

BRAZIL AND THE ALLIANCE FOR PROGRESS:
US-BRAZILIAN FINANCIAL RELATIONS DURING THE
FORMULATION OF JOÃO GOULART'S THREE-YEAR PLAN (1962)*

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Presented for the panel “New Perspectives on Latin America’s Cold War” at the
FLACSO-ISA Joint International Conference, Buenos Aires, 23 to 25 July, 2014

ABSTRACT

The paper aims to analyze US-Brazilian financial relations during the formulation of President João Goulart’s Three-Year Plan (September to December 1962). Brazil was facing severe economic disequilibria in the early 1960s, such as a rising inflation and a balance of payments constrain. The Three-Year Plan sought to tackle these problems without compromising growth and through structural reforms. Although these were the guiding principles of the Alliance for Progress, President John F. Kennedy’s economic aid program for Latin America, Washington did not offer assistance in adequate conditions and in a sufficient amount for Brazil. The paper argues the causes of the US attitude lay in the period of formulation of the Three-Year Plan, when President Goulart threatened to increase economic links with the Soviet bloc if Washington did not provide aid according to the country’s needs. As a result, the US hardened its financial approach to entice a change in the political orientation of the Brazilian government. The US tough stand fostered the abandonment of the Three-Year Plan, opening the way for the crisis of Brazil’s postwar democracy, and for a 21-year military regime in the country.

* The paper is part of a research project funded by Fundação de Amparo à Pesquisa do Estado de São Paulo (FAPESP). I also would like to thank Feliciano Guimarães and Terea Guimarães for their valuable comments and suggestions.

The 1959 Revolution in Cuba and the island's subsequent integration into the Soviet bloc profoundly shaped US foreign policy towards Latin America. Both the Eisenhower and, particularly, the Kennedy administrations devised strategies aimed at eradicating and containing the first communist experience of the Western hemisphere. One of the most important of these strategies was the so-called Alliance for Progress, JFK's economic aid program that intended to spur \$20 billion dollars into the continent throughout the 1960s, composed mainly by US public funds. The fear the Soviet Union could transform Cuba in a kind of socialist showcase for Latin America, resembling what the United States was doing in West Berlin, induced Washington to talk about not only the importance of rapid economic growth, but also the need to better distribute the fruits of development in the hemisphere. The Alliance's funds would be primarily given to countries that, on one hand, respected civil and political liberties, contributing to the consolidation of democratic institutions, and, on the other, showed themselves capable of gathering domestic forces to induce development. This included the formulation of overall and specific plans to maximize the impact of foreign resources, and the implementation of structural reforms, particularly in the agrarian and tax fields.¹

US officials considered Brazil key for the success of the Alliance for Progress. And it couldn't be different. Brazil is not only the largest Latin American country, sharing borders with all South American nations but Chile and Ecuador, but also had developed a rather industrialized and diversified economy during the post-war period.² Although Brazil's relative historical detachment to the rest of Latin America could be

¹ For John F. Kennedy's Alliance for Progress, see Jeffrey Taffet, *Foreign Aid as Foreign Policy. The Alliance for Progress in Latin America* (Routledge, 2007); Jerome Levinson and Juan de Onís, *The Alliance That Lost Its Way* (Quadrangle, 1970); and Stephen Rabe, *The Most Dangerous Area in the World. John F. Kennedy Confronts Communist Revolution in Latin America* (University of North Carolina Press, 1999).

² For Brazil's post-war industrialization, see Marcelo de Paiva Abreu, "The Brazilian Economy, 1930-1980", in Leslie Bethell (org.), *The Cambridge History of Latin America*, vol. IX (Cambridge 2008): 281-394.

regarded as a disadvantage in terms of a potential leadership for the Alliance for Progress, the fact the country was changing the focus of its foreign policy, identifying itself increasingly as a Latin American and underdeveloped nation, showed that it was just a matter of time for Brazil to strengthen its natural strategic links with neighbors.³ Brazil was also an interesting candidate given its serious socioeconomic handicaps. The rapid pace of industrialization had intensified old problems, particularly a massive inequality in wealth and income, while it had created new ones, such as an increasing productivity gap between the rural and urban worlds, and a divorce between the capital-intensive import needs of the manufacturing sector and the continuing historical dominance of primary goods in the country's export structure.⁴ All in all, this was intensifying conflicts in society, encompassing increasing levels of strike activity in the urban areas and a strengthening of landless workers' movements, particularly in the Brazilian Northeast, the country's poorest region.⁵ There is no surprise, then, that Washington feared possible impacts of the Cuban Revolution in Brazil and wanted to use the Alliance for Progress to turn the country into a symbol of the democratic development process for the Western hemisphere.⁶

But the story did not develop as expected. US-Brazilian relations became increasingly tense and conflictive during the early 1960s, reaching a climax when a military coup that counted with Washington's encouragement and support ousted President João Goulart (1961-1964) in March 1964, opening a 21-year dictatorship in

³ Leslie Bethell, "Brazil and 'Latin America'," *Journal of Latin American Studies* 42, no. 3 (2010): 457-485, and Stanley Hilton, "The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship," *The Journal of American History* 68, no. 3 (1981): 599-624.

