter-American Economic Affairs*. Vol. 10, No. 2 (Autumn, 1956), pp. 59-69; Author interview with Cleantho de Paiva Leite, op. cit. Leite was on the BNDE council, which guaranteed and administered most EXIM loans to Brazil. Brazilian resentment over disbursement delays was understandable. Of the $242 million loaned to Brazil between 7/1/56 and 3/31/59, only 43% had actually been disbursed—and over 80% had been agreed to before 1/1/58. In the same period, 100% of EXIM loans to U.S. subsidiaries had been disbursed. Another irritation was the deliberate misrepresentation of statistics to counter Brazilian complaints of inadequate loan amounts. EXIM president Samuel C. Waugh claimed in a Cincinnati speech that in 1958 EXIM had loaned Brazil $140,169,000 for 87 projects. He neglected to
tell his audience that $100,000,000 was a bailout loan, not a development project, or that U.S. corporate subsidiaries received 80 of the projects. Brazil actually received $30 million for six projects, which included $12.5 million to increase iron ore exports to the U.S. This is not to say that Brazil did not benefit from EXIM loans; only that the U.S. benefitted more.


40. Diario de Sao Paulo, 1/12/56; O Estado de Sao Paulo, 10/11/58, 2/25/60, 6/7/60, 6/8/60; Godfrey, "Economic Factors," pp. 114-118; Teresa Hayter, Aid as Imperialism, pp. 46-86; Higgins, United Nations, pp. 161-165; Hanson, "Good Partner Policy," pp. 63-64; Bruno Luzzatto (IBRD) to Eugenio Gudin, 6/25/55 & Gudin to Marcondes Ferraz, 9/14/55, Gudin papers. Gudin was a member of the IBRD board of directors, as well as Finance Minister (7/54-3/55). IBRD, Supplement to Eleventh Annual Report: A Summary of Developments from 7/1/56 to 1/31/57, pp. 3-5; IBRD, Summary Statement of Loans, 12/31/57 & 9/30/58; Eugene R. Black (IBRD Pres.) to Kubitschek, 9/8/58, J. Burke Knapp (IBRD V-P) to Lopes, 9/5/58, Amaral Peixoto papers; Memorandum of Conversation (Black, Herter), 8/3/60, Box 9, Chronological file, Herter Papers. Voting power in IBRD is proportional to a nation's capital stock subscription. At the end of 1958, the U.S. controlled 28.88% of the vote, while Britain controlled 11.96%. Among Latin nations, only Brazil & Argentina (1.58% each), were over .85%. With less than 10%, Latin America did not receive much sympathy or have much power in IBRD, which is the major reason why Latins desired the IDB. In the 1946-1960 period, Latin America received less than 20% of all IBRD loans. See: Henry Simon Bloch, "Regional Development Financing," in Gardner & Millikan, The Global Partnership, p. 188.

41. On U.S. government officials fears of Kubitschek's communist ties, see: Dunn to State, #162, 8/11, #291, 9/9, #320, 9/16, Briggs to State, #181, 8/15, #190, 8/16, #189, 8/16, #198, 8/17, #315, 9/8, Walmsley (from Moscow) to State, #910, 10/18/55, file 732.00, State Department archives. On Kubitschek's "U.S. campaign," see: Dunn to State, #501, 10/25, Dulles to Rio Embassy, 11/23 & 12/20, file 732.00, State Department archives; Barnes to Goodpaster, 12/21, State Department Memorandum of Conversation (Dunn, Nixon, Bernbaum,


Both the concepts of bottlenecks and growth points came from the JBUSED report, as did the priorities in energy, agriculture, and transportation. Lopes and Campos added only the basic industries and education targets. The BNDE document summarizes the need for foreign investment (about $1 billion), the steps necessary to secure investment, and the desirability of U.S. government assistance (also about $1 billion). The document was written by João Batista Pinheiro, who became Brazil's Ambassador to the U.S. during the Carter administration. By sectors, Brazil's estimated foreign capital needs were: transports $582 million; energy $862 million; basic industries $742 million; agriculture $131 million.

Brasilia continues to generate a lot of controversy. Many critics, such as Eugenio Gudín, Ernani do Amaral Peixoto, and Pinheiro call the idea "crazy," and blame Brazil's continuing debt and inflation on Brasilia. Supporters, such as Santos & Lopes (who initially opposed) point to its integrating effects and to its importance in developing the interior. The UDN opposition disliked Brasilia but voted for it to embarrass Kubitschek because they did not believe he could accomplish the enormous task. U.S. officials, particularly Eisenhower and Dulles opposed Brasilia as a "wild-eyed dream," but gave Kubitschek the initial $10 million loan, without normal documentation, as a personal favor to Kubitschek.

By the end of 1956, before the full impact of the Metas had taken effect, foreign firms had invested over $3 billion in Brazil, with the U.S. accounting for approximately 33% ($1.06 billion). The other important sources of foreign investment in order were Canada, Great Britain, France, Argentina, Italy, & Germany. In the 1957-
1961 period, another $500 million entered Brazil. Although many of the U.S. corporations entering Brazil were corporate giants, such as G.M., Ford, Westinghouse, DuPont, International Harvester, W.P. Grace, Dow, Quaker Oats, etc., most were actually relatively small companies. According to Lopes, the metas were designed to be mildly inflationary (15%), but that Brasilia made this goal impossible. Amaral Peixoto relates a meeting in 1956 between himself, Finance Minister Alkmin and IMF representatives, Octavio Paranaguá and Edward Bernstein. The IMF representatives showed even if Brazil reached its foreign capital goals, the metas would lead to runaway inflation without a financial program that included massive tax increases and a greater distinction in foreign exchange priorities.

46. Address by Nixon at the Inauguration of Kubitschek, reprinted in Department of State Bulletin, Vol. 34 (2/27/56), pp. 335-338. The EXIM loans were actually highly significant; in 1954-1955 Brazil received only $4 million in project loans from the EXIM and nothing from the IBRD.

47. Fortune, 3/56, p. 79; Jornal do Comercio, 5/13/56; May to State, #1240, 4/3/56; Dunn to State, #1434, 5/16/56 & #1444, 5/17/56; Terrill to State, 1449, 5/22/56, file 732.11, State Department archives. In their meeting at Key West (1/5/56), Eisenhower stressed to Kubitschek the necessity of a liberal oil policy and Kubitschek told him of the popular support for Petrobrás. Eisenhower to Dulles, op. cit. On Goulart's mission to the U.S., see: Kubitschek to Eisenhower, 4/28/56; Dulles to Eisenhower, 4/30/56; Department of State Memorandum of Conversation (Eisenhower, Hoover, Holland, Goulart, Muniz), 5/2/56, Whitman File, International Series, Box 4, Eisenhower papers. U.S. refusal to grant EXIM loans to Petrobrás was consistent with Eisenhower policy to obstruct government-owned corporations. In 1938, Brazil and Bolivia signed a treaty granting Brazil oil exploitation rights in return for building a railroad to give Bolivia access to the Atlantic Ocean. Although Brazil built the railroad, they had not exercised their oil rights at the time of Petrobrás' passage. In 1954, under U.S. pressure, Bolivia attempted to nullify the 1938 treaty on the grounds that Petrobrás was a state-owned corporation. In 1958, the two sides reached a compromise that reduced the area of Brazil's rights and allowed private Brazilian corporations to exercise the rights. The treaty was negotiated by BNDE President Roberto Campos, who sought to use mixed U.S.-Brazilian corporations. Nationalists denounced the Roboré agreement and Campos. See: Peter S. Smith, Oil and Politics in Modern Brazil, (Toronto: Macmillan of Canada, 1976), pp. 107-110, 118-120; Wendelin to State, #856 1/30/59, #891 2/6/58, #1050 3/13/59, file 732.00,
State Department archives; Author interview with Roberto Campos, op. cit.

48. *Time*, 7/23/56, p. 29; *Business Week*, 7/28/56, p. 99 & 8/4/56, p. 108; Author interview with João Batista Pinheiro, 7/9/86 and Lucas Lopes, op. cit.; Waugh to Lopes, 7/20 & Lopes to Waugh, 7/20/56, EXIM Press Release, 7/30/56, Amaral Peixoto papers, Dossie: EXIMBANK; Holland to Dulles & Dulles to Holland, 7/19/56, Reel 5, pp. 185, 191, Dulles telephone conversations. According to Pinheiro, who accompanied Goulart in May and Lopes in July, U.S. officials were also very grateful that Goulart did not vehemently press a still recovering Eisenhower for assistance. According to Lopes, the U.S. had no choice but agree to the loan--to refuse would call into question the U.S. pledge or U.S. technical expertise. The $151 million was for railroad improvements ($100 million), ports & dredging ($25 million), and electricity ($26.4 million). The Dulles-Holland telephone conversation regards the timing of the EXIM announcement. With the Panama meeting scheduled, U.S. officials did not want to give other Latin nations the impression that Eisenhower and Kubitschek negotiated the agreement either for or during the meeting. *Time* predicted Brazil would receive half a billion dollars.

49. Lafer, pp. 33-48, 215-220. Control of inflation and maintenance of a favorable trade balance were included in the 7/56 EXIM agreement. Kubitschek derived his political support and owed his election to a coalition of urban labor and agricultural interests. To win support for industrialization from the agricultural sector, Kubitschek had to agree to ignore fiscal and agricultural reform. The *metas* in this sector dealt with maximizing profits and getting products to urban markets (warehouse & silo construction, fertilizers, etc.). Lafer points out that elites accepted the *metas*, but refused to pay for them. In comparison to the inflation of the 1959-1965 & post-1974 periods, 12% is excellent.


51. On EXIM negotiations for 1957, see: Hague to Goodpaster, 8/29/57, White House Central File, Official File, Box 854, Eisenhower papers; Alcides da Costa Vidigal (Director, COBRASMA) to Waugh, 5/1/57, J.B. Pinheiro (BNDE) to H. Arey (EXIM), 5/8/57, Zeuxis F. Neves (BNDE) to W.A. Spencer (EXIM), 5/8/57, L.U. Stambaugh (V-P, EXIM) to Pinheiro,

52. For such a major turning point in inter-American relations, very little has been written on the Buenos Aires economic conference. James Bradshaw, in "the lost conference" (a reference to the fact that the conference had been called for in 1945, at Chapultepec, but delayed by the U.S. until 1957), devotes considerable attention to Buenos Aires. Most works on postwar U.S.-Latin American relations virtually ignore the conference and point to the more dramatic Nixon fiasco seven months later. The conference marked the first time a major U.S. official publicly admitted that the U.S. no longer adhered to the assumptions or principles of Pan Americanism. At a news conference a few days after the conference, Secretary Dulles declared: "The United States has some ties with so many countries in the world that it is very difficult for us to work out a special relationship with any one group, no matter how important that group is." See: U.S. Department of State, American Foreign Policy--Current Documents 1957 (Pub. # 7101) (Washington, 1961), p. 369.


54. Bradshaw, pp. 218-224; New York Times, 8/18/57, p. 9 & 8/20/57, p. 6; Herbert Feis, Foreign Aid and Foreign Policy, p. 128. According to Feis, within days of the conference, ICA director J.B. Hollister announced that the U.S. would continue its policy of not providing capital or technical assistance for state run corporations.

By the mid-1950's, several economic development theories had been enunciated and incorporated into both U.S. aid policy and the metas program. The Metas was a synthesis of the "critical rate of growth," "big push," "labor surplus absorption," and Prebisch's structuralist theories. Kubitschek only received 36% of the vote and although campaigned on a platform of industrialization, he owed his election to a PSD-PTB coalition that was an unnatural alliance of rural elites (that controlled the masses), industrialists, and urban labor. To hold together this diverse coalition Kubitschek had to adopt an eclectic development strategy. Agricultural interests and Sao Paulo industrialists opposed structuralist arguments for basic reforms and spatially integrated development, while labor resisted orthodox policies that often ignored its interests. In practice, Kubitschek served as arbitrator and no group in the coalition dominated policy.

Developmental problems and theory were the raison d'etre of the Institute. Its rigorous one-year course included history, economics, political science, philosophy, and sociology and its students were mostly government employees on leave. Members of the ISEB consultative board included Lucas Lopes, F.C. Santiago Dantas, A.F. Schmidt, Hermes Lima, Horácio Lafer, all prominent within the Kubitschek administration, and others, such as Gilberto Freyre, Herbert Moses, and Luiz Simões Lopes, who had much prestige in society. Members of the ruling board and department heads included Hélio Jaguaribe, Roberto Campos, Candido Mendes de Almeida, and Roland
Corbisier, likewise prominent in their respective fields.


59. Hélio Jaguaribe, O Nacionalismo na Actualidade Brasileira (Rio: ISEB, 1958), pp. 161-220; Jaguaribe, "A Brazilian View," pp. 67-93; Roberto Campos, Ensaios de História, Economica, e Sociologia, pp. 119-141. Foreign investment was the most controversial issue among the intellectual elite in the late 1950's and led directly to the "developmental nationalists" leaving ISEB in 1958. Radical isebistas, led by Corbisier, Alvaro Vieira Pinto, and Nelson Werneck Sodré violently opposed Campos & Lopes policies as well as Hélio Jaguaribe, and Candido Mendes acceptance of foreign capital, even with controls. Jaguaribe's O Nacionalismo na Actualidade Brasileira was the immediate cause of the rift. He advocated foreign participation in oil exploration & exploitation and stated that the Brazilian bourgeoisie had the capability to lead Brazilian development and thus avert a socialist revolution. See: Bonilla, pp. 236-237. Disagreement over foreign investment partly explains the struggle at the same time between "monetaristas" and "structuralistas" over inflation. Monetaristas (neo-liberal), such as Eugenio Gudin, stressed the need for a low inflation rate in order to attract foreign capital. Structuralistas did not want foreign investment and did not care as much about inflation. See: Storrs, pp. 202-207.


61. Maria Victoria Benevides, O Governo Kubitschek, pp. 236-242; John W.F. Dulles, Unrest in Brazil, pp. 87-88; Bonilla, pp. 253, 261-263; Wendelin to State, #634 12/5/58, #1016 3/6/59; Raine to State, #158 8/11/59, #494 11/13/59, file 732.00, State Department archives. ISEB and radical na-
ationalist fears of U.S. capital/domination was not shared by Kubitschek, whose fundamental optimism and confidence was genuine. More in line with Kubitschek's beliefs are a statement by his friend and Finance Minister, Lucas Lopes: "Let us not create anew in Brazil the impression that to deal with the Monetary Fund and other credit agencies of friendly countries is an act of submission or entreguismo. We are already too big and too powerful to feel shy about contending with other nations." Bonilla, p. 253. According to Benevides, Kubitschek had no "affinity" with ISEB and did not share their ideology, but had an "ideology of accomplishments."