⁴ Coffee alone represented 56% of Brazil's total export values in 1960. For an overview of Brazil's economic outlook in the early 1960s, see Felipe Loureiro, *Empresários, Trabalhadores e Grupos de Interesse: A Política Econômica nos Governos Jânio Quadros e João Goulart*, PhD Dissertation, University of São Paulo (2012): ch.1.

⁵ Salvador Sandoval, *Labor Unrest and Social Change in Brazil Since 1945* (Westview, 1994), and Joseph A. Page, *The Revolution That Never Was: Northeast Brazil, 1955-1964* (Grossman 1972).

⁶ Felipe Loureiro, "The Alliance For or Against Progress? US-Brazilian Financial Relations in the Early 1960s," *Journal of Latin American Studies* 46, no. 2 (May 2014): 323-351.

Brazil (the longest of the Brazilian history), and representing an important watershed for the whole region. Recent studies have shown that the Brazilian military regime supported and stimulated long-term authoritarian rules in Latin America's Southern Cone, and that Brazil's military dictatorship became a model for other Armed Forces in the hemisphere.⁷ Stephen Rabe went as far as to portray the March 1964 military coup in Brazil as significant as the 1959 Cuban Revolution for Latin America's Cold War.⁸

Post-1964 Brazil distanced itself from the ideals of the Alliance for Progress not only because of its disregard for democratic institutions, but also due to the logic of its economic model. If the so-called "Brazilian miracle" brought substantial and unnoticed growth rates to the country (Brazil grew at 11.2% per year on average between 1968 and 1973), it also intensified the concentration in wealth and income of a still highly unequal country.⁹ President Kennedy's "dream" to transform Latin America, and particularly Brazil, in a place where sustainable growth, social development, and democratic institutions would evolve together containing a possible communist expansion in the hemisphere had been irremediably lost. Communism had been checked by a more traditional and much less idealist method, that of based on force and repression.

What went wrong? Why was the initial drive of the Alliance for Progress in Brazil gone along the way? How could it be possible that Brazil turned from a country whose democracy was to be supported to another whose legitimate government had to be overthrown? Scholars have brought different perspectives to answer these questions.

⁷ Stephen Rabe, *The Killing Zone: The United States Wages Cold War in Latin America* (Oxford 2012): 110-111; Tanya Harmer, "Brazil's Cold War in the Southern Cone, 1970-1975," *Cold War History* 12, no. 4 (Nov. 2012): 659-681, 672-3.

⁸ Stephen Rabe, "The United States, the Cold War, and Military Dictatorships in the Southern Cone," LSE Ideas (2011), available at <http://www.lse.ac.uk/IDEAS/events/events/2011/110121Rabe.aspx> (last access on June 21, 2014).

⁹ Abreu, "The Brazilian Economy", 378-381.

For Stephen Rabe and Jeffrey Taffet, the fact Brazil supported Cuba's right for self-determination and kept trade and diplomatic links with the Soviet bloc – basic elements of the so-called Brazil's Independent Foreign Policy (*Política Externa Independente*, PEI) – constituted a fundamental motive of the US stand. These scholars also emphasize President João Goulart's relationship with leftists in domestic politics, including communists, to explain the US attitude. Rabe implicitly argues, however, that Washington overreacted, at least when it comes to opposing Brazil's foreign policy. This is because Brazilian officials constantly reminded the US that their country's position would not compromise in any way Brazil's historical commitment to and friendship with the West. In fact, says Rabe, the weak evolution of trade between Brazil and the Soviet bloc in the early 1960s reflects that.¹⁰ Taffet takes a toughest stand on the subject. He points out that Brazil wanted “to have it both ways, to gain U.S. support but retain an independent line”, and that this “was unrealistic and destined to create antagonism”. Thus, in that sense, the Brazilians “share much of the blame” for the tumultuous US-Brazilian relationship that ended up by blocking the Alliance for Progress.¹¹

Other scholars, such as Moniz Bandeira and Ruth Leacock, although they do not disregard political aspects, stress that economic issues played a crucial role in explaining US opposition to the Brazilian government. The authors point out that the lobby of US businesses in Washington, particularly due to statist and nationalistic policies pursued by Brazil (expropriation of US companies, and the limitation of the right of multinational businesses to remit profits) was decisive to the increasingly

¹⁰ Rabe, *Killing Zone*, 105-6. For an account of Brazil's Independent Foreign Policy, see Keith Storrs, “Brazil's Foreign Policy at the Early 1960s: Background, Tenets, Linkage to Domestic Policy, and Aftermath”, PhD Dissertation, Cornell University (1973).

¹¹ Taffet, *Foreign Aid*, 121.

oppositionist stand of the Kennedy administration.¹² There are still scholars who recognize the importance of economic aspects for the Alliance's handicaps (together with an excessive US anticommunist standpoint), but argues that much of the blame belonged to the Goulart administration's supposed inability in formulating and implementing policies to tackle Brazil's serious macroeconomic constrains, particularly a rising inflation and a severe deficit in her balance of payments.¹³

We aim to contribute to this debate by looking at a rather specific but extremely important aspect of the US-Brazilian relations: the US attitude toward the formulation of the so-called Goulart's Three-Year Plan (*Plano Trienal*). Devised in late 1962 by one of the most famous Brazilian intellectuals, Economic Commission for Latin America (ECLA) economist Celso Furtado, and implemented only during the first semester of 1963 having Santiago Dantas (a symbol of Brazil's Independent Foreign Policy) as Finance Minister, the Three-Year Plan sought to conciliate high economic growth rates (7% per year) with decreasing inflation (from 50% to 10% per annum in a three-year period, 1963-1965). The plan also argued for the need to implement structural reforms, particularly in the agrarian, bank, administrative and tax fields.¹⁴ Scholars have long recognized the significance of the failure of the Three-Year Plan for the future of Brazil's short-lived postwar democracy (1945-1964).¹⁵ Macroeconomic disequilibria

¹² Moniz Bandeira, *O Governo Goulart: As Lutas Sociais no Brasil, 1961-1964* (Unesp, 2010); Ruth Leacock, *Requiem for Revolution: The United States and Brazil, 1961-1969* (Kent State University Press, 1990), ch.4. Although Michael Weis also stress the importance of economic issues, the author seems to be more in connection with Rabe and Taffet's political claims. Michael Weis, *Cold Warriors and Coups d'état: Brazilian-American Relations, 1945-1964* (University of New Mexico Press, 1993), ch.6; and "Twilight of Pan-Americanism: The Alliance for Progress, Neo-Colonialism, and Non-Alignment in Brazil, 1961-1964," *The International History Review* 23, vol. 2 (2001): 322-344.

¹³ Hal Brands, *Latin America's Cold War* (Harvard 2010): 64-65.

¹⁴ For the Three-Year Plan, see Loureiro, *Empresários*, ch. 7.

¹⁵ See Antônio Sochaczewsky, *Desenvolvimento econômico e financeiro do Brasil, 1952-1968* (Trajetória Cultural, 1991): 210-217; Eduardo Bastian, "O PAEG e o Plano Trienal: uma análise comparativa de suas políticas de estabilização de curto prazo," *Estudos Econômicos* 43, no. 1 (2013): 139-66; John Wells, *Growth and Fluctuations in the Brazilian Manufacturing Sector During the 1960's and the Early 1970's*. PhD Dissertation, Cambridge University (1977): 221-228; Jorge Ferreira, *João Goulart: Uma Biografia*

increased dramatically after mid-1963, contributing to the intensification of social struggles and class polarization that led to the 1964 military coup. Brazilian officials publicly recognized that the plan could not be successfully implemented without foreign assistance. Brazil's potential external deficit for 1963 (\$900 million) accounted for 60% of the country's total exports in 1962.¹⁶ Given its dependence on imports, particularly raw materials and heavy manufacturing goods, it was impossible to uphold foreign commitments without resorting to import controls (with serious consequences to economic performance), unless foreign creditors, of which the US government was the biggest one, showed comprehension in refinancing debts and in lending fresh money to the Goulart administration.

But this did not happen, at least in the way the Brazilians expected. Goulart's Finance Minister, Santiago Dantas, travelled to Washington in March 1963 expecting to get as much as \$839 million for the 1963-1965 period, being half of that amount to be released immediately. However, Dantas achieved only a twelve-month arrangement totaling \$398 million, with a small immediate assistance (\$84 million), and further aid dependent on Brazil's policy performance, including the commitment to reach a stand-by agreement with the International Monetary Fund (IMF) in three months.¹⁷ Given the usual harsh conditions requested by the IMF to grant a stand-by, including austere fiscal and monetary policies, Brazil would face troubles to conciliate the Fund's requirements with the growth targets of the Three-Year Plan.¹⁸ And, in fact, it did. By mid-1963, the

(Civilização Brasileira, 2011): 327-332; Mário Mesquita, *1961-1964: A Política Econômica sob Quadros e Goulart*, Master's Dissertation, PUC-RJ (1992): 156-236.

¹⁶ CIA Memorandum, no. 3936, Brazil's Balance of Payment Crisis, 1962, John F. Kennedy Library (hereafter JFKL), National Security Files (hereafter NSF), Papers of Ralph Dungan (hereafter PRD), Box 390, Folder Brazil General 11/62-12/62: 1.

¹⁷ Loureiro, "Alliance": 343.

¹⁸ For the effects of IMF stand-by agreements, see John Kofas, *The Sword of Damocles: U.S. Financial Hegemony in Colombia and Chile* (Westport, 2002); and Luiz Manzetti, *The International Monetary Fund and Economic Stabilization. The Argentine Case* (Praeger, 1991).

IMF had decided it would not grant a stand-by to Brazil given Goulart's supposedly loose economic policy. Despite the recognition of several US officials that the Brazilian government had advanced in terms of inflation control, and that IMF and US requirements were beyond the country's capacity to uphold them, Washington followed the Fund, halting further loans to the Goulart administration.¹⁹ If Goulart did not have motivation at home to keep orthodox economic policies going on, given the strong criticisms he was facing from labor and entrepreneurs, the US tough financial approach strengthened these incentives, contributing to the Plan's abandonment, and to a further deterioration of the US-Brazilian relations.