64. In 1958, oil and wheat imports were $500 million, or about half of Brazil's export revenues. Nevertheless, the Kubitschek regime continued to make large purchases for machinery necessary for industrial expansion. See: Otto T. Krauser (V-P, Chase Manhattan Bank) to Aranha, 12/19/57, Aranha papers; Business Week, 4/26/58, pp. 108-110; Time, 5/25/59, p. 28. The 1958 drought led to the creation of SUDENE (Superintendency for the Development of the North-east). On the drought on its political & economic effects, see: Riordan Roett, The Politics of Foreign Aid: In the Brazilian Northeast (Nashville: Vanderbilt University Press, 1972), pp. 6, 24-34.


66. Lopes & Campos interviews, op. cit.; John W.F. Dulles, Unrest in Brazil, pp. 85-86; Skidmore, Politics in Brazil, pp. 174-179; Kubitschek, 50 Anos em 5, pp. 273-278, 369-372; E. Wendelin to State, #856 1/30/59, file 732.00, State Department archives. In October 1958, even conservative coffee growers began demonstrating against the government with a "production march," designed to force Lopes to raise the price the government paid to coffee exporters. Lopes used the Army to break up the march before it reached Rio. According to Lopes, the political fallout from the march and the controversy surrounding the Roboré Agreement were more decisive than the failed IMF negotiations for Kubitschek's losing faith in Lopes and Campos.

67. There are literally thousands of records concerning OPA. The Brazilian government issued a five volume set of OPA documents, mostly speeches and letters of Brazilian (especially Juscelino Kubitschek and Augusto Frederico Schmidt) and foreign policymakers (including Eisenhower, Dulles, and Thomas Mann). The Eisenhower Library also has many documents. Department of State records, under the file #732.00 and
363.00. They are too numerous to mention, but reveal a concern that Brazil is abandoning her role as the conciliator between the U.S. and Spanish America and the special relationship for an attempt to forge an alliance with Spanish America to force the U.S. to increase assistance. See: Wallner to State, #861, 1/30/59, Wendelin to State, #1294, 5/8/59, D'Alessandro to State, #1324, 5/14/59, file 732.00 & Shields to State, #1413 6/4/59, file 363.00, State Department archives. Contrary to accepted interpretation, the U.S. was not lukewarm or supportive of OPA, but hostile. U.S. officials and press reporters also saw Kubitschek's 1959 break with the IMF as an attempt to force a change in U.S. policy. For examples, see: E.W. Kenworth, "Rio's Stand on Aid Stirs U.S. Concern," New York Times, 4/12/59, pp. 1 & 33; Tad Szulc, "Latin May Join Rebellion on Aid," New York Times, 6/15/59, p. 10.


69. Brazil's conservative and prestigious O Estado de Sao Paulo criticized the new EXIM policy vehemently as contrary to Eisenhower's stated policy and to the Good Neighbor. In 1959, Brazil paid $64 million and received $54 million; in 1960, its negative balance was $20 million. See: O Estado de Sao Paulo, 11/13/59, 5/24/60, 6/11/60, 8/16/60, 1/5/61. The U.S. agreed to form the IDB only after announcing its intention to form an Asian Development Bank. On the IDB, see: New York Times, 4/9/59, pp. 1, 16; OPA, Vol. V., pp. 23-79; Author interview with Cleantho Leite, op. cit.. Leite was
Brazil's representative for the IDB negotiations.

70. United States Department of State, Bulletin, Vol 38, 5/19/58, p. 842 and Vol. 40, 3/2/59, pp. 305-306; Herter to Eisenhower, 11/20, Birch to Eisenhower, 11/20, Herter to Lewis Strauss (Sec. of Commerce), 11/20, Strauss to Eisenhower, 12/12, Paarlberg to Eisenhower, 12/15/58, White House Central files, Confidential Files, Box 88, Folder, Trade Agreements and Tariff Matters, Eisenhower papers. Both the Departments of Agriculture and Interior opposed the agreement.

71. Herter to Eisenhower, 10/11/57, Box 3, Chronological Series, Herter papers; Paul C. Cullen to Paarlburg, 2/17/59, & Herter to Eisenhower, 11/20/58, White House Central Files, Confidential File, Subject Series, Box 88; Memorandum for the President, 5/59, Whitman File, International Series, Box 4, Eisenhower papers; Ralph E. Becker to Amaral Peixoto, 7/15, 10/8, 11/3/59, 1/5/60, Dossie: Participação do Brasil na lei Norte-Americana do Açúcar, Amaral Peixoto papers.

72. Kubitschek, 50 em 5, pp. 249-256; Benevides, Governo Kubitschek, pp. 221-224; Skidmore, Politics, pp. 176-179; O Estado de Sao Paulo, 6/3/58, 11/1/58; EXIM Bank Press release, 8/8/58, Paranaguá to Peixoto, 9/5/58, Peixoto to Exteriores, 12/12/58, 12/18/58, Jacobsen to IMF Executive Board, 12/12/58, Draft Minutes of IMF Executive Board Meeting, 12/18/58, Amaral Peixoto papers.


CHAPTER VI

Brazil has come of age. We are no longer poor relatives obliged to stay in the kitchen and forbidden to enter the living room. We ask only collaboration of other nations. By making greater sacrifices we can attain economic independence without the help of others.

--Juscelino Kubitschek, 6/27/59

Juscelino Kubitschek inherited the presidential sash on January 31, 1956. Elected with a threadbare plurality and inaugurated only because of military intervention, the 54 year old physician entered office amidst political crisis. As the inheritor of getulismo who had received Communist Party support during the campaign, Kubitschek could expect unyielding opposition from the anti-Vargas UDN and skepticism from U.S. leaders. But while suspicious of Kubitschek, his statements in his pre-inaugural trip encouraged U.S. officials. United States-Brazilian relations had been in a state of suspended animation since Vargas' suicide. Café Filho's caretaker regime had tackled quietly Brazil's inflation and balance of payments problems, but its status prevented resolution of major political issues, such as the
petroleum controversy. Although a minority president, Kubitschek provided some hope that their problems could be resolved. In the words of interim president Nehreu Ramos, Kubitschek began "in an hour of great changes and hopes." 1

Despite the cautious optimism of U.S. officials and Brazil's strategy of close accommodation with the U.S., Brazilian-American relations actually worsened in the second half of the Kubitschek administration, even as their cooperation with the U.S. continued in the United Nations and in strategic concerns. As with Dutra, under Kubitschek Brazil was an enthusiastic supporter of the United States, but, as with Vargas, Kubitschek expected the U.S. to reciprocate with increased economic assistance. When the U.S. proved unwilling to provide such assistance, Kubitschek sought alternative sources and pursued strategies to force new United States policies. Operation Pan America (OPA) became Kubitschek's major innovation and alternative to the bilateral strategy or special relationship. As such, OPA marked a departure in Brazilian foreign policy and a cautious, but important step toward the "independent" foreign policy of the 1961-1964 period.

BRAZILIAN FOREIGN POLICY UNDER KUBITSCHEK

Juscelino Kubitschek was perhaps the most successful president in Brazilian history. A man of action, Kubitschek pledged "fifty years progress in five years" and "what I
start, I finish." His prodigious achievements transformed Brazil. Part of his success was due to his single-minded pursuit of economic growth and the openness in which he shared his policies and aspirations. Kubitschek stated his policies clearly and often, using his immense political and public relations skills—enthusiasm, confidence, charisma, as well as boundless energy, to mobilize the Brazilian people to a degree never before accomplished. But in 1956, few thought of Kubitschek as a savior.

To his enemies and some American officials, Kubitschek seemed a partisan and opportunistic politician. Despite this assessment and his penchant for showmanship, Kubitschek's domestic and foreign policies proved him to be a cautious, conciliatory, and realistic statesman. He quickly ended the state of siege and press censorship imposed during the November crisis, and granted amnesty to Air Force officers who rebelled when he took office. Kubitschek's cabinet selections reflected his desire to work with all factions within Brazil. Conservatives that could deliver votes in Congress dominated the cabinet selections. Kubitschek retained the indispensible Lott as War Minister and also paulista Foreign Minister José Carlos de Macedo Soares from the Ramos interim government. Macedo Soares had been Foreign Minister in the 1930's and when he assumed his duties he stressed the "continuity" of Brazilian foreign policy. The
Finance Ministry went to a fellow mineiro and prominent PSD Deputy, José Maria Alkmin.2

Throughout his tenure as president Kubitschek operated with severe constraints on his authority to make foreign policy. Politically, the nation was polarized and the party system so fragmented and personalistic as to be virtually inoperative. Kubitschek's PSD/PTB coalition ran the spectrum from the conservative, pro-American "old guard" PSD, to an anti-U.S. radical PTB faction. This diverse and unstable coalition required frequent gestures to maintain, but often broke down in the Congress. The normally pro-U.S. UDN was so intransigent in its opposition to Kubitschek that when the president asked Congress to consider allowing foreign corporate participation in petroleum exploration, the UDN and PTB joined in a "unholy alliance" to defeat the move. Besides the UDN, large segments of the armed forces opposed the regime. War Minister Lott's power and prestige guaranteed a degree of stability, but Kubitschek always had to move cautiously.3

Kubitschek linked, even subordinated, Brazilian foreign policy to his economic development goals. In practical terms this meant his administration made significant efforts to increase trade and to attract foreign investment. In the United Nations and Organization of American States, Brazil maintained its previous support for proposals to increase
technical and development assistance, as well as to create or maintain organizations that the U.S. opposed, such as SUNFED and ECLA. Under Kubitschek, Brazil also supported U.N. efforts at global disarmament, in the belief that reduced tensions and military spending would lead to a greater emphasis on economic development.4

Tactically, Kubitschek's foreign policy was more similar to that of Dutra and Café Filho than to Vargas, but like Getúlio, Kubitschek's economic goals determined his foreign policy. As with Vargas, Kubitschek delegated authority to his Foreign Minister in foreign policy matters, especially those issues that did not concern the programa de metas. Macedo Soares successfully continued Neves da Fontoura's efforts to improve relations and increase trade with Western Europe and Latin America, particularly in the Southern Cone. One obvious difference between the two was that while Vargas' almost xenophobic hatred of the British and French led to an anti-colonial policy in the U.N., Kubitschek supported the colonial powers.5

Although Kubitschek gave Macedo Soares a free hand in pursuing trade agreements and cultural conventions with other nations, Kubitschek retained control over relations with the United States. Because Kubitschek's economic development strategy relied heavily on securing massive foreign investment and government aid, Brazilian-American
relations retained its traditional paramount importance. As Brazil's major trading partner and chief source of credit, investment capital, and technology, close relations with the U.S. were clearly imperative. As Ambassador, Kubitschek therefore chose a close political ally, Vargas' son-in-law and PSD chairman, Ernani do Amaral Peixoto. Peixoto's domestic influence, his familiarity with U.S. officials, and his politically astute wife, Alzira Vargas do Amaral Peixoto, made him an excellent ambassadorial choice. Although Peixoto received great latitude to implement policy, he nevertheless returned often for consultation.6

Kubitschek also attempted to secure American support by communicating directly and forming a personal relationship with Eisenhower. As mentioned earlier, Kubitschek's desire to acquaint himself personally with Eisenhower was a major reason for his pre-inaugural trip to the United States. In addition to their Key West meeting, Kubitschek wrote frequent letters to his American counterpart, always in warm, conciliatory, and deferential tones. Despite this effort, neither Kubitschek nor Eisenhower were ever comfortable with the other. As one U.S. official from the period stated, "It is very difficult to imagine circumspect old soldier Dwight Eisenhower laughing at one of Kubitschek's off-color jokes, or John Foster Dulles giving Juscelino a Brazilian embrace."7
Kubitschek also attempted to take advantage of the Eisenhower administration's preoccupation with Communism. Kubitschek pledged a crackdown on the Communist Party in Brazil, rejected PTB demands to re-establish relations with the Soviet Union, and also stressed the need to fight Communistic propaganda and its appeal to the Third World with economic development assistance. Kubitschek believed that only prosperity and industrialization could deter Communism in his own Brazil. Both in his pre-inaugural trip and during vice-president Nixon's visit to Brazil for his inauguration, Kubitschek linked Communist successes with conditions of poverty and suggested that large-scale U.S. assistance was a necessary weapon to fight off the red tide.8

More important than appointing a top-notch Ambassador, cultivating personal relationships, and playing upon the U.S. fears of Communism to gain U.S. assistance, however, were Kubitschek's efforts to cooperate as much as possible with the United States in order to prove Brazil's reliability and worthiness of assistance. On strategic issues in the U.N. and in the global crises of the period, Brazil firmly sided with the United States. By the end of the decade, however, the U.S. had lost control of the U.N., was considering how to bypass the international organization, and therefore became less concerned with gaining Brazil's support. Kubitschek's commitment to the West in the cold
war, it must be understood, was genuine, as was his conviction of the superiority of taking the private capital road in gaining Brazil's rapid economic development. 9

ENCOURAGING START: THE GOULART AND LOPES MISSIONS AND THE PANAMA MEETING

Despite the fact that Kubitschek's actions encouraged U.S. officials, suspicions regarding Kubitschek remained, as did the question of U.S. corporate participation in Brazilian oil development. Kubitschek's request to Nixon in 1956 for formal negotiations for economic assistance went unanswered, a sign of Washington winds. In April, Kubitschek than took advantage of Nixon's perfunctory invitation to vice-president Goulart to visit the U.S. to send Goulart to Washington with a letter to Eisenhower requesting increased assistance.

If U.S. officials were skeptical of Kubitschek, they clearly disliked Goulart. As leader of the nationalistic PTB and the direct political heir to Vargas, the former Labor Minister had a reputation for demagoguery, unscrupulous dealings with Communists, and unabashed admiration for Juan Perón. State Department officials considered "Jango" unprincipled and interested in power for its own sake. Moreover, Goulart had boasted he would "push Ike against the wall." Still recovering from his heart attack and gearing up for a re-election campaign, Eisenhower had no desire for a contentious meeting.
Goulart, however, shocked his hosts by his cordiality, deference, and praise for Brazilian-American cooperation. The letter the vice-president delivered was likewise polite and did not specifically request negotiations. After their pleasant surprise, U.S. officials agreed to hold informal negotiations, as if to reward Brazilian deference. BNDE official João Batista Pinheiro, author of the *programa de metas* section on foreign capital requirements, began discussions late in May of 1956.10

While Pinheiro met with U.S. officials, Eisenhower called for an inter-American meeting of presidents, to be held in Panama to commemorate the 130th anniversary of Simón Bolívar's Congress of Panama. Although Eisenhower had intestinal surgery in June, he wanted to prevent potential election-year attacks that he had neglected Latin America. The meeting was to be primarily social, but U.S. officials announced in advance that discussions would be held on ways to strengthen the OAS and inter-American solidarity.

On the eve of the meeting, BNDE president and Development Council head, Lucas Lopes travelled to Washington to follow up on the Pinheiro talks. Dulles and Holland were anxious to conclude the negotiations prior to the meeting in order to reduce similar loan requests from other Latin nations during the meeting. The day Lopes departed, Chamber Majority Leader and Congressional delegate to the meeting
Tarcilo Vieira de Melo (of Kubitschek's PSD) viciously attacked U.S. policy toward Brazil. Kubitschek, Macedo Soares, and Ambassador Peixoto defended their policy, but the outburst concerned U.S. officials and spurred their efforts to conclude the negotiations successfully. The Lopes mission was a resounding success and seemed a major step toward achieving Brazilian-American amity. Lopes received $150 million in EXIM loans and State Department and EXIM officials expressed a willingness to fund the entire foreign government assistance goals of the metas, provided Brazil's inflation and balance of payments remained at acceptable levels.11

As with most inter-American meetings in the postwar era, the Panama Conference produced little except platitudes. Eisenhower proposed that each president appoint a special representative to study inter-American problems in a "Committee of 21" and announced that his brother Milton would be his spokesman. In private discussions with Kubitschek, Eisenhower promised sympathy for Brazilian aspirations, but offered nothing concrete. The meeting in Panama and subsequent gatherings of the "21" in Washington of presidential representatives disappointed and apparently surprised Kubitschek, who came to Panama well-briefed and prepared to discuss measures to implement resolutions from the Rio Finance Ministers Meeting. The U.S. had once again
merely employed a delaying tactic instead of making genuine concessions or delivering more aid. Still, Kubitschek had good reason to believe his policy of cooperation was working.12

Unfortunately, almost immediately after the Lopes mission and Panama meeting, U.S.-Brazilian relations became embroiled in Brazil's domestic politics. Congress had already displayed misgivings toward Kubitschek's policy of accommodation with the U.S. In April, the administration had floated a proposal to allow foreign corporations to subcontract with Petrobrás, but Congress' hostile response forced Kubitschek to retreat to a more nationalist position and publicly ridicule the idea.13

Also in April, nationalist Deputy Renato Archer (a naval officer and member of Kubitschek's PSD), attacked the 1955 atomic energy agreement with the U.S. negotiated by Juarez Távora as detrimental to Brazil's interests. Archer also charged that Orquima S.A., the company that sold minerals to the U.S. under the agreement, had received excessive profits for its sales. In response, Kubitschek appointed a committee to study the charges and the agreement. In August, Brazil's National Security Council announced the committee's findings and advised the president to abrogate the agreement; Kubitschek agreed. Both governments downplayed the significance and truth of Archer's charges.
and continued to cooperate on a lesser scale in the atomic energy field, but the episode confirmed American suspicions that Kubitschek was a weak and ineffective leader.14

THE EISENHOWER "EQUILIBRIUM" AND THE SECOND ADMINISTRATION

United States-Latin American relations were relatively stable in 1956. The region was free of crisis, and if relations were not good, neither were relations terrible or even worsening. Administration officials could point to the Caracas Declaration and other expressions of inter-American solidarity (such as the those from Rio and Panama meetings) and the success of the CIA-sponsored coup in Guatemala as proof of the soundness of U.S. policy in Latin America. Some felt that an "Eisenhower equilibrium" of sorts had been achieved with the region.15

Beneath the calm, however, remained unresolved conflicts and new factors that could easily disturb the equilibrium. By 1956, a new cold war competition centered in the Third World had replaced the "spirit of Geneva," that had momentarily reduced tension with the Soviets. Latin America's relative isolation allowed U.S. policymakers to neglect the region once again and to focus energies and resources on the East Asia and the Middle East. Although aid to Latin America increased in 1956, aid to other regions (that often opposed the U.S. in the U.N.) increased more rapidly. The Fairless Committee (1956-1957) virtually
ignored the Western Hemisphere. Despite Latin resentment, events such as the Suez Crisis and Soviet invasion of Hungary, captured world headlines and American attention and made certain that Latin America would remain a low priority in U.S. policy.16

Other factors added to a sense of abandonment among Brazilians. Unlike the 1952 campaign, Latin American relations were not even a minor issue in Eisenhower's re-election campaign. Throughout the campaign brother Milton and the Committee of 21 met regularly to discuss inter-American problems, and while accomplishing little, the meetings helped to delay any serious discussion of Latin American issues. Additionally, in 1956 most officials concerned with Brazilian matters left the U.S. government. In July, Ellis O. Briggs replaced Ambassador James Dunn. Like Dunn, Briggs was an extremely capable career officer.

In August, Assistant Secretary Henry Holland resigned to become a consultant for U.S. oil companies operating in Latin America. Eisenhower did not replace Holland until after the election. Roy R. Rubottom, Holland's interim and eventual successor, was a young and relatively inexperienced career foreign service officer who lacked prestige and influence. Before the election Under Secretary Herbert Hoover Jr., also resigned to work for Treasury Secretary George Humphrey's Hanna Mining Company. Hoover's replace-
ment, former Massachusetts governor Christian Herter, had limited experience in Latin American affairs and a negative image among Latins. As chairman of the House Select Committee on Foreign Aid in 1948, Herter had strongly opposed using Marshall Plan funds to benefit Latin America. By 1957, only Milton Eisenhower, EXIM president Samuel Waugh, and the distracted and inattentive Dulles remained from the first Eisenhower administration as key policymakers in Brazilian relations.17

Despite the new "team," U.S. policy toward Brazil did not change substantially in 1957 and relations suffered almost immediately. Herter and Briggs agreed with earlier State Department assessments that Kubitschek was demagogic, irresponsible, and opportunistic, a poor administrator and weak leader, unable to control his supporters or communists— an unreliable ally and poor credit risk. Although Kubitschek successfully made a direct appeal to Eisenhower for an EXIM $10 million loan to begin construction of Brasilia, in 1957 the U.S. substantially reduced aid to Brazil and denied several EXIM loan requests.18

In their skepticism of concerning Kubitschek and in their insistence on "technical soundness" and "ability to pay" standards for loans, U.S. officials failed to realize that conditions in Brazil had changed. By 1957 Kubitschek had consolidated his position and Brazil was more stable
than it had been since the election of Vargas. The metas' success in generating economic growth had stimulated Brazilian pride, nationalism, and support for the government.

Kubitschek's mobilization in support of development led many Brazilians to view U.S. credit restrictions as manifestations of indifference or hostility with Brazil's "destiny" as a coming world power. 19

More importantly, Kubitschek had expended a lot of political capital to prove his fidelity to the United States and had supported the U.S. on controversial issues such as the Fernando de Noronha missile station. Yet critics pointed out that the returns to Brazil quickly diminished (as with the JBUSEDC) once the U.S. achieved its strategic goals. In June, EXIM stopped disbursement of previously approved loans due to Brazil's foreign debt and rising inflation. Criticism of the U.S. grew to such an extent that Ambassador Peixoto felt compelled to denounce "false nationalism" and to defend the government's policy of close cooperation. Peixoto pointed to U.S. investments and loans that helped Brazil earn greater exchange as proof of the advantages of the alliance. Kubitschek also continued to eulogize Brazilian-American cooperation in speeches and in contrived "pseudo-events," such as manning the periscope of a U.S.-loaned submarine, and while aboard a U.S. jet, being the first Chief of State to break the sound barrier. While "good
copy," such events did not solve the growing problems in relations.20

While the U.S. cut aid to Brazil, aid to African nations rose as did U.S. purchases of African commodities that competed with those of Brazil. In April 1957, vice-president Nixon visited seven African nations. Upon his return, Nixon advocated a higher "priority" for Africa, an adjustment that only could come at Latin America's expense. In response, Eisenhower created a Bureau of African Affairs in the State Department and increased his FY 1958 aid request for the region. The Buenos Aires Economic Conference in August increased resentments when the U.S. rejected measures overwhelmingly endorsed by the Latin American delegations.21

At the beginning of 1958, United States-Brazilian relations were at their lowest ebb since the crises of 1954. An October 1957 financial mission headed by Lucas Lopes to Washington with EXIM and IMF officials did not resolve differences over assistance levels or Brazil's economic policies. In January 1958, Brazil hosted an international coffee conference to seek a supplier agreement to shore-up coffee proces. The U.S. sent observers, but did not modify its opposition to commodity agreements. Commenting on a joint Adlai Stevenson/John Foster Dulles declaration in support of intensified and coordinated assistance programs
in Africa and Asia in association with European nations, Ambassador Peixoto commented, "As always, Latin America was omitted." Peixoto told his superiors of a general feeling among Latin American diplomats in Washington of the need for concerted action to force the United States to pay more attention (give more aid) to the region, but warned that there was a growing consensus within Washington for strong measures against neutralism. The price of aid, in short, might be more active support for U.S. Cold War

Peixoto suggested that a publicity campaign might secure more aid.22

Others disagreed. In speeches to the Escola Superior de Guerra, two prominent diplomats, José Sette Camara Filho and João Carlos Muniz advocated Latin American unity (under Brazilian leadership) in order to negotiate more effectively with the United States. In a series of newspaper interviews, Hermes Lima, a former U.N. delegate and PTB Deputy, declared that the "OAS is a beautiful idea, but has never functioned." Lima also stated that "there is no U.S. policy toward Brazil," and blamed the U.S. for the "deterioration in U.S-Brazilian relations [that] constitutes a threat to continental unity." Former Foreign Minister Aranha added that Brazil was too great a power to follow U.S. leadership without a heightened regard to its own interests.23
Such advice certainly reflected presidential disillusionment. Kubitschek expressed his displeasure at the state of relations by virtually ignoring the U.S. in the foreign policy section of his state of the union message to Congress. Relations with Portugal received more attention than Brazilian-U.S. relations. Instead, the president stressed increased trade and cultural exchange with Latin America, an accord to study a possible South Atlantic Defense Organization, Brazil's participation in the U.N. Emergency Force in the Suez and other U.N. activities, and Brazil's efforts to retain its petroleum rights with Bolivia. The last subject was another irritant in U.S.-Brazilian relations because the Bolivian government acted after former Assistant Secretary Holland encouraged it to void the 1938 treaty.

THE NIXON DISASTER AND THE INITIAL PHASE OF OPA

Brazil was not the only Latin nation disillusioned by U.S. policy, but apparently U.S. officials were unaware of the extent of anti-American sentiment in the hemisphere. On April 28, 1958 Vice-President Nixon embarked on a eighteen-day, eight-nation goodwill tour of South America. The trip was an integral part of the Eisenhower administration's policy toward Latin America; publicity visits by high-ranking officials to demonstrate U.S. "concern" for the region. Unfortunately, the "goodwill" mission degenerated into a series of angry crowds and riots and Nixon barely
escaped death in Caracas, Venezuela. Administration officials quickly blamed Communists for the fiasco, but the riots presented vivid evidence of the sense of dissatisfaction, even frustration in Latin America, and seemed to prove the failure of U.S.-Latin American policy.25

Whatever the cause, the riots provided Kubitschek with an opportunity to break through the impasse. On May 28, Kubitschek wrote a letter to Eisenhower which Ambassador Peixoto delivered personally on June 5. Kubitschek stated that "the hour has come for us to undertake a thorough revision... for the furtherance of Pan American ideals in all of their implications." Written by Kubitschek adviser Augusto Frederico Schmidt, the vague but constructive letter was a hemispheric apology that provided Eisenhower a chance to lessen the damage caused by Nixon's mission. Eisenhower told Dulles that he was "delighted Kubitschek had seized the initiative" and urged him to follow up immediately. While Eisenhower's response to Kubitschek was also vague and reflected his continued emphasis on military solutions, he wrote "you have described accurately both the existing situation and the desirability of corrective action." The President also expressed his gratitude to Peixoto and immediately sent Assistant Secretary Rubottom to Rio for consultations.26
Eisenhower's prompt and favorable reply surprised the Brazilians and forced them to elaborate their vague proposal into a program. On June 6, Macedo Soares asked Latin Ambassadors in Rio to meet at Itamaraty to exchange ideas on the proposal. Rubottom and Kubitschek met on June 10. Rubottom promised that details of a future meeting of presidents or foreign ministers would be worked out when Secretary Dulles arrived August 5. Rubottom also promised Kubitschek the U.S. would work closely on the proposal, now known as "Operation Pan America," or "OPA."27

Kubitschek and his foreign policy advisers, José Sette Camara and A.F. Schmidt, however, did not seek to exclude the other Latin American nations from OPA, or to help extricate Washington from its crisis in return for short-term gains. The Nixon riots seemed to offer Brazil an unprecedented opportunity to encourage a new U.S. policy firmly supporting economic development. This goal could not be accomplished through a bilateral strategy, however, but only with Latin unity and a dramatic initiative. As presented initially, OPA was not a radical departure in Brazilian foreign policy. Rather, OPA embodied traditional Brazilian foreign policies, such as pan americanism and anti-communism, with the post-1930 linkage with economic aspirations and the Vargas-Kubitschek policy of closer ties with South America. But the fortuitous Nixon riots and Eisenhower's
enthusiastic response to Kubitschek's proposal, gave the policies an entirely new dimension.28

To his critics in Brazil and the United States, Kubitschek launched OPA primarily to deflect attention from his troubling domestic problems and economic failures. For over two years Juscelino had walked a tightrope between the Left and Right wings of his coalition. Nationalists in the PTB and the "ala moça" (young turks) wing of the PSD condemned his welcome of foreign private capital, while Kubitschek's rural support had been hurt by reduced agricultural commodity prices and exports. By May 1958, Brazil was virtually bankrupt, and Kubitschek had to reach an accommodation by implementing fiscal austerity measures with the IMF and EXIM for new loans to finish Brasilia and the other metas.29

Kubitschek's diplomatic initiative as it turned out, accentuated his domestic problems. In June, Foreign Minister Macedo Soares resigned, not because he opposed OPA, but because he had been excluded from its planning. Conservatives disliked the new Foreign Minister, Francisco Negrão de Lima, former Ambassador to Portugal and Paraguay and mayor of Rio de Janeiro. At the same time, Finance Minister José Maria Alkmin resigned due to his reluctance to accept the fiscal austerity program demanded by the IMF. Alkmin's replacement, BNDE President Lucas Lopes, was capable and close to Kubitschek, but his fiscal orthodoxy and pro-
foreign investment views made him unpopular with nationalists.30

On June 20, the Brazilian government sent a letter to all American chiefs of state to explain the OPA initiative and Kubitschek addressed the nation for the same purpose. For those familiar with Juscelino's earlier foreign policy speeches, there was little new. Kubitschek again stressed the global struggle between Communism and Christian democracy, linked underdevelopment to the Communist threat in the region, and called on the U.S. to make economic development a priority. The major innovation was its assertive tone:

"This country has already reached a spiritual and material level which confers upon it perforce the right and duty to make itself heard. It cannot continue to accept passively the orientation and the measures pertaining to policies with which it is not fitting it should be solidary in an automatic way, merely through habit or as a consequence of its geographical position.... There is awakened the consciousness that it is no longer convenient for us to form a mere chorus, a featureless rear-guard, a simple background to the picture. This type of role in the world drama appeals to no one, much less the great North American democracy."31

Kubitschek's speech underscored his differences with the U.S. on the issues of Communism and economic development. At issue was whether unrest was Communist-inspired and a police matter or the result of economic and social conditions, and whether the U.S. was doing enough or could do more to promote growth and prosperity. To Kubitschek, at
stake were the *programa de metas*, the future of the inter-American system, and ultimately the West. With the success of Sputnik, the end of American nuclear superiority, and the growing assertiveness in Soviet foreign policy, a strong and united West was vital. In essence, Kubitschek demanded concessions for its support, as Vargas had in World War II.