Why has Washington taken such a hard stand? The question is crucial given the importance of the Three-Year Plan for the consolidation of the Brazilian democracy, the program's commitment not to compromise growth for the sake of immediate price stability, and its intention to implement structural reforms. All this fit rather well, at least in theory, within the Alliance for Progress requirements. Not coincidentally, the Three-Year Plan was included in the 1962-1963 Alliance for Progress annual report as the Brazilian representative program.²⁰ Thus, to understand the lack of US support for the Three-Year Plan is, to a great extent, to elucidate the reasons behind the US lack of support for the Alliance's principles in Goulart's Brazil. We pursue this task by looking up particularly to the period when the US tough stand matured, that is, exactly during the formulation of the Plan, between September and December 1962. We suggest that

¹⁹ Loureiro, "Alliance": 342-346. For US officials who argued the March 1963 financial package were too harsh, see "Brazil", Walt W. Rostow, 2 Oct. 1963, John F. Kennedy Library (hereafter JFKL), National Security Files (hereafter NSF), Papers of Ralph Dungan (hereafter PRD), Box 390A, Folder Brazil 7/63 and undated: 3.

²⁰ Report, *The Alliance for Progress: Its Second Year, 1962-1963. Second Report on the Progress of Economic and Social Development in Latin America and Prospects for the Future*, Second Annual Meetings of the Inter-American Economic and Social Council (IA-ECOSOC) at the Expert Level and at the Ministerial Level, Oct. – Nov. 1963, São Paulo, Brazil, JFKL, Teodoro Moscoso Personal Papers (hereafter TMPP), Box 3, Folder *The Alliance for Progress*, 11/63: 171.

this was a crucial moment for the US-Brazilian relations, similar to the period when Brazilian president Getúlio Vargas decided in late 1941, after extensive bargaining between Washington and the Axis, to support the US in World War II.²¹ Employing recently declassified sources, the paper argues that Goulart (Vargas' political *protégé* and heir) sought to do the same, negotiating greater US financial support for the Three-Year Plan in exchange of Brazil's commitment not to expand links with the Soviet bloc and not to pursue changes in the country's socioeconomic structures. The problem is that this was made in a moment when the US relative power vis-à-vis the Soviet bloc in Latin America was increasing, given the results of the October 1962 missile crisis. It seemed the president Goulart did not perceive or did not pay attention to this change, pressing Washington when Brazil's room to bargain in the international system was smaller, and contributing to the hardening of the US position with regards to the Three-Year Plan.

The paper is divided into four parts, besides this introduction. Section one provides a brief historical background of the US-Brazilian financial relations in the early 1960s, and discusses the US position regarding Goulart's Brazil up to the formulation of the Three-Year Plan. Section two analyses Washington's attitudes and ideas during the first months of the formulation of the Furtado's plan (mid-September to mid-November 1962). Section three discusses how the US reacted to Brazil's increasing overtures to the Soviet bloc and to president Goulart's threats as to severing relations with Washington, focusing on its impacts to the US assistance for the Three-Year Plan. Section four sets out relevant conclusions.

²¹ For the US-Brazilian relations during the Second World War, see Thomas Smith, *Brazil and the United States: Convergence and Divergence* (University of Georgia Press, 2010): ch. 5.

A background of the US-Brazilian financial relations

Brazil's economic outlook in the early 1960s was critical. After years of intensive growth, particularly during the administration of Juscelino Kubitschek (1956-1961), the country faced severe macroeconomic constraints, such as a rising inflation, a growing public deficit, and heavy pressures in her balance of payments. The Brazilian foreign debt was not so great (roughly \$3 billion in 1960, accounting for two years of exports), but it had a short-term high-interest profile. Half of this debt had to be paid during President Jânio Quadros' term (1961-1966), which was a strong burden on the export sector's declining capacity to turn out foreign exchange, putting growth at risk. US showed a flexible attitude in the face of Brazil's financial difficulties, even though Quadros' newly implemented Independent Foreign Policy disgusted US officials. In May 1961, within the initial drive of the Alliance for Progress, Washington provided substantial balance of payment assistance for Brazil, great part of it free from IMF conditionality. This was to give room for Brazilian officials to pursue policies not to compromise domestic growth.²²

Quadros' sudden resignation in August 1961, however, almost invalidated the recently signed financial package. Vice President João Goulart was long known in Washington for his connections with leftist groups (including communists), particularly in trade unions.²³ As a matter of fact, this was the main reason behind the challenge presented by part of the Brazilian military against Goulart's ascension to power, putting the country on the brink of a civil war – avoided only by a last-minute agreement that allowed Goulart to become president but with limited powers, within a parliamentary

²² Loureiro, "Alliance": 326-333.

²³ For Goulart's links with leftist union leaders, see Timothy Harding, *The Political History of Organized Labor in Brazil*, PhD Dissertation (Stanford 1973): chs 4, 8

political framework.²⁴ In the first weeks of the Goulart administration, it seemed the US would drastically slip back its policy on Brazil. Resources were temporarily frozen, but this did not last long. Between September 1961 and April 1962, Washington released \$224 million to the Goulart government, 66 percent of the May 1961 package's new money forecast. This assistance was decisive for Brazil to pay foreign liabilities on time and to keep on growing, despite political instability (the country's GDP increased 8.6% in 1961).