Brazil next sought to mobilize Latin American support for OPA. This task created problems for Brazilian policymakers. Only if OPA proved itself a meaningless phrase, it became clear, could Spanish American support be guaranteed. Therefore Brazil must make a serious effort to overcome its Spanish cousins' historic distrust, made difficult by Kubitschek's assuming the initiative. Kubitschek thus made every effort to convince Latin Americans that OPA was not merely a Brazilian proposal, but one founded on the needs of the larger hemispheric community. Most nations agreed with and gave whole-hearted support to the Operation's "thesis." By the end of July, 1958, only Mexico had expressed misgivings but Brazil could count on complete support from Argentina, Chile, Colombia, and Peru.32

Kubitschek also sought to mobilize Brazilian public opinion in support of OPA, but press reaction to his June 20 speech was overwhelmingly negative. Some critics believed that OPA was merely a dramatic ruse that feigned independence in order to hide Brazil's capitulation, while others
saw OPA as proof that Kubitschek had sided with the nationalists. Prestigious conservative newspapers, such as Jornal do Brasil, Tribuna da Imprensa, and Correio da Manha, condemned the speech as demagogic, needlessly provocative to the U.S., unrealistic, and compromising the inter-American alliance. Nationalist papers, such as Ultima Hora and Imprensa Popular, criticized the speech as a "confession of subordination" to the U.S., that Kubitschek sought to "perpetuate the dictatorship of dollars," and that Brazil should now widen its horizons and seek trade with the Soviet bloc. Such partisan commentary did not allay the suspicions of the military. On July 17, Kubitschek addressed the Escola Superior de Guerra to stress that OPA was not anti-American, that the relationship was "indestructable," and "not one of subordination, but of interdependence."33

A more serious problem concerned the United States; if the U.S. opposed OPA, most Latin nations would not support OPA, even if sympathetic. Thus, to be successful, an understanding with the U.S. was essential. Kubitschek reiterated his ideas in a New York Times interview. Brazil had to convince Americans that "underdevelopment was a serious problem in U.S. foreign policy," that Latin America was a "strategic imperative" of the West in the cold war, and that OPA would ensure the "vitality of the inter-American system." As Kubitschek said: "Pan-Americanism has advanced
miles in the field of principles, but it has only advanced a few inches in the field of economic accomplishment." He also wanted a high-level meeting in Washington to attract increased press coverage and to help shape U.S. public opinion. However, an immediate meeting that lacked substance or adequate preparation was not desirable. Brazilians also wanted to avoid concrete proposals in order to ensure Latin American unity and thus to prevent the U.S. State Department from pursuing a divide and conquer strategy. 34

Prior to Dulles' trip to Rio to discuss OPA, Kubitschek suddenly increased its scope. In July, an Iraqi coup d'état brought a nationalist regime to power and revolution appeared imminent in Jordan and Lebanon. Eisenhower dispatched troops to Beruit and Kubitschek wrote, ostensibly to offer Brazil's support. In his letter to Eisenhower, Kubitschek declared that Latin America also had concerns about the Mid-East crises and suggested that the U.N. Security Council hold an international summit conference in order to ensure Latin American participation. Within days, Itamaraty reminded its embassies that OPA had been presented not only to combat underdevelopment, but also to seek a larger role for Latin America in world affairs. 35

As the Dulles trip neared, Ambassador Peixoto wrote to Kubitschek to express his concerns about the effect of OPA on the relationship. Peixoto had opposed OPA as unnecessa-
rily complicating relations and he warned that OPA should not take precedence over bilateral negotiations/relations. He also stressed that Dulles had to be convinced that OPA was not a hostile initiative, but was consistent with U.S. goals. In addition to OPA, Dulles came to discuss several continuing problems, including military equipment due to Brazil from the Fernando de Noronha Agreement, a $100 million EXIM stabilization loan nearing completion, and Brazil's efforts to attain an EXIM loan for Petrobrás.36

Secretary Dulles arrived in Rio August 4, accompanied by Assistant Secretary Rubottom and Thomas Mann, Assistant Secretary for Economic Affairs. A small, but noisy demonstration greeted the Americans, but for the most part, the atmosphere on the streets was calm. Inside the conference rooms, however, the tone was decidedly more agitated. Discussions on bilateral issues accomplished nothing. On August 6 the two sides issued a "Joint Communiqué on Bilateral Subjects." On U.S. aid for the metas, the U.S. pledged to continue to examine Brazilian needs. Dulles offered his nation's moral support to maintain commodity prices. Concerning petroleum, the two agreed to disagree. Brazil reserved the right to decide how to develop its oil; the U.S. upheld its right to deny financing for Petrobrás.37

The OPA discussions were no more rewarding. Kubitschek rejected a proposed bilateral anti-communist agreement as
unnecessary, while Rubottom declared that the "concept of underdevelopment as the root of all evil, including communism, lacked perspective and was one-sided." Dulles also rejected the thesis that solving underdevelopment would "automatically produce a strong basis for peace, independence, and the preservation of democratic principles." Later, he expressed his own beliefs in a speech at the American Chamber of Commerce in Rio. Dulles praised the U.S. contribution to Brazil's development, but stated that "the economic well-being of a nation always depends primarily on its own efforts," that the best the U.S. could do was to help a nation help itself.

The next day, Dulles and Negrão de Lima flew to the future capital of Brasilia and signed the "Declaration of Brasilia," which essentially reaffirmed the principles contained in every postwar inter-American meeting. In deference to his hosts, Dulles agreed that "development was inseparable from collective security," which required "dynamic efforts" to achieve. Before the Americans departed they received an aide memoire with Brazil's suggestions for the next phase of OPA.38

Despite the pleasant "Declaration," the trip failed to resolve either the bilateral or multilateral differences between the United States and Brazil. On the return flight to Washington, Dulles wrote to his host and summarized his
feelings toward the paper and talks. Dulles praised the aide memoire and initiative as reflecting a constructive, dynamic vision, and promised U.S. "sympathy" in its goals and furtherance. The Secretary cautioned Kubitschek, however, that "underdevelopment" was a vague and immeasurable concept. In many respects, Dulles claimed, the U.S. was an underdeveloped nation struggling for growth. Dulles then defended U.S. policy and warned that "allusions critical of the United States" would stimulate the "tendency to revert to isolationism," and reduce "our vast contributions to international welfare." As OPA's second phase began, the two sides had pledged cooperation and collaboration, but distrusted each other's intentions and differed on their conceptions and prescriptions for the inter-American system.39

THE FAILURE OF OPERATION PAN AMERICA AND THE BREAKDOWN OF THE "UNWRITTEN ALLIANCE"

On August 9, Brazil submitted an aide memoire to the American Republics, suggesting an informal meeting of foreign ministers, to be followed by the creation of a "Committee of 21" to implement OPA. As with Kubitschek's earlier statements, the note advocated economic measures to consolidate a political/military alliance. Among the specific suggestions for discussion in the aide memoire were ways to increase private investment and public loans, to create an Inter-American Development Bank, to promote price
stability for commodities, to create a Latin American Common Market, and to expand technical assistance. For an initiative that had been described as bold, visionary, divisive, and Communist-inspired, the suggestions were neither revolutionary nor even very innovative.40

A few days later, Under Secretary C. Douglas Dillon announced the U.S. would, after a decade of opposition, support an inter-American Development Bank (IDB). There were several reasons for this unexpected turnabout. The day following Dillon's announcement, the U.S. revealed plans to create a Mid-East Bank, which suggested to Latin Americans that the IDB was a mere bone to appease them while the U.S. focused its attentions on the Middle East. Also, several Latin American nations expressed agreement with the aide memoire and Colombian President Alberto Lleras Camargo (former Secretary-General of the OAS) declared it was "now or else." Further, both Chile and Argentina had suggested that Latin America hold separate (without U.S.) consultations prior to an inter-American meeting. If the U.S. refused to accept the IDB, it risked the disintegration of the OAS.41

Over the next few days the governments agreed to OPA's content and procedure and the U.S decided its positions and strategies. Kubitschek sought an initial high-level meeting to set the initiative's parameters, as the start of a
"process." State Department officials decided to push for a September foreign minister's meeting to be held in Washington, since several high-ranking Latin officials already planned to attend the opening of the U.N. General Assembly. Brazil complained that September was too soon to prepare a program, but most nations supported the early date. Brazil's aide memoire suggested setting up a "Committee of 21" for OPA, but U.S. officials pressed for a link with the OAS, preferably the IA-ECOSOC (which the U.S. controlled). Latins generally agreed with João Carlos Múñiz, that "everything the IA-ECOSOC touches withers and dies," but the two agreed to create a "special OAS Committee of 21," to prepare a general agreement for the scheduled January 1960, Eleventh Inter-American Conference, in Quito, Ecuador. Finally, the U.S. decided that it would make no proposals, but would accept a regional common market, commodity studies, increased IBRD/IMF quotas, tax-sharing treaties, and the IDB.42

One day before the meeting the Brazilians presented another aide memoire clarifying still further their thesis. The aide memoire, to be considered a point of departure for the meeting, argued that Latin America needed substantial foreign aid over a twenty year period to raise per capita income to a level (from $270 to $480) of self-sustaining growth. Later that day, Brazilian and American officials met. The Brazilians were anxious that the meeting produce
general agreement, and Dulles attempted to assure them of his interest in the initiative's success. He also revealed the U.S. positions, for which the Brazilians expressed appreciation and satisfaction.43

Dulles opened the meeting with a speech on the general international situation. The Secretary revealed that his main interest in OPA was its strategic and political components. His address focused on the increased threat to peace posed by Khrushchev and Mao's recklessness in Berlin and Quemoy-Matsu (the People's Republic of China renewed bombing in August) and the need for greater hemispheric unity. Negrão de Lima followed Dulles to open discussion on the most recent OPA aide memoire.

In the discussion that followed, the other delegations virtually ignored the aide memoire and instead focused on the already announced U.S. concessions. Mexico's Foreign Minister Luis Padilla Nervo attacked OPA indirectly, stating that "a program of deeds, not lofty principles was needed." He then criticized Dulles for exaggerating the world crisis and the U.S. for its recent imposition of lead, tin, and zinc import quotas; Peru and Bolivia agreed with the complaint. Venezuela went further, suggesting that the U.S. grant preferential treatment to hemispheric products. Colombia expressed its opinion that OPA should promote democracy and social reform, a declared goal of the OAS.
Dulles deflected these criticisms by reminding the ministers that specific issues would be addressed by the Committee of 21 in November. With unity ostensibly preserved, the ministers issued a communique that praised OPA and promised greater cooperation and intensified efforts to promote economic development.44

From the U.S. perspective, the meeting was successful and Dulles was hopeful that his concessions were sufficient to ensure Latin American cooperation. Kubitschek was also satisfied with the results of the meeting, but unfortunately, almost immediately the Brazilian press poisoned the reconciliation. Several papers attributed statements to Dulles that were either incorrect or given in strict confidence in the session prior to the meeting. The source of the leak turned out to be Augusto Frederico Schmidt, Kubitschek's close adviser and OPA's conceptual font. Moreover, the Brazilian press also viciously attacked Brazil's role in the meeting. The prestigious O Estado de Sao Paulo declared Negrao de Lima "inept" and that "except for the pompous oratory of Mr. Kubitschek and his outsized desire for popularity, OPA is without substance." Virtually all newspapers stated that Brazil had not contributed to the meeting, but had been "banished from the debates" and had lost leadership of the initiative to Mexico and Argentina.45
While most of the press criticism had been for reasons of domestic partisan politics, the newspapers were correct. Brazil had indeed lost the initiative. Itamaraty's hastily prepared aide memoire lacked direction and concrete suggestions. Moreover, Brazil's collaboration with the U.S. fed Spanish American distrust, which decreased Brazil's (and OPA) importance. Thus, the others ignored the aide memoire in the sessions and directed matters to specific policies announced by the Americans. Kubitschek faced the worst possible situation; he had placed the U.S. on the defensive and jeopardized bilateral relations with his loudly proclaimed initiative. But OPA had not secured Latin support, increased Brazil's prestige, healed its divisions, or changed U.S. policy.46

For six weeks following the foreign ministers meeting, Kubitschek attempted to repair the damage and make OPA appear a success. He took the offensive with a series of speeches that emphasized that he still attached great importance to OPA and criticized opponents of the initiative as unpatriotic. Kubitschek also stressed OPA's success in making underdevelopment the collective responsibility of the Americas, thanks to U.S. support. At the same time, he warned that each nation was responsible for creating conditions for its own development and defended his just-announced austerity program as necessary.47
Next, the president formed a bipartisan, blue ribbon Committee on OPA. Members included: former Foreign Ministers Raúl Fernandes and Oswaldo Aranha, Ambassadors to the U.S. J.C. Muniz and W.M. Salles, JBUSED members Roberto Campos and Ari Torres, FEB generals Edgar do Amaral and Nelson de Melo, and several other well-known political, business, and religious leaders. Augusto Frederico Schmidt, Brazil's representative to the "21," headed the committee.

Events in the United States encouraged Brazilians to hope for the eventual success of OPA. Eisenhower appointed Dillon as the U.S. representative to the "21," an appointment which indicated the U.S. also considered the November meeting important. The U.S. elections of 1958 produced a Democratic landslide that many believed portended a more liberal U.S. policy. At the same time, Nelson Rockefeller, Brazil's favorite Republican, won his governorship race easily and established himself as a contender for the 1960 presidential election. Kubitschek invited the governor-elect to Rio for general discussions and after their meeting, Rockefeller publicly praised OPA as a "metas program for Latin America;" an auspicious sign. Shortly before the election, the Senate Foreign Relations Committee had authorized a comprehensive review of U.S.-Latin American relations. The review would include studies in the problems of economic development, commodities, and U.S. business activi-
ties. These straws in the wind considerably buoyed Brazilian confidence.49

But in bureaucratic Washington, however, trouble loomed. As the embassy staff worked furiously on Brazil's proposal for the November meeting, Peixoto informed his superiors that his discussions with U.S. officials indicated that the U.S. would not go further than Dulles' September concessions. Ominously, Peixoto stated that U.S. still had no idea what Brazil's intentions were regarding the meeting and were anxious to hold prior consultations. The Ambassador also warned that the U.S. would cite increased dangers in Asia for limiting the program and would act defensively and evasively. Minister Valle warned that the Treasury Department and EXIM opposed the IDB, because of its duplication and its multilateral nature and would seek to limit its functions.50

On November 17, the Committee of 21 met in Washington and the various delegates read messages of support for OPA from their heads of state. Augusto Frederico Schmidt broke this atmosphere of inane self-congratulation admonishing the delegations to overcome their "wall of silence" with regards to OPA. Although Schmidt wrote to Kubitschek that he was pleased with Latin unity in the meeting, in a private conversation with the Americans, Schmidt emphasized that Brazil had risked its relations with the region in order to
help the United States in its current crisis. Schmidt promised the Americans his cooperation, but warned that if the U.S. did not support OPA then Brazil might as well leave the meeting. Following their meeting, the Brazilian press reported a "serious dispute" between Alternate Delegate Thomas Mann and Schmidt.51

After the initial deliberations, Schmidt requested a three-day adjournment so that the delegations could study a new Brazilian proposal. Schmidt then presented a three-part, two-hundred-page treatise—a bombshell really—that presented a history of inter-American economic cooperation, postwar problems and ignored resolutions from previous conferences, as well as justifications for commodity agreements, a regional common market, and the IDB. The well-prepared proposal reflected the positions of ECLA, but was more a condemnation of postwar U.S. policy than anything else.52

By the time Schmidt addressed the delegations on November 25, Brazilian-American cooperation on OPA was virtually impossible. Schmidt, however, proceeded to fan the flames. After reviewing the magnitude of problems each of them faced, he insisted that specific development goals be set and demanded that OPA be established as a long-term program. While the poet did not disclose the magnitude of his plan, he declared that Brazil needed $3 billion immedi-
ately. Schmidt also compared the postwar growth rates of the U.S. and Soviet Union and declared that the Soviets would overtake the U.S. economically by 1980 unless it aided Latin America. Finally, Schmidt warned that without a massive aid program, Latin America would have to expand trade with the Communist bloc.

To say the least, Schmidt succeeded in eliminating the complacency of the meeting and caused an uproar throughout the hemisphere. Kubitschek denied prior knowledge of the speech and hurried to the ESG to disclaim any hostile intent or exorbitant demands. Schmidt declared that he had been misinterpreted, that he had not threatened the U.S. Negrão de Lima defended Schmidt's figures and analysis, but reaffirmed Brazil's alliance with the West. At a press conference, Foster Dulles agreed on the need for a long-range program, but rejected the "precise form or magnitude that has been suggested." In a telegram to Ellis Briggs, Dulles instructed the Ambassador to stress to Brazilian sources that there was "no basic division" between the delegations, that the U.S. considered the meeting a success, that although the U.S. could not agree with a specific income target or the per capita projections, an agreement with Brazil was possible. Although it was not recognized at the time, Schmidt's bombastic speech ended the chance for OPA to be a successful vehicle toward greater pan-American
unity. The Committee of 21 continued to meet until mid-December, but, aside from an agreement to increase technical assistance, accomplished nothing. Schmidt attempted to pacify the Americans by praising U.S. corporate investment, stressing inter-American solidarity and by declaring "OPA is an appeal to reason, not to generosity." Thomas Mann stated his government's rejection of Schmidt's proposal with a simple observation that the U.S. never had a five-year plan and that a twenty-year plan was unquestionable. Dillon rejected any massive increase in government aid and stated that "public lending can never substitute for private initiative." Before adjourning, the Committee established a working group of five nations (Brazil, U.S., Cuba, Chile, Ecuador) to draw up statutes for the future Inter-American Bank and to present more detailed proposals for the Committee's next scheduled meeting in May 1959 in Buenos Aires.

Brazilian officials were clearly anxious about the potential fallout from Schmidt's back-handed ultimatum. After Briggs told Kubitschek of the potential repercussions, the Brazilian president, in almost pleading tones, wrote a series of letters to Eisenhower and Dulles asking for public affirmation of OPA. Although the Americans acquiesced, their pronouncements were less than enthusiastic. Henceforth, U.S. officials continued to eulogize OPA publicly, but refused to take it seriously. High-ranking State Department officials
ceased attending to OPA, leaving Mann to work intermittently with the OAS staff on the "process."56

Early in 1959 the Brazilians made one final effort to resuscitate their initiative. In January, Argentine president Arturo Frondizi travelled to Washington and strongly endorsed OPA in an address to the U.S. Congress. Frondizi's remarks were more impressive because Washington officials had earlier praised his economic programs (IMF-approved austerity plan and the denationalization of Argentina's oil industry) and touted him as a role model for the Third World.57

In Rio, the ever-optimistic Kubitschek continued his publicity blitz with a government-sponsored student congress and the high-level Committee on OPA. Kubitschek publicly rejected diplomatic relations with the Soviets and supported the U.S. in the new Berlin crisis. In addition, a large portion of the president's state of the union message dealt with the initiative. Unlike the December meeting, when Brazilian representatives and press highlighted Brazilian-American differences, Kubitschek and his advisers emphasized the degree of cooperation and success of OPA.58

In Washington, the working groups for the "21" began in January to make preparations for the Buenos Aires meeting and the IDB. U.S. officials had prior discussions with Peixoto and other Brazilians in order to avoid another
confrontation, but unfortunately, Peixoto had been frozen out of the planning for OPA. Thus, the U.S. was not prepared for Brazil's next assault. Brazil's representatives, João Carlos Muniz, Sergio Correia da Costa, and Cleantho de Paiva Leite observed the diplomatic niceties that Schmidt had trampled on, but again assumed a position of challenger to the U.S.59

Brazilian-American differences dominated the meetings. While the Brazilians retreated from their threat of increased ties with the Soviet bloc, they praised the neutralist Colombo Plan and European Common Market as models for Latin America and attempted to link OPA with the United Nations (SUNFED & ECLA) in addition to the OAS. Almost immediately, the two nations disagreed on the size and schedule for the IDB; the Brazilians declared U.S. positions on the bank "inadequate" and "unrealistic." Brazil also opposed U.S. attempts to delay the Buenos Aires meeting and criticized the lack of initiative in the meetings. Moreover, the Brazilians infuriated the Americans with their extensive use of quotes from liberal development theorists, such as W.W. Rostow and Max Milligan (popular among Democrats), and the perfunctory statements of support for OPA by Eisenhower and other U.S. officials to prove "widespread recognition of the problem" and agreement with Brazilian positions.60
More important than Brazil's tactics, was the continuing dispute over the size and scope of OPA. Brazil did not deviate from its insistence on a longterm program with concrete goals, a multilateral programa de metas, that the U.S. refused to consider. Instead, U.S. officials convinced the committee to accept a bilateral structure with each nation formulating its own program. U.S. officials presented their positions as sweeping, but continued to emphasize foreign private investment, sound national fiscal and monetary policies, increased trade through the GATT framework and regional markets, and efforts to prevent excessive price fluctuations of primary commodities without resorting to price fixing or import quotas. The U.S. restricted its contribution to the IDB to $350 million, but increased by $7 billion its contributions to the IBRD, EXIM, DLF, and IMF. Brazilians applauded these increases, but pointed out that other regions would compete with Latin America for these funds. The discussions soon stalemated; Mexico and the smaller countries supported the U.S., while most of the large South American nations supported Brazil. As Cleantho Leite wrote in his report: "the area of political agreement was too narrow to allow the adoption of immediately feasible measures of economic cooperation."61

By the time the Committee of 21 reconvened in Buenos Aires on April 27, OPA had lost its relevance. Despite the
optimism expressed by Brazilian officials on the eve of the meeting, early in the proceedings it became apparent that Brazilian-American differences had not been resolved. Despite their continued "conference war," or "naturally divergent" positions, neither Brazil nor the U.S. were the main attraction. Rather, Fidel Castro, Cuban revolutionary leader and Latin America's newest hero of the Left, dominated the meeting. Distrusted by both the U.S. and Brazilian governments, Castro endorsed OPA emphatically and demanded a ten-year, thirty-billion U.S. aid plan. Castro provided the ultimate irony for Kubitschek: OPA was intended to forestall the potential Castros of the hemisphere from assuming power, yet by 1959, Cuba was as supportive of the Operation as the U.S.62

Castro notwithstanding, the Buenos Aires meeting represented a crushing defeat for Kubitschek and a victory for the Eisenhower administration. The Committee of 21 rejected Schmidt's plea for a multilateral "big push" development program and accepted the U.S. plan for individual country studies in association with the I-AECOSOC. There would be no Marshall Plan for the region and no Brazilian-led Latin American bloc. After Buenos Aires, Kubitschek quietly abandoned his stillborn child except for nostalgic moments, such as OPA's anniversary and visits by foreign dignitaries. While government officials publicly
proclaimed that the Operation had achieved its goal of "mobilizing spirits for combatting underdevelopment," they privately conceded failure. All that remained from the initiative were its name and the IDB.63

By the time of the Buenos Aires meeting, U.S.-Brazilian relations had descended to a new low. Despite the Lopes austerity program (November 1958), Brazil's inflation and balance of payments troubles continued to worsen and Brazil requested new loans and debt rescheduling. The austerity measures, especially the elimination of subsidies for oil, grain, and newsprint, fueled social unrest in urban areas. At the same time, the combination of drought, literacy campaigns by the Catholic Church, and the organization of Peasant Leagues (to promote land reform or distribution and political rights for peasants), stimulated rural unrest. Kubitschek desperately needed outside assistance, but OPA actually had stiffened U.S. resistance. In private discussions after the Buenos Aires meeting, Mann told Kubitschek that the U.S. would make no further loans without a prior agreement with the IMF.64

Paulo Pook Correia and Casemiro Ribeiro, two experienced economists and high-level Finance Ministry officials, followed Mann to Washington. For nearly a month they negotiated with U.S. and IMF officials for an EXIM $300 million loan and $37.5 million IMF withdrawal to cover...
Brazil's anticipated 1959 trade deficit. In early June, Pook Correia and Ribeiro returned empty-handed: the IMF continued to demand a more vigorous stabilization effort, arguing that any new loans would simply vanish in Brazil's inflationary environment. Kubitschek faced a dilemma. Economically, he needed an agreement, but did not want to risk limiting economic growth. With unrest growing and presidential succession maneuvering already beginning, the political repercussions of stabilization and the appearance of surrender would be disastrous for Kubitschek and his party. At this critical moment, Finance Minister Lucas Lopes, the leading proponent of the IMF position, suffered a heart attack. Kubitschek's remaining advisers convinced him to end the IMF negotiations.65

Kubitschek's break with the IMF precipitated a crisis within Brazil and with the United States. For several weeks following the break, the normally moderate Kubitschek vehemently attacked the United States, not only out of anger and resentment, but also to consolidate his support among the nationalists. In June, Ambassador Peixoto was recalled and replaced by banker and former Ambassador to the U.S., Walther Morreia Salles. Shortly afterwards, Kubitschek replaced Lopes and Negrão de Lima, the two most important ministers. Bank of Brazil President Sebastiao Pais de Almeida became Finance Minister and PSD Deputy and Vargas
Finance Minister, Horácio Lafer became Foreign Minister. Lafer announced his intention to increase trade with the Soviet bloc and to reorganize Itamaraty to make it more responsive to Brazil's economic needs.66

U.S. officials saw the break as a desperate gamble to force them to make the EXIM loan without implementing the conservative fiscal policies they deemed necessary. As such, they refused to submit to Kubitschek's thinly veiled blackmail. At the same time, neither side wanted to worsen the crisis and ignite nationalist passions. In fact, Kubitschek almost immediately retreated (privately) by sending the respected Salles to negotiate a mutually satisfactory compromise, but simultaneously prepared a "disaster plan" if discussions failed. Ultimately, the U.S. agreed to allow Brazil to suspend payments for six months on previous loans and Brazil likewise secured a 90-day, $150 million Federal Reserve loan. Although Brazil avoided bankruptcy, nothing was resolved. Fortunately, Brazil sold an extra five million bags of coffee in 1959 and its trade deficit was only $100 million. The improved picture allowed Salles to negotiate a $47.7 million IMF withdrawal in May 1960 and enabled Kubitschek to limp along to the end of his term.67

As the furor surrounding the IMF crisis subsided, Kubitschek refrained from the public diplomacy that characterized his approach the previous year. His public state-
ments were supportive of the U.S., on strategic subjects, such as after the infamous "kitchen debate" and Khrushchev's controversial U.S. visit, and on economic policy as well. American officials also attempted to emphasize the positive aspects of the relationship. Not all Brazilians hid their bitterness, however. Secretary of State Herter complained after a U.N. speech by Augusto Schmidt that "he is trying to goad us by insults into making large loans to Brazil at a time when Brazil will not carry out the IMF recommendations." By the end of 1959, relations were so cool that journalists on both sides expressed alarm at the extent of deterioration.68

United States relations with the rest of Latin America also had continued to deteriorate since the Nixon disaster, despite certain limited changes in U.S. policy. As the cold war invaded the hemisphere, the U.S. found itself isolated against Cuba, and with supportive Latin votes in the U.N. no longer a certainty. Brazil's OPA allies had expressed dissatisfaction with the pace of OPA and with the U.S. decision to postpone indefinitely the Quito Conference. By late 1959, it appeared that the U.S. had to choose between Operation Pan America and "Operation Cuba." Even President Eisenhower realized he had to do something to improve hemispheric relations. Characteristically, Eisenhower formed a National Advisory Council on Inter-American Affairs,
chaired by Secretary Herter. Although Brazilians were hopeful that the high-level committee might revive OPA, U.S. officials carefully rebuked them emphasizing that the Council was to "consider current and long range problems" in the hemisphere, but was strictly advisory. Almost to emphasize that basic U.S. policy had not changed, the U.S. cut OAS funding early in 1960.69

Eisenhower also decided to visit Brazil in February 1960 as part of a four-nation trip to Latin America. His visit was the first by a U.S. President since 1947, and he arrived during Carnival (the biggest holiday in Brazil), which made the trip festive, as well as important—both sides saw the trip as crucial to repairing the relationship. Kubitschek's IMF policy had helped him to consolidate his popularity, but he hoped to end his administration in a blaze of glory that would help his bid for re-election in 1965. Increased aid would be a bonus, to be sure, but Kubitschek also saw an opportunity to establish himself as a statesman and visionary with Eisenhower's perfunctory endorsement of OPA, Brasilia (to be inaugurated in April) and Brazil's economic growth. Although Eisenhower resented this obvious manipulation, he wanted even more to assuage Brazilian perceptions of indifference to Brazilian aspirations and problems.70
Eisenhower's trip generated as much expectation as excitement. Rio de Janeiro's number one song for the month, "Hey You, Give Me Money," had significance beyond adding to Carnival merriment. Despite their many differences and by then an obvious personal dislike for each other, Eisenhower and Kubitschek cooperated to make the trip a public relations success. The visit was the perfect goodwill mission: tickertape parades attended by millions; warm statements of praise and support at press conferences and sumptuous banquets; speeches to Congress and the Supreme Court; and a pleasant, non-binding Declaration affirming principles and cooperation. Brazilian-American differences remained submerged by the parties and Eisenhower helped to unleash a three-day orgy of pride and hope. Almost prophetically, on the second day, an airplane carrying the U.S. Navy band crashed. Such would be the fate of the relationship through the rest of the year.71