What were the motivations for such US stand? Firstly, the fact the financial agreements had already been signed. If the US broke up the deal unilaterally, by freezing all financial assistance to the Brazilian federal government, it would legitimate Goulart's potentially leftist moves. Secondly, Goulart's powers were constrained by the newly instituted parliamentary regime and by a Cabinet formed mainly by moderate and pro-US politicians. And, thirdly, Goulart showed signs of political moderation in the beginning of this term, even though this did mean neither a break with leftist groups in the labor movement nor a change in Brazil's foreign policy. Goulart's overtures to moderate politicians and to conservative groups in Brazil encouraged Washington to give him a try. The Brazilian president's visit to Washington in April 1962 marked the high point of the US-Brazilian relations in the early 1960s.²⁵ It seemed Goulart could be transformed into one of the Latin American heroes of the Alliance for Progress: a reformist democratic leader with great popular appeal, contrasting with the increasing authoritarian and communist-oriented Fidel Castro's Cuba.

²⁴ For a political account of the crisis that followed Quadros' resignation, see John Dulles, *Unrest in Brazil. Political-Military Crisis, 1955-1964* (University of Texas Press, 1970): 143-160; and Thomas Skidmore, *Politics in Brazil, 1930-1964: An Experiment in Democracy* (Oxford University Press, 1967): ch.7.

²⁵ Loureiro, "Alliance": 333-338.

However, Washington's plan did not work out. By mid-1962, US-Brazilian relations had cooled again, leading this time to a longer US freeze of balance of payment assistance to the Goulart administration. Although Washington justified its new approach on the basis of a deterioration of Brazil's macroeconomic outlook, particularly due to the ineffectiveness of policies to arrest inflation, political issues seemed to constitute US main motivation for severing ties with Brasília. The most important of these issues was Goulart's attitudes aimed at destabilizing the parliamentary regime and at anticipating the plebiscite on the reintroduction of the presidential system. Washington's perception was that Goulart employed his links with leftist union leaders, particularly the communists, to launch general strikes to press the Legislative. This pressure was also strengthened by Goulart's frequent changes of military posts, nominating left-wing and nationalist officials favorable to his political aims.²⁶ Evidence shows that, in fact, the Brazilian president maneuvered heavily to get his powers back.²⁷ In September 1962, with political tensions running high, the opposition in the Brazilian Legislative surrendered to Goulart's interests, voting for the anticipation of the plebiscite from mid-1965 to January 1963.

After this major victory, Goulart had only four months up to the plebiscite to justify that the restoration of presidential powers would be essential for him to tackle Brazil's short-term and structural problems. This task was to be accomplished by Celso Furtado's Three-Year Plan, formulated in this four-month period (September to December 1962). Framed into the principles of the Alliance for Progress, the plan also envisaged to create conditions for the reestablishment of US assistance to Brazil. Given the country's fragile financial conditions, a change in the US approach was critical to

²⁶ *Idem*: 338.

²⁷ Loureiro, *Empresários*: ch. 6.

make the plan feasible. President Kennedy's intention to visit Brazil in November 1962 constituted a perfect opportunity for that change to materialize. Next sections discuss why this did not happen.

First US impressions on the Three-Year Plan

While the Three-Year Plan was being devised by Celso Furtado and his team, Brazil's serious economic handicaps did not give a break to the Goulart administration. For the last quarter of 1962 it was expected a \$90 million deficit in the country's foreign accounts, with no available exchange cover in sight. Even if the Goulart government decided to sell off Brazil's remaining gold reserves (around \$70 million), it would not be enough. The alternatives were to accumulate further commercial arrears, which was a risky move, as suppliers could stop selling products to Brazil, or to try to obtain new credits abroad.²⁸ Without a stabilization plan ready for scrutiny, the IMF would not consider granting any financial assistance. This would also close doors to private and European banks, which demanded a prior IMF approval before sitting at the table to discuss any supply of financial aid. Washington constituted Brazil's final resort to avoid that the Three-Year Plan lost track while still in gestation.

Washington kept its hard line, though. In September 1962, just after the Brazilian Congress approved the anticipation of the plebiscite, Brazil requested \$25.5 million to the US out of the frozen May 1961 loan package. The justification was that political stability would ensue after the probable reestablishment of the presidential system, allowing a sound economic policy to be implemented. For that to take place, however, the US would have to be flexible during the phase of formulation of the Three-Year

²⁸ Memorandum, Mapes, Jr. to Oechali, Brazil's Balance of Payment Deficit (Confidential), 30 Oct. 1962, National Archives and Records Administration (hereafter NARA), Record Group (hereafter RG) 59, Records Relating to Brazil, 1954-1963 (hereafter RRB), Box 3, Folder ECO 3.6.

Plan, releasing money to allow imports to continue normally, and avoiding any break in the country's growth rates. Washington recognized the "gravity of the situation", but decided to deny the request, pointing out that further balance of payment assistance would only be given to Brazil when the country presented concrete stabilization results.²⁹ Washington suggested the possibility, however, to hold new discussions in November, when Dantas and Furtado's economic program would be more developed.³⁰ In fact, after consultation with the US Ambassador to Brazil, Lincoln Gordon, the Department of State had been informed that the Brazilian exchange situation in September 1962 was "serious, but not critical".³¹ This is to say that aid could be denied momentarily that it would not produce immediate consequences. Brazil's greatest foreign commitments in 1962 would fall due only in December. So, in postponing the negotiations, Washington would gain more time to review the economic and political orientations of the Goulart regime.

But the US attitude was not well received by Brazilian officials. The Brazilian Ambassador to the US, Roberto Campos, strongly regretted Washington's "hard line" financial approach towards Brazil in a letter to Herbert May, the US Undersecretary of State for Latin American Affairs. Campos argued that, in its origins, the Alliance for Progress had emphasized the importance of growth, development, and respect for democracy, and not the need for economic stabilization at any cost, as the US would be doing. Campos also stressed that if Brazil were judged by its post-war growth rates, and by the level of integration of her population into democratic institutions, the country's

²⁹ Telegram of the State Department to the US Embassy in Rio (hereafter Deptel) 832, 28 Sept. 1962, JFKL, NSF, Box 13, Folder Brazil General, 9/62: 2, 4.

³⁰ Letter, Roberto Campos to Octávio Gouveia de Bulhões, 8 Oct. 1962, Centro de Documentação e Pesquisa em História Contemporânea, Fundação Getúlio Vargas (hereafter CPDOC-FGV), Arquivo Roberto Campos (hereafter ARC), RC d/bem 61.10.19, Folder 2.

³¹ Memo, Edwin Martin to Dean Rusk, 21 Sept. 1962 (Confidential), NARA, RG 59, RRB, Box 2, Folder CUL 8.2 – B, 2

performance would be considered satisfactory, producing a different perspective as to whether she deserved or not to be assisted.³²

Brazilian officials were even more alarmed by the fact the US hard line approach was not reproduced regularly throughout the country. Several state governments were contemplated by project loans of the US Agency for International Development (USAID), while funds for Brazil's federal projects were kept being ruled out. Not coincidentally, the most favored states were those whose governors were unambiguously anticommunist and pro-US, which meant they also tended to be Goulart's political enemies. That was the case of the governor of the state of Guanabara, Carlos Lacerda, one of the greatest beneficiaries of US aid in this period. The discrimination was so evident that in early September 1962 Ambassador Roberto Campos asked for clarification on this issue to Edwin Martin, Kennedy's Secretary for Inter-American Affairs. Martin responded that the US decisions were grounded on technical matters only, e.g., the state governments that received US funds seemed more prepared to carry out development projects than the federal administration.³³ Although Martin's answer was not true, as several scholars have already shown, the fact is that the policy of favoring friendly state governors (called by Ambassador Gordon as "the policy of islands of administrative sanity") aggravated tensions between Brazil and the US.³⁴ As even Martin had recognized to Campos, this approach represented, in fact, that the US

³² Letter, Roberto Campos to Herbert May, 19 Sept. 1962, CPDOC-FGV, Arquivo Hermes Lima (hereafter AHL), HL c 62.09.19/2.

³³ Memorandum of Conversation (hereafter Memcon), Martin and Campos, US Aid Loan Policy Toward Brazil, 12 Sept. 1962 (Confidential), NARA, RG 59, RRB, Box 3, Folder ECO 3, 1-2.

³⁴ Jan Knippers Black, *United States Penetration of Brazil* (University of Pennsylvania Press, 1977): 40-3; Phyllis Parker, *Brazil and the Quiet Intervention, 1964* (University of Texas, 1979): 45-7; Rabe, *Most Dangerous*: 68-9; Rene A. Dreifuss, *1964: A Conquista do Estado* (Vozes, 1981): 100-3, 326; Taffet, *Foreign Aid*, 109; Weis, *Cold Warriors*: 161; and "Twilight": 340.

hard financial policy towards Goulart was not “a question of the inadequacy of US resources”.³⁵

Despite these setbacks, the expectations of the Brazilian federal government in obtaining US financial assistance continued to be high. In a meeting in October 1962 between members of the US Embassy in Rio and top Brazilian officials, including Celso Furtado and Prime Minister Hermes Lima, it was emphasized the significance of US aid for Brazil’s Three-Year Plan. Furtado was the most categorical. He criticized the way the Alliance for Progress was being carried out in Brazil. Instead of focusing on important but “marginal problems”, channeling funds to impact programs (schools, hospitals, water supply systems, etc.), Furtado argued the Alliance should concentrate on deepening Brazil’s industrialization, providing aid with no specific destination but to finance the country’s external deficits. This would assure the possibility to import capital goods, keeping the level of investment high, and guaranteeing the maintenance of Brazil’s development, in spite of the stabilization effort. Furtado wished a “massive loan, perhaps \$400 million a year for several years”, recognizing that this “would require a demonstration by the United States of confidence in the Brazilian government”.³⁶ Gordon contested Furtado’s approach by saying not only he disagreed the projects financed by the Alliance in Brazil had been “small or unimportant”, but mainly, in what would be a recurring issue in the US-Brazilian relations in the late 1962, pointing out that it would not be possible to provide Alliance’s funds with no strings attached. Gordon argued that most US assistance should be project specific, since this was an approach Washington and other multilateral financial institutions

³⁵ Memorandum of Conversation (hereafter Memcon), Martin and Campos, US Aid Loan Policy Toward Brazil, 12 Sept. 1962 (Confidential), NARA, RG 59, RRB, Box 3, Folder ECO 3: 2.