The euphoria surrounding Eisenhower's visit quickly dissipated. In Washington, Senators George Smathers and John Kennedy refuted Eisenhower's optimistic pronouncements and called for greater aid and attention to the region, which immediately forced the administration to defend its record. Despite official statements during and after the trip that the U.S. would help Brazil to solve its economic problems, nothing developed. When Foreign Minister Lafer went to
Washington to test Eisenhower's sincerity for assistance, the President returned to the well-worn themes of fiscal responsibility and the Communist threat to the Hemisphere. Brazil did not receive new loans and less than two per cent of Cuba's sugar quota. When Kubitschek resumed his letter diplomacy that combined public support for the U.S. in its new troubles with the Soviets (U-2 incident, failure of the Paris Summit, end of test ban talks) with pleas for additional aid, Eisenhower ignored his Brazilian counterpart.72

Kubitschek and Eisenhower finished their terms without further crisis. In the U.N., Brazil became more active in its support for global disarmament and international development institutions tailored for the Third World (SUNFED, IDA). Within the OAS, Brazil returned to its traditional role of mediator between the U.S. and Latin America, but with a subtle difference. At both the Foreign Ministers Meeting (San Jose, Costa Rica, August 1960) and the Third Meeting of the Committee of 21 (Bogotá, September 1960), Brazil mediated a compromise, but on behalf of Latin America, not the United States. At San Jose, Lafer assumed a leading role in forcing the U.S. to sever relations with the Dominican Republic and accepting a weak anti-Castro declaration.73

Prior to the Bogotá meeting, Eisenhower unveiled the findings of his Advisory Council and the administration
secured Congressional approval for a Social Development Fund. The Fund marked Eisenhower's most significant departure from neo-liberal principles by providing soft loans for low-cost housing, health facilities, and schools, and technical assistance for land and tax reform. In the "Act of Bogotá," the Latin American enthusiastically endorsed the Fund. Furthermore, at Bogotá, the U.S. agreed to increase and to be more flexible in providing aid. The conference represented the climax for OPA that Brazilians had struggled for two years to achieve. Kubitschek hailed the Act of Bogotá as a "doctrinal victory for OPA," but on the eve of his departure from office admitted his disappointment. Bogotá came too late to change Brazilian perceptions that the Eisenhower administration opposed their aspirations, or to help either the PSD or the Republicans in the presidential elections.74

In October 1960, Brazilian voters overwhelmingly elected former Sao Paulo mayor and governor Janio Quadros as president. Unlike previous elections, Brazilian-American relations were one of the most prominent issues in the campaign. The campaign presented the U.S. with a dilemma that portended future crisis. Kubitschek's PSD/PTB coalition nominated War Minister Marshall Henrique Lott. Lott was violently anti-Communist and during the campaign stressed the importance of close relations with the U.S., but he also
pledged to continue the social and economic policies of Vargas and Kubitschek—policies that were anathema to State Department officials. Furthermore, Lott's vice-presidential candidate was Jango Goulart, who U.S. officials distrusted. On the other hand, Janio Quadros, nominally associated with the UDN, promised fiscal conservatism and that he would clean up the corruption of the Vargas machine (his campaign symbol was a broom). But Quadros also advocated an independent foreign policy, and during the campaign visited Cuba and openly supported Castro. To U.S. officials, neither candidate was attractive, but they supported Quadros in the mistaken belief that, once in office, the UDN could control his neutralist tendencies.

In November, Senator John F. Kennedy narrowly defeated Vice-President Richard M. Nixon for the presidency. In a campaign devoid of sharp ideological contrasts, Eisenhower's failed Latin American policies provided Kennedy with ample ammunition to attack his rival. Not surprisingly, Brazilians supported Kennedy and rejoiced in his victory. Kubitschek, who expected to return to the Presidency in 1965, gleefully anticipated future cooperation.

As the Eisenhower administration left office, United States-Latin American relations had deteriorated to an alarming extent and all of the gains of the Good Neighbor Policy had dissipated. While Eisenhower had not returned (at
least overtly) to the Gunboat Diplomacy era, fear and mistrust were the dominant attitudes of Latin Americans toward the United States. Eisenhower officials defended their record and could point to substantial accomplishments: the IDB and LAFTA; the eradication of malaria; increases in private investment (100%), EXIM Bank loans (by $2 billion), and cultural exchange programs (300%); soft loan programs, such as PL480 and the DLF; participation in commodity studies; and the Caracas and Santiago Declarations.

Despite these accomplishments, Latins Americans perceived that Eisenhower did not care about their concerns, a perception that spoiled the successes and created a major crisis in hemispheric relations. While American officials eulogized inter-American unity, their interests and attention focused elsewhere. Postwar U.S. globalism increasingly made Pan-Americanism a hollow and sentimental banquet phrase, at a time when Latin Americans desired strengthening its "economic component." As the decade progressed and U.S. money and attention flowed elsewhere, Latins reacted with the rage of a seduced and discarded lover. By the end of Eisenhower's term, disillusionment over the residual treatment given to the region overshadowed the significant contributions to Latin American economic development and security made by the United States.
The elections of Kennedy and Quadros brought renewed optimism about the future of the relationship. In the campaigns, Quadros assumed a messianic role as one who could maintain Brazil’s economic growth while solving its inflation and balance of payments problems and who would as well lead Brazil to its destiny as a world power. Kennedy’s election increased hopes that Latin America would receive a higher priority in U.S. foreign policy and that developmental assistance would increase substantially. Such hopes obscured the fact that by the end of 1960, Brazilian-American relations had deteriorated sharply, were fundamentally different than the "traditional" alliance of earlier times, and that the basis for future cooperation had already been compromised.

By 1961, a new United States-Brazilian relationship had emerged that began in earnest with OPA, but had been developing since the Vargas administration. Operation Pan America completed the change in Brazilian foreign policy in crucial respects. Brazilian foreign policy became more dynamic and a consciously used instrument of economic development. Brazil began to catch a glimpse of its future power and influence, and at the same time identified its interests with the Third World. Thus, in 1961, Brazil re-established diplomatic relations with the Soviet bloc and explored opportunities to increase ties with Africa and Asia. Kubitschek’s mobili-
zation of Brazilian public opinion on behalf of OPA subjected foreign policy to popular passions and made foreign policy a political issue instead of merely an Itamaraty concern. Finally, Brazil's use of Latin America to increase its leverage against the U.S., reduced its ability to be the mediator between Spanish and North America and destroyed the basis of the special relationship.

Perhaps Brazil's emergence from the U.S. shadow can be seen as an inevitable and positive result of its economic growth, in addition to its size, location and potential. Thoughtful Brazilians did not minimize their immense problems, they viewed the future confidently. Brazil's efforts at the end of the 1950's to stabilize coffee prices through the International Coffee Agreement, to secure additional assistance through the IDB and SUNFED, and to export manufactured products to other Third World nations through LAFTA and the IDA held the promise of increased influence in world affairs and reduced dependence on the United States. But while a different relationship was likely, the Brazilian-American alliance could have continued. The end of this alliance during the Eisenhower administration constituted a historic development, and one that this author considers a major failure in postwar American foreign policy.
ENDNOTES


7. Kubitschek letters to Eisenhower--examples; Key West memo; Author Interview with General Artur S. Moura, op. cit.; Amaral Peixoto FGV/CPDOC Oral History Interview, pp. 906. According to Amaral Peixoto, "the Americans liked Juscelino, but distrusted him."

9. According to Henry Cabot Lodge, the proliferation of Third World nations in the U.N. caused the U.S. to lose control over the organization. In 1953, with 56 members, the U.S. could count on the votes from Latin America (19), NATO (14), China, the Philippines, Liberia, Thailand and the British Commonwealth. By 1956, with 73 members, the U.S. could not get support from 49 members and thus, gradually abandoned the U.N. to achieve major foreign policy goals. See: Henry Cabot Lodge, The Storm Has Many Eyes: A Personal Narrative (New York: W.W. Norton & Co., 1973), pp. 135-137. On the Fernando de Noronha missile tracking station, see Chapter Four. On Kubitschek’s public utterances in favor of private foreign investment, see: New York Times, 1/10/56, p. 8 & 1/25/56, p. 62; Department of State Bulletin, op. cit.

10. For a State Department biography on Kubitschek and Goulart, see: State Department Memorandum, 4/25/56, Eisenhower papers, Whitman File, International Series, Box 4. For the exchange of letters and memorandum of the meeting between Eisenhower and Goulart, see: Kubitschek to Eisenhower, 4/28/56; State Department Memorandum of Conversation (Eisenhower, Holland, Hoover, Goulart, Muniz) 5/2/56; Eisenhower to Kubitschek, 5/8/56, Ibid.; Araujo to Aranha, 5/26/56, Aranha papers; Author interview with João Batista Pinheiro, 7/9/86. Just prior to Goulart’s trip, Pinheiro had finished a lengthy memorandum on Brazilian-American economic cooperation, including trade, assistance, and possible problems. As was customary of Kubitschek, when a top official completed an assignment, he was given authority to carry it out. See: J.B. Pinheiro, Memorandum, 4/25/56, Doc. # FPO 194, Arquivo do BNDES.


12. Council on Foreign Relations, The United States in World Affairs, 1956, (New York, 1957), pp. 232-233; Presidencia da República, Síntese Cronológica, 1956 (Rio de Janeiro, 1959), pp. 169-170; Amaral Peixoto to Exteriores, 7/26/56; Ronaldo Costa to Exteriores, 8/24/56, Dossie: Conferencia do Panamá, 1956, Amaral Peixoto papers. The Costa letter is forty pages long and contains suggestions for the "Committee of 21" meetings, which had already begun by August. According to Costa, the U.S. had limited itself to discussing ways to better coordinate the activities between similar OAS and U.N. organizations (such as ECLA with the I-AECOSOC and U.N., U.S., and OAS technical assistance programs) and to prepare
for the Buenos Aires Economic Conference, scheduled for 1957. The Committee continued to meet through 1956. See: O Estado de Sao Paulo, 9/19/56; Jornal do Comercio, 12/23/56. Kubitschek did not impress Eisenhower at the Panama meeting. In his diary, the president wrote that he was most impressed with Stroessner of Paraguay and Somoza of Nicaragua. See: Ferrell, The Eisenhower Diaries, p. 328.

13. Fortune, 3/56, p. 79; Jornal do Comercio, 5/13/56; Terrill to State, #1449, 5/22/56, file 732.11, Dunn to State, #1434, 5/16/56, file 732.00, State Department archives; Author interview with Roberto Campos, op. cit. Campos made the suggestion with Kubitschek's approval and was bitter that the president did not support him.


18. Hilton, "End of the Special Relationship," p. 619; Thomas C. Mann, Oral History Interview, #279, Truman Library; Ellis O. Briggs, Oral History Interview, Eisenhower Library; Hauge to Goodpaster, 8/29/57, White House Central File, Official File, Box 854, Eisenhower papers; Herter to Eisenhower, 10/11/57, Box 3, Chronological Series, Herter papers. In his oral interview, Briggs praises Kubitschek immensely, but in his despatches, the Ambassador was highly critical and suspicious of the Brazilian.

19. U.S. officials were aware of Kubitschek's increased strength and Brazil's growing stability, but also saw a PSD/PTB split that could hurt Kubitschek's ability to work
with Congress. See: Siracusa to Rubottom, 4/4/57; Briggs to State, 7/25/57, #117; Briggs to State, #159, 8/3/57; Dean to State, 9/11/57, #297, file 732.00, State Department archives.

20. On Kubitschek's speeches in support of various U.S. foreign policy issues (Suez, foreign investment, Fernando de Noronha, etc.), see: Presidencia da Republica, Juscelino Kubitschek de Oliveira: Discursos, 1957 (Rio de Janeiro, 1958), pp. 28-35 (speech of 1/28/57 to Santos Commercial Association); O Jornal, 12/20/56 (speech to ESG, 12/19/56), Raine to State Department, 12/28/56, #133, & Wendelin to State, 1/2/57, #728, & Dean to State, 2/15/57, #912, file 732.00, State Department archives. On Peixoto's defense of close relations with the United States, see: Folha da Manha, 7/18/57; Briggs to State, #117, 7/25/57, file 732.00, State Department archives. On the submarine and sound barrier events, see: Ultima Hora, 11/19/57; Sintese Chronológica, 1957, pp. 310-311.


22. Author interview with Lucas Lopes, op. cit.; FGV/CPDOC Oral History Interview with Casemiro Ribeiro, pp. 42-49; Amaral Peixoto to Exteriores, 12/16/57, Dossie: Assuntos Militares; Amaral Peixoto to Exteriores, 12/20/56, op. cit., Amaral Peixoto papers.


26. Herter to Eisenhower, 5/28/58, Box 4, Herter papers; Kubitschek to Eisenhower, 5/28/58, Síntese Cronológica, 1958, p. 306 & Brazil (8), box 4, Whitman File, International Series, Eisenhower papers; Eisenhower to Kubitschek, 6/5/58, Ibid.; Department of State, Memorandum of Conversation, (Eisenhower, Peixoto, Rubottom), 6/5/58, Ibid.; Eisenhower to Dulles, 6/5/58, box 8, Whitman File, Dulles-Herter Series; Dulles to Eisenhower, 6/6/58, Dulles telephone conversations. New York Times, 6/4/58, p. 15; 6/7/58, pp. 1, 6; Amaral Peixoto to Kubitschek, 6/5/58, Kubitschek to Peixoto, 6/7/58, Dossie: OPA, Amaral Peixoto papers. The Brazilian government published most of the official, public correspondence, including letters and aide memoires in a five-volume work, entitled Operação Pan Americana (hereafter OPA). Although several of the documents that follow are included in OPA, I will list the U.S. (English) sources whenever possible.


28. Author interviews with Cleantho de Paiva Leite and Geraldo Eulalio Nascimento e Silva, op. cit.; Hilton, "End of the Special Relationship," pp. 620-624; Ellis O. Briggs, Farewell to Foggy Bottom: The Recollections of a Career Diplomat (New York: David McKay Co., Inc., 1964), pp. 178-184; Celso A. de Souza e Silva, "Operação Pan-Americana: Antecedentes e Perspectivas," RBPI, Vol. 3, No. 9 (March, 1960), pp. 41-45. Hilton claims OPA was a radical departure in Brazilian foreign policy--an incorrect assertion. Briggs incorrectly asserts that OPA was already drafted before the Nixon mission. Kubitschek adopted OPA on an ad-hoc basis--the Brazilians were always uncertain what OPA was. Briggs is essentially correct, however, in that OPA embodied policies and principles in place well before 1958. Souza e Silva utilizes inter-American resolutions to stress the continuity between OPA and inter-American aspirations.

29. It is important to remember that OPA was not created in a vacuum, but was a part of an intense national questioning of traditional Brazilian foreign policy. In the same year that Kubitschek launched OPA, two major works on Brazilian foreign policy- Jaguaribe's Nacionalismo and Golbery's Aspectos
Geopoliticos do Brasil, were being debated among Brazilian policymakers and intellectuals. Domestic political and economic factors certainly influenced Kubitschek, but was not the major motivating factor.

30. Author interviews with Lucas Lopes, Cleantho de Paiva Leite, Geraldo Eulalio do Nascimento e Siva, Miguel Osorio de Almeida, op. cit; New York Times, 6/22/58, p.26; Wendelin to State, #38, 7/11/58, file 732.00, State Department archives.

31. Juscelino Kubitschek, speech, 6/20/58, Box 4, Brazil (7), Whitman File, International Series.

32. Memorandum from Exteriores to Ambassador Peixoto, 7/25/58, & 7/29/58, Dossie: OPA, Amaral Peixoto papers; Kubitschek to Frondizi, 6/17/58, OPA, Vol. I, p. 18; Dulles to Eisenhower, 9/23/58, Box 6, File General (2), White House Memoranda Series, Dulles papers. Kubitschek made a special effort to enlist Argentina as a partner and throughout the initiative Argentina was Brazil's most ardent supporter. In his note to the President, Dulles wrote, "Mexico, virtually in isolation, is very negative to OPA."


34. Kubitschek interview in New York Times, 7/6/58, pp. 1, 7; Negrão de Lima to Amaral Peixoto, #920, 7/12/58; Exteriores, Political Division, Memorandum, "Methodology of OPA," 7/15/58; U.S. Government, Aide Memoire, 7/25/58; Dossie: OPA, Amaral Peixoto papers. Sette Camara headed Itamaraty's Political Division. The U.S. Aide Memoire restated what it thought to be Brazil's positions at the time.

35. Time, 8/4/58, p. 27; Kubitschek to Eisenhower, 7/23/58, Dulles to Eisenhower, 7/24/58, Eisenhower to Kubitschek, 7/25/58, Box 4, Brazil (7), Whitman File, International Series, Eisenhower papers; Wendelin to State, #73, 7/18/58, file 732.00, State Department archives; Exteriores to Amaral Peixoto, #3027, 8/20/58, Dossie: OPA, Amaral Peixoto papers. One can imagine Kubitschek's distress upon hearing about the crises in the Middle East and realizing that his one shot at making Latin America a priority in U.S. foreign policy could be ending.


38. Hilton, "End of the Special Relationship," p. 622; Dulles to State, #SECTO 7, 8/6/58, file 363/8, State Department archives. Dulles' speech and the "Declaration" are in: Department of State, *Bulletin*, Vol. 39 (August 25, 1958), pp. 302-309. The "Declaration of Brasilia" was the same flowery gibberish that ended all inter-American meetings: reaffirm the need to fight for religious freedom, Western culture, and democratic principles; agree to hold regular consultations; reaffirm the determination to uphold OAS charter, to strengthen unity, preserve peace, resist Communism, etc. An amusing story concerning Dulles' trip to Brasilia is in Ellis Briggs' *Farewell to Foggy Bottom*, pp. 194-211.

39. Dulles to Kubitschek, 8/7/58, Box 16, Chronological Series, Dulles papers. Apparently, Dulles thought the implied threat would dissuade Kubitschek pressing ahead with OPA as primarily an economic program. He wrote Ernest Siracusa (Head, Brazilian Affairs) that the talks had been constructive and laid the basis for a frank understanding. Dulles to Siracusa, 8/8/58, *Ibid.* Kubitschek apparently sought to appeal to directly to Eisenhower and bypass Dulles. In a letter dated August 22, he wrote that he was aware of the heavy responsibilities and pressures for assistance placed on the U.S. and that all poverty could not be eradicated; he merely wanted the U.S. to accept the principle that promoting development was the best defense of the West. Eisenhower did not respond. See: Kubitschek to Eisenhower, 8/22/58, Box 4, Brazil (6), Whitman File, International Series, Eisenhower papers.


41. *New York Times*, 8/13/58, p. 1; 8/14/58, p. 1; State Department Memorandum of Conversation (Amb. Lobo & H.C. Reed), 8/13/58; Memorandum of Conversation (Lacarte of Uruguay, Bernbaum), 8/14/58; Reed to Rubottom, 8/14/58 & 8/18/58, file 363, State Department archives.

42. Rubottom to Dulles, 8/20/58; State Department Memorandum of Conversation (H. Rodrigues Valle, Bernbaum), 8/20/58 & 8/27/58; Herter to Mexico City Embassy, 8/28/58; State Department Memorandum of Conversation (Amaral Peixoto, Rodrigues Valle, Rubottom, Mann, Dreier, Bernbaum), 9/3/58;


45. Author interview with Miguel Osorio de Almeida, op. cit.; Kubitschek to Dulles, 9/25/58; Dulles to American Republic Embassies, 9/25/58; State Department Memorandum of Conversation (Negrão de Lima, Briggs), 9/26/58; Butrick (Sao Paulo) to State, #136, 9/25/58 & #79, 9/25/58; Wallner (Rio) to State, #451, 9/25/58 & #452, 9/25/58, file 363, State Department archives; O Estado de Sao Paulo, 9/25/58; Correio da Manha, 9/23/58 & 9/25/58. According to Miguel Osorio, one of the reasons no one discussed the aide memoire was that no one understood it; Negrão de Lima had prepared an incoherent, "philosophical" piece. Osorio called the meeting a disaster.

46. Amaral Peixoto to Kubitschek, 10/31/58, Dossie: OPA, Amaral Peixoto papers.


48. Most of the Congressional members of the committee came from the opposition UDN, although one prestigious UDN ex-Deputy, Oswaldo Trigueiro, had been Vargas' Ambassador to Indonessia. Trigueiro also headed the Instituto Brasileiro de Relações Internacionais (IBRI), a Brazilian equivalent to the Council on Foreign Relations. The IBRI published the Revista Brasileira de Política Internacional, a frequently cited source in this work. Kubitschek also appointed Archbishop Don Helder Camara, just beginning his career as the voice and
conscience of the poor. U.S. officials at the embassy saw the committee as a successful attempt to broaden public interest and support in OPA. See: Raine to State, #525, 11/7/58, file 732.00, State Department archives.

49. Henrique Valle to Exteriores, 10/9/58; Amaral Peixoto to Exteriores, 10/28/58, Dossie: OPA, Amaral Peixoto papers; Aranha to Drew Pearson, 11/24/58, Aranha papers; Raine to State, #525, 11/7/58; Wendelin to State, #547, 11/14/58, file 732.00, State Department archives. For Rockefeller’s comments, see: O Estado de Sao Paulo, 11/21/58; Diario de Sao Paulo, 11/27/58.

50. Amaral Peixoto to Exteriores, 11/11/58; Valle to Exteriores, 11/12/58, Dossie: OPA (II), Amaral Peixoto papers. The Treasury Department also opposed the IDB. See: State Department Memorandum of Conversation (Under Secretary Treasury Baird and Rubottom), 10/2/58, file 363, State Department archives.


52. "Instruções à Delaçâo Brasileira ao Comite dos 21. Setor Economico, 11/13/58; Kubitschek to Peixoto, 11/13/58 & Peixoto to Kubitschek, 11/17/58; Dossie: OPA (II), Amaral Peixoto papers. The parts of the proposal were "Evolução da Cooperação Economica Interamericana desde a Conferencia Interamericana sobre os Problemas da Guerra e da Paz (Mexico, Março de 1945)," "Desenvolvimento Economico da America Latina: Criação de um Organismo Regional de Financiamento," and "O Comércio Internacional dos Produtos de Base: Posição dos Países Subdesenvolvidos e Desenvolvimento."

53. Schmidt speech 11/25/58, Brazilian embassy press release, Dossie: OPA (II), Amaral Peixoto papers; Author interview with Miguel Osorio de Almeida, op. cit. Miguel Osorio wrote the section and determined the statistics on the projected per capita income between the U.S. and U.S.S.R. (Latin America & Western Europe were included). He told me with a smile that the figures were intended to promote debate and force the U.S. toward greater aid-- that the figures were an exercise on "how to lie with statistics." Miguel Osorio merely projected growth rates by extending the 1945-1957 rates, a period of great Soviet building from the war.

55. O Estado de Sao Paulo, 12/3/58; Journal do Comercio, 12/3/58; Schmidt speech 12/3/58, Brazilian embassy press release, Dossie: OPA (II), Amaral Peixoto papers; Address by Mann, 12/2/58 & Dillon 12/2/58 in OPA, Vol. V, pp. 52-66, 82-84; Schmidt speech, 12/12/58 & Dillon speech, 12/12/58, in: "Special Committee to Study the Formulation of New Methods of Economic Cooperation," Pan American Union, (Washington D.C., 1958); Briggs to State, #770, 12/3/58; #783, 12/5/58; #785, 12/6/58, file 363, State Department archives. Briggs pointed out that while majority of the press deplored Schmidt's speech, press did not support U.S. positions regarding aid and investment.

56. Herter to Eisenhower, 12/9/58 & Eisenhower to Kubitschek, 12/10/58; Calhoun to Goodpaster, 12/17/58; Kubitschek to Dulles, 12/8/58 & 12/15/58, Box 4, Brazil (5), Whitman file, International Series, Eisenhower papers; Briggs to State, #786, 12/7/58

57. Peixoto to Kubitschek, 1/22/59, Dossie: OPA (II), Amaral Peixoto papers; Correio da Manha, 1/23/59; Ultima Hora, 1/24/59.


59. State Department Memorandum of Conversation (Borges, Bernbaum), 12/16/59 & 1/8/59 (Peixoto, Valente, Boonstra, W.T. Briggs), file 363, State Department archives; Wallner to State, #861, 1/30/59, file 732.00, Ibid. Amaral Peixoto FGV/CPDOC Oral History Interview, pp. 918-921; Author interview with Miguel Osorio de Almeida, op. cit.
60. Speech by Sergio Correia da Costa to Coordinating Committee of the Special Commission to Create an Inter-American Financial Institution, 1/14/59; Fernando Lobo to Exteriores, #28 & #30, 1/19/59, Dossie: OPA (II), Amaral Peixoto papers; State Department Memorandum of Conversation (Peixoto, Muniz Correia da Costa, Rubottom, Mann, Bernbaum), 1/19/59 & 1/24/59 (Muniz, Correia da Costa, Dillon, Rubottom, Mann, Randall), 1/28/59 (Muniz, Correia da Costa, Terrill, Randall, Mann), 2/9/59 (Muniz, Correia da Costa, Mann, Randall); Brazilian Government Memorandum, 2/9/59, file 363, State Department archives. Sergio Correia da Costa is Oswaldo Aranha's son-in-law and the current Brazilian Ambassador to the United States.


62. Kubitschek speech, 4/15/59 & Summary of Report of Brazilian Delegation on Working Group of the Committee of 21 enclosed in Wendelin to State, #1230, 4/17/59, file 363, State Department archives. On the Mann-Schmidt feud, see: Briggs to State, #1532, 5/1/59; Wallner to State, #1570, 5/6/59; D'Alessandro to State, #1324, 5/14/59, Ibid. On the influence of Fidel Castro, see: O Estado de Sao Paulo, 4/30/59; Wendelin to State, #1294, 5/8/59, file 732.00, State Department archives.

Filho gave an extensive interview on OPA in July and praised it as an unqualified and on-going success, but condemned the United States' "coldness and caution." See: Jornal do Brazil, 7/21/59; Shields to State, 7/31/59, file 363, State Department archives. The interview is also included in OPA, Vol. VII. For speeches by top officials on the first anniversary of OPA, see: RBPI, Vol. 2, No. 7 (September, 1959), pp. 84-107; Wallner to State, #1715, 5/28/59, file 363, State Department archives. For December 7, 1959 speeches on OPA, attended by Senator Wayne Morse and Ecuadorian Chancellor Carlos Tobar Zaldumbide, see: RBPI, Vol. 3, No. 9 (March, 1960), pp. 113-121. According to the "Resumo," the only nations that supported Brazil at the meeting were Chile, Peru, Ecuador, Colombia, Argentina, and Cuba. Sette Camara did not include Cuba or Peru in the interview.

64. Skidmore, Politics, pp. 182-186; Benevides, Governo, pp. 83-97, 128-133. Briggs to State, #1233, 3/17/58, file 732.11; Raine to State, #1140, 4/2/59; Wendelin to State, #1294, 5/8/59; #1333, 5/15/59; #1391, 5/59, file 732.00, State Department archives; Memorandum for the President, 5/59, Box 4, Brazil (5), Whitman File, International Series, Eisenhower papers. The PTB (the junior member of Kubitschek's coalition), not the Communist Party promoted most of the social unrest. By 1959, there was evidence that the PSD/PTB alliance created by Vargas was cracking. The PSD was a party of industrialists and rural elites. The PTB was principally the party of urban labor, but by 1958-1959 began efforts to mobilize rural labor--which constituted a threat to the established social order that dominated the PSD.


66. E.A. Peixoto, FGV/CPDOC Oral History Interview, pp. 897, 1414; Author interview with Lucas Lopes, op. cit.; O Estado de Sao Paulo, 6/18/59; Sintese Cronológica, 1959, pp. 12-14, 39; Quinn to State, #1474, 6/18/59, file 398.13, State Department archives. Peixoto had been unhappy in the U.S. (he opposed OPA and also disagreed with Kubitschek's support for the left wing of the PSD) and wanted to return to Brazil in early 1959 to resolve differences within the PSD and to prepare for the election of 1960. Kubitschek convinced him to stay until the conclusion of the IMF negotiations. Peixoto became Minister of Transportation and Public Works (the patronage ministry) upon his return. While a Deputy, Lafer publicly announced the break with the IMF in June, which
although unusual, indicates that he was already in line to succeed Negrão de Lima. Lopes' heart attack necessitated his retirement. He told me that the heart attack "saved Juscelino from having to fire me."


68. New York Times, 11/15/59, p. 33; O Estado de Sao Paulo, 10/18/59, 11/10/59, 1/14/60, 1/29/60; John Moors Cabot, "The Growing Importance of U.S.-Cooperation," State Department, Bulletin, Vol. 41 (November 23, 1959), pp. 753-757. Herter to Lodge, 10/20/59, Box 7, Chronological Series, Herter Papers; Raine to State, #494, 11/13/59, file 732.00, State Department archives. O Estado de Sao Paulo, an anti-Kubitschek, pro-American newspaper deplored the "tragic abandonment" of Brazil and Eisenhower's pro-Argentina policy. Cabot became Ambassador to Brazil shortly after the IMF crisis. Eisenhower initially appointed Claire Booth Luce to replace Ellis Briggs in March, but the appointment angered some Brazilians because Luce was a woman. After a difficult confirmation hearing, led principally by Wayne Morse, Mrs. Luce resigned before departing. On the Luce nomination, see: Ellis O. Briggs, Farewell to Foggy Bottom, pp. 144-146; Dulles to Henry Luce, 1/19/59, Box 1, Memorandum of Conversation Series, Dulles Papers; Rubottom to Herter, 1/30/59, p. 124; Herter to Luce, 3/3/59, p. 82, Reel 11, Telephone Conversations of Christian Herter; U.S. Congress, Senate Foreign Relations Committee, Executive Session, Nomination of Claire Booth Luce to be Ambassador to Brazil, 4/23/59, Historical Series, Vol. XI, 86th Congress, 1st Session, 1959.

with substantial experience in Latin America: Dana G. Munro, Charles A. Meyer, and Walter J. Donnelly, as well as Milton Eisenhower (who recommended its formation) and Assistant Secretary Rubottom. Although the committee was responsible for the new policies adopted at Bogotá in 1960, its main purpose was psychological. President Eisenhower claimed that the committee was "tangible evidence of the importance of Latin American relations." According to Philip Agee (CIA agent in Ecuador in 1959-1963), the U.S. postponed the Quito Conference because of intense controversies between the U.S. and Cuba, Venezuela and the Dominican Republic, and Peru and Ecuador. See: Inside the Company: CIA Diary, (Baltimore: Penguin Books, 1975), pp. 110, 134-135, 146.