³⁶ Memcon, Subject: Alliance for Progress: Economic Development and Stabilization in Brazil, Confidential, 9 Oct. 1962 (Confidential), NARA, RG 84, Classified General Records, Complied 1941-1963 (hereafter CGR), Box 135, Folder 500: 2, 4.

(such as the World Bank) have been pursuing for a long time with success, ensuring “effective employment of the assistance received”.³⁷

But the approach pursued by the Kennedy government was evolving in a rather different direction to that wished by Furtado and even Gordon. Still in late September 1962 Washington decided to send a fact-gathering mission to Brazil to get acquainted with the country’s financial and economic outlook. Constituted by officials coming from different departments and agencies, such as the Central Intelligence Agency (CIA), the USAID, the US Information Agency (USIA), the Treasury and Defense Departments, and led by former general William H. Draper, Jr., the mission spent 16 days in Brazil during October 1962, and talked with different members of the Brazilian government, including Goulart and Furtado, as well as with local and foreign entrepreneurs.³⁸ In the beginning, Ambassador Gordon was against the timing and the composition of the commission. Gordon argued that the Embassy had to focus on preparing Kennedy’s visit to Brazil (expected to take place in mid-November), and the fact the commission had many military members would be seen as inadequate by the Brazilians.³⁹ Gordon’s considerations did not produce effect. In fact, Washington was having serious second thoughts as to the pertinence of Kennedy’s trip to Brazil.⁴⁰ The Cuban missile crisis in late October brought the perfect justification to call off a commitment that had been already regarded as inappropriate. Brazil’s attitudes during

³⁷ *Idem*: 3-4.

³⁸ Deptel 771, 21 Sept. 1962 (Confidential), JFKL, NSF, Box 13, Folder Brazil General, 9/62; Telecom, Ball and Leedy, 26 Sept. 1962, JFKL, Personal Papers of George Ball (hereafter PPGb), Box 1, Folder Brazil 4/20/61 – 7/10/63.

³⁹ Embtel 682, 24 Sept. 1962, JFKL, NSF, Box 13, Folder Brazil General, 9/62.

⁴⁰ Memo, Burton to Welmman, Subject: Possible Postponement of Kennedy’s Visit to Brazil (Confidential), 13 Sept. 1962, NARA, RG 59, RRB, Folder Mis 5c (4).

the crisis ratified Washington's conclusions about the inadequacy of trip.⁴¹ In the end, the Draper commission did its job and presented a report to President Kennedy in early November 1962, just some days after the most apprehensive peak of the Cuban crisis had passed.

Scholars have already highlighted the importance of the Draper report for the US-Brazilian relations in the early 1960s.⁴² The report presented a dark picture of Brazil's political and economic outlook, proposing a clear-cut destabilization policy to bring about Goulart's overthrow. It argued the US alone could not fill in Brazil's enormous potential exchange deficit in 1963 (\$900 million), and that further financial help (Europe, Japan, IMF) was needed. According to Draper, since Goulart would not have stomach to implement the necessary hard economic policy to arrest inflation and to gain IMF's support (as shown by his three-year plan to halt inflation, instead of a more appropriate one-year program), the US was put in a dilemma: to go alone in supporting Brazil, or to abandon the country, letting her economic situation to deteriorate, the Goulart administration to move further to the left, and, as a result, the Brazilian military to stage a coup to bring in a new and more cooperative regime towards the US. The report argues that the second alternative would be the most appropriate one, even though it presented risks (US direct investment in Brazil, for example, amounted to \$ 1.5 billion). Besides being pictured as an opportunist politician, it is emphasized Goulart's close political links with the radical left, and the fact the Brazilian president would not be afraid of turning the country into the Soviet Bloc if he found it convergent

⁴¹ For the several reasons why the US disliked Brazil's attitudes during the crisis, see James Hershberg, "The United States, Brazil, and the Cuban Missile Crisis, 1962 (Part II), *Journal of Cold War Studies* 6, no. 3 (Summer 2004): 5-67.

⁴² Leacock, *Requiem*: 124-128; Rabe, *Most Dangerous*: 68.

with his interests. In other words, concludes the Draper report, “it would appear that conditions in Brazil must get worse before they can get better”.⁴³

The Draper report produced a major debate within the US government. Ambassador Gordon was its staunchest critic. Gordon’s criticisms were focused on four points: first, although the US Embassy in Rio de Janeiro also regarded Brazil’s financial situation as grave, it did not consider that the country’s economic outlook would deteriorate as rapidly as predicted in the case Brazil fail to obtain US assistance. Second, Gordon saw as “highly speculative” and “implausible” that Goulart would be overthrown by the Brazilian Armed Forces giving the prevailing circumstances. “Military might react against (an) obvious communist coup”, but not due to the country’s economic deterioration and to a move of the regime towards the left. The Ambassador pointed out that not only the military fell short in excluding Goulart after Quadros’ resignation in August 1961, but also failed to stop him when he pressed the Congress to vote for the anticipation of the plebiscite in September 1962. A US hard line approach would only increase polarization in the Brazilian public opinion, consolidating the influence of left wing advisers on Goulart. Thirdly, Gordon argued that it would not be “technically sound” nor “politically feasible” to expect a “rapid and complete elimination (of) inflation” in Brazil within one year, as the Draper report recommended. And, finally, the Ambassador believed that the report also did a mistake to propose that price stabilization should go before further Alliance for Progress loans

⁴³ Report to the President by the Interdepartmental Survey Group on Brazil, 3 Nov. 1962 (Secret), JFKL, NSF, PRD, Box 390, Folder Brazil, 11/62 – 12/62: 13.

were disbursed for Brazil. “We believe (it is) possible (...) (to) pursue (these) simultaneous interrelated objectives (...), and see no incompatibility among them”.⁴⁴

The US Ambassador defended a softer and more indirect approach towards the Brazilian president. Inherent in Gordon’s analysis was the idea that Goulart would be easily influenced by others, particularly by his advisers. Therefore, instead of proposing a direct US confrontation with Goulart, in order to spell out the apprehension Washington had regarding Brazil’s political and economic conditions, Gordon defended that “some presidential advisers”, such as Santiago Dantas, do the job on US behalf. The point was to disguise US fingerprints as much as possible, allowing Goulart to think that a more cooperative approach towards Washington’s interests would also be of Brazil’s interests. On the other hand, the US should be ready to continue aiding Brazil during the period of formulation of the Three-Year Plan, including not only USAID credits provided on a project basis, but also temporary loans for purposes of balance of payments relief.⁴⁵ In a previous report, Gordon had already suggested that, if US-Brazilian financial negotiations advanced, reaching a performance-based agreement alongside the IMF, Washington would have to be prepared to do exactly what the Draper report saw as unbearable, given the potential Brazil’s exchange deficit, e.g., to look at “all possibilities”(together with other non-US sources) to cover the gap in the country’s balance of payments, including “advances against local currency needs of approved AID programs and projects, debt rescheduling, (and) general balance of payments assistance”.⁴⁶ Gordon concluded his long telegram by pointing out that the

⁴⁴ Embtel 924, Sections I to III, 2 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962.

⁴⁵ Embtel 924, Section III, 2 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 3.

⁴⁶ US Embassy Report (Rio) to the Department of State (hereafter Embrep) 813, 11 Oct. 1962 (Confidential), NARA, RG 84, CGR, Box 136, Folder 501: 3.

US Embassy in Rio realizes that the course proposed would be “less psychologically satisfying than (a) quick dramatic showdown” with Goulart, but it would be “both less risky (and) likely (to) secure sound ultimate results”.⁴⁷

Other top US officials supported Gordon’s views on the Draper report. The Kennedy’s Chief of the Policy Planning Council (PPC), Walt W. Rostow, argued that, although he was also concerned about Goulart’s political behavior, it would be “too soon” to conclude that Goulart was a “lost soul”, in the sense the Brazilian president was determined to side Brazil with the Soviet bloc or to create a “Castro-type dictatorship”. Rostow also thought it wrong to push Brazil to adopt a “one-shot drastic monetary effort”, as it would not face the country’s “major structural distortions”. According to him, a development program focused on expanding and improving Brazil’s pattern of investment was as necessary as a gradual policy of inflation control.⁴⁸ The State Department’s Director of East Coast Affairs, H. Wellman, emphasized the US should continue following the policy it had been doing since mid-1962, e.g., to “strengthen the moderate, democratic (anti-communist) reformist elements in Brazil, so that Goulart will be persuaded to cooperate with them rather than with the extreme left”, and not to close doors by denying financial assistance.⁴⁹

There were US officials, however, who sided with the Draper commission. The clearest example was given by the assessment of the State Department’s Deputy Assistance Secretary, Frank Sloan, on the subject. Although Sloan did not defend that Washington should seek to overthrow Goulart no matter what, he suggested the US

⁴⁷ Embtel 924, Section III, 2 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 3.

⁴⁸ Report, Walt W. Rostow to Edwin Martin, Comments on Draper Report, 14 Nov. 1962 (Secret), JFKL, NSF, PRD, Box 390, Folder Brazil, 11/62 – 12/62: 1-3.

⁴⁹ Memo, H. Wellman to Edwin Martin, Comments on Draper Report, 8 Nov. 1962 (Secret), NARA, RG 59, RRB, Box 3, Folder Mis 5d.

should condition any further assistance to Brazil to a set of measures capable of clearly defining whether Goulart would be a “pro-communist, pro-Castro, anti-US” politician or not. If positive, US efforts should be devoted to bring about Goulart’s overthrow, something