70. USIA, Office of Research and Analysis, "Brazil: Preoccupation Profile, 1/15/60; Bond to Hagerty, 2/12/60; Cabot to Herter, 2/11/69, Box 28, James C. Hagerty papers, Eisenhower Library; Herter to All-American Diplomatic Posts, 2/4/60. Box 4, file State Department, Latin America (2), February-March, 1960, White House Office, Staff Secretary, Subject Series, State Department Subseries, Eisenhower papers; "President's Good Will Trip to South America, February-March, 1960: United States Policy on Financial Assistance to Brazil," 2/10/60, Philip Areeda papers, Eisenhower Library; Eisenhower address, "The American Republics, in: Peace with Justice: Selected Addresses of Dwight D. Eisenhower (New York: Columbia University Press, 1961), pp. 227-233. Eisenhower initially refused to visit Brasilia because he did not want to give the city the free publicity and his stamp of approval. He relented only after Kubitschek threatened to withdraw the invitation. Author interview with General Artur S. Moura (USA/Ret.), 1/9/86. Moura was on the advance preparation team for the trip. Kubitschek did use Eisenhower's pronouncements to bolster support for both OPA and Brasilia, which continued to be highly controversial. For example, he published a book of quotes by foreigners that praised Brasilia. See: Presidencia da Republica, Servico da Documentacao, Brasilia e a Opiniao Estrangeira (Rio de Janeiro, 1960).

Jornal do Brasil, 2/25/60, "Juscelino: We are now entering phase of understanding;" Jornal do Comercio, 2/25/60, "Eisenhower reaffirms aid to the Hemisphere;" O Jornal, 2/24/60, "The U.S. on the same road;" Ultima Hora, 2/24/60, "Ike Worshipped!"

72. O Estado de Sao Paulo, 2/26; 2/27, 3/20/60; Roy R. Rubottom, "The United States and Latin America: A Maturing Relationship" (address 3/12/60), Department of State, Bulletin, Vol. 42 (April 4, 1960), pp. 519-522. In a press conference on March 9, Herter stated that a prior IMF stabilization agreement would not be necessary for Brazil because its problems were of such magnitude that immediate U.S. help was necessary. Herter Press Conference, State Department Bulletin, Vol. 42 (March 28, 1960), pp. 487-493; Regarding sugar quota, Herter Conference, 3/25/60, Bulletin, Vol. 42 (April 11, 1960), pp. 547-553. For Lafer visit, see: State Department Memorandum of Conversation (Lafer, Salles, Eisenhower, Rubottom), 3/18/60, Box 2, White Office of Staff Secretary, International Series, Eisenhower papers; O Estado de Sao Paulo, 3/29/60. From May through July, Kubitschek sent another series of letters to Eisenhower that supported the U.S. on Berlin and in the U-2 incident (being debated in the U.N.) and pleaded with Eisenhower to allow a final victory to OPA. The tone of these letters became increasingly bitter. After the last letter, John A. Calhoun wrote Eisenhower aide, A.J. Goodpaster that "The Department believes President Kubitschek’s letter require no reply since it was an acknowledgement of President Eisenhower's letter. Even though Kubitschek’s letter is more than a mere acknowledgement, we believe a reply would give rise to continued correspondence which could result in embarrassment because of our inability to accede fully to Brazil's desire for economic aid." For the letters, see: Bond to State, #1807, 5/19/60; Eisenhower to Kubitschek, 7/8/60; Goodpaster to Whitman (contains Kubitschek to Eisenhower, 7/19), 7/20/60; Calhoun to Goodpaster, 7/30/60, Box 4, Brazil (2), Whitman File, International Series, Eisenhower papers.


74. Wagner, pp. 144-147; Author interviews with Cleantho de Paiva Leite, Miguel Osorio de Almeida, and Roberto Campos, op. cit.; Licurgo Costa, pp. 443-448; Síntese Cronológica.
1960, Vol. II, pp. 376-379; Correio da Manha, 1/1/61: Juscelino Kubitschek, 50 em 5, pp. 401-405. U.S. Congress, Senate Foreign Relations Committee. Hearings on a Bill for Assistance in the Development of Latin America, the Reconstruction of Chile and Other Purposes. 86th Congress, 2nd Session, 1960. pp. 4-36. All three of the Brazilians were in the Brazilian delegation at Bogotá and all stated that the meeting was the most successful of all the OPA meetings. In his memoirs, Kubitschek called the Act of Bogotá the affirmation of the Kubitschek doctrine, but in his New Years Eve radio address to the nation, he declared that Bogotá was still insufficient.

75. Skidmore, Politics, pp. 187-193; Limoeira Cardoso, JK-JQ, pp. . The dilemma of U.S. officials is best described by a State Department despatch. As early as August 1959, State Department officials worried about Quadros and his open admiration of Nasser. See: Raine to State, #158, 8/11/59, file 732.00, State Department archives. Although Quadros had never been a member of the UDN, he received its nomination because of its desperation to win the election and remove the Vargas forces from office. Quadros captured 48% of the vote in a three-man race; Lott received 28% and perennial candidate Adhemar de Barros won 23%. Jango Goulart, Lott's running mate captured the Vice-Presidency.

EPILOGUE
TOWARD THE COUP, 1961-1964

If we are to meet a problem so staggering in its dimensions, our approach must itself be equally bold, an approach consistent with the majestic concept of Operation Pan America. Therefore I have called on all people of the hemisphere to join in a new Alliance for Progress—a vast co-operative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools.

- John F. Kennedy, March 13, 1961

When John Kennedy assumed the Oval Office, relations with Latin America had reached crisis proportions. Even before the inauguration, Kennedy assembled a task force to construct a Latin American New Frontier in order to win the "race between evolution and revolution." Within two months the new president proposed two dramatic initiatives, the Peace Corps and the Alliance for Progress in an effort to mobilize hemispheric unity in the battle against both poverty and communism. Although Alliance critics pointed to the essential similarity between Kennedy’s proposal and the policies adopted in Eisenhower’s last years, most Latin Americans appeared to embrace the Alliance enthusiastically.

At approximately the same time that Kennedy launched
the Alliance, the U.S. suffered a humiliating defeat in the Bay of Pigs fiasco. Castro's military and psychological victories enormously increased the importance of the Alliance as a tool to improve hemispheric relations and as a carrot for Latin Americans to cooperate with the U.S. against Cuba. Not surprisingly, U.S. officials considered Brazilian cooperation to be crucial to the success of the Alliance and one key to improved U.S.-Latin American relations.1

In the opening months of 1961, the United States and Brazil switched roles, with the U.S. assuming the role of the ardent suitor. In rapid succession, U.S. officials journeyed south. In February, George McGovern and historian Arthur Schlesinger Jr. headed a Food for Peace mission to Brazil and signed a $70 million wheat deal. In March, Kennedy offered Quadros an immediate $100 million balance of payments loan, and sent task force chairman Adolph Berle to shore up relations and to assure Quadros of U.S. interest in helping Brazil address its economic crises. Treasury Secretary C. Douglas Dillon went to Rio in April for the first annual meeting of the IDB and to continue economic discussions. In July, Kennedy appointed Harvard economist and task force member Lincoln Gordon as ambassador. On the eve of the Punta del Este Conference, U.N. Ambassador Adlai
Stevenson also visited Brazil in an attempt to secure Quadros' support for the Alliance.

Unlike his predecessors, however, Quadros spurned the Americans. He rejected the $100 million as a mere stopgap and demanded a comprehensive re-scheduling of the debt and a $500 million loan, which he received. Instead of gratitude or support for the U.S., Quadros publicly insulted both Berle and Ambassador John Moors Cabot, openly backed Castro, and supported mainland China's admittance into the U.N. As Berle privately recorded, "the Brazilian settlement was the most generous in history, but all it got us was rude remarks.... we can't let them go bankrupt despite their attitude on foreign affairs." Quadros' hostility toward the U.S. continued through the Punta del Este Conference and the erratic president awarded Che Guevara the prestigious cruzeiro do sul after Che's disruption of the meeting. At the conference, Brazil's delegation openly split into pro-U.S. and pro-independent factions. Punta de Este destroyed American hopes of making Brazil the linchpin of the Alliance. Neither Quadros nor his successor João Goulart supported the Alliance. Berle best summarized U.S. disillusionment toward Brazil: "It is becoming increasingly hard to remain a friend of Brazil on this record."2

The conference and Guevara episode provoked a conservative Brazilian reaction against Quadros that resulted in his
resignation. Quadros apparently gambled that Congress and the military would not allow vice-president Goulart to assume office and that he would be granted extra powers. While Janio correctly guessed the army's negative attitude toward Goulart, Congress refused his own Bonapartist solution and accepted his resignation. At that point civil war appeared imminent, as the army split into pro-constitution and anti-Goulart factions. Only an extraordinary compromise that created a parliamentary system with reduced presidential powers allowed Goulart to return to Brazil (he had been on a trade mission to the Republic of China) and assume office.3

Quadros' ouster after only six months in office did not stop the deterioration in the relationship with the United States. Neither Goulart nor American officials trusted the other, a mutual suspicion that made cooperation difficult if not impossible. Goulart proved incapable or unwilling to address Brazil's grave economic crises, and instead focused his efforts on restoring his full powers and pressuring Congress to pass "basic reforms," specifically the enfranchisement of illiterates, land reform, and limits on foreign corporate profit remittances. Goulart also continued the independent foreign policy, a policy that was clearly not in Brazil's interest or in its ability to implement.4
By 1962, Brazilian-American relations were openly confrontational. The Kennedy administration did not sit on its hands, and intervened in a number of ways. Kennedy invited Goulart to Washington and sent his brother Robert to Brasilia in a failed effort to persuade Goulart to support the Alliance and enact anti-inflationary measures. In Brazil's Congressional elections, the CIA spent over $10 million to defeat pro-Goulart candidates and began to fund anti-government organizations closely linked to the ESG to counter the nationalists. According to Philip Agee, after the Cuban Missile Crisis, CIA officials considered Brazil the most urgent problem in Latin America. By 1963, the U.S. had eliminated all assistance to the central government and began to give economic aid to friendly state governments. This "island of sanity" policy further weakened Goulart and increased tensions. U.S. officials began to communicate directly with groups conspiring to overthrow the government. After Kennedy's death those officials most concerned with the Alliance's reform and democratic goals lost their on-going battle against more traditional (anti-Communist) State Department officials, signified by the return of Thomas Mann as Assistant Secretary for Inter-American Affairs. Mann quietly endorsed the conspiracy against Goulart and the army toppled the regime on March 31, 1964.5
In a span of less than twenty years, Brazilian-American relations changed from close cooperation to mutual suspicion and distrust, from allies to antagonists or rivals, even as the two maintained close economic and military ties. While one may argue that such a change was inevitable, given the new conditions and circumstances (Cold War, U.S. globalism, Brazil's economic growth, etc.), this study has indicated that the special relationship broke down during the Eisenhower administration over the issue of Brazil's economic development strategy. Ironically, the relationship began to disintegrate under the leadership of parties most inclined toward cooperation. Kubitschek's PSD was the most pro-American of the major parties.

In many respects, the story of the end of the special United States-Brazilian relationship is a classic tragedy, a profoundly regrettable event that neither desired nor was in either's interest. Although nationalists asserted that its new independent foreign policy was "Brazilianist," Brazil could not obtain the capital and technology necessary for development while pursuing a neutralist foreign policy. Although Brazilian impatience and frustration over U.S. policy was understandable, the independent policy was premature, illusory, and needlessly provocative. At the same time, by the late-1950's, there appeared to be few alterna-
tives to an aggressive and neutralist policy, especially since U.S. aid policy appeared to reward such policies.

As post-1964 experience suggests, the Eisenhower administration was essentially correct from an economic perspective in its reluctance to grant massive development assistance on a short-term basis. For the relationship, however, that reluctance had disastrous consequences for it ignored Brazil's determination and the domestic political necessity to pursue policies promoting a high level of economic growth. Eisenhower's doctrinaire opposition to loans for Petrobrás also constituted a grave mistake politically, not only because of Petrobrás' popularity, and that the U.S. made loans to other Brazilian state corporations, but also because Petrobrás symbolized Brazil's economic independence. By failing to aid Petrobrás, the U.S. appeared indifferent, even hostile to Brazilian development.

Another ingredient in Brazilian perceptions of American obstruction to its development was the feeling that the U.S. gave preferential treatment, not only to "unimportant," neutralist, and wartime-era enemy nations, but also within Latin American nations that deserved far less aid than Brazil. Although the overall figures for loans, military assistance, and investments indicate that the U.S. actually favored Brazil over other nations in the region, its political/psychological impact was reduced by the often
acrimonious negotiations that preceded agreements and the rigorous standards of economic performance demanded of Brazil.

As stated at the beginning of this study, one of the most sacrosanct maxims of the realist school is that "nations do not have friends, they have interests." We have seen that during the Eisenhower administration, the United States lost its most important ally in Latin America, and in the long-run, jeopardized its interests in a vital region.

2. Author interviews with Niles Bond, 3/27/85 & João Batista Pinheiro, 7/9/86, Department of State Memorandum for the President, 3/21/61; Dean Rusk to Kennedy, 2/7/61 & 4/25/61, Chester Bowles to Kennedy, 5/16/61; Department of State Memorandum of Conversation (Kennedy, Dillon, Leddy, Mariani, W.M. Salles), 5/16/61; Bond to State, #1733, 5/31/61, Kennedy papers; Berle diary, entries of 3/2, 3/3, 3/4, 3/9, 3/22, 5/15, 5/23, & 7/18/61, pp. 735-39, 744, 752; John Hickey, "The Day Mr. Berle Talked with Mr. Quadros," Inter-American Economic Affairs, Vol. 15, No. 1 (Summer, 1961), pp. 58-71; Simon G. Hanson, "The Failure of the Stevenson Mission," Ibid., Vol. 15, No. 2 (Autumn, 1961), pp. 53-79. For a record of the Brazilian delegation at Punta del Este, see: Ministerio das Relações Exteriores, O Brasil em Punta del Este (Rio de Janeiro, 1962). The clearest and most concise explanation of Quadros' independent foreign policy is Janio Quadros, "Brazil's New Foreign Policy," Foreign Affairs, Vol. 40, No. 1 (October, 1961), pp. 19-27. Although Quadros and other Brazilian spokesmen claimed the independent foreign policy was pro-West, it was actually "pro-South," in that it strove for a radical reordering of North-South or developed-underdeveloped relations. As such, the Kennedy administration considered it a dangerous precedent.


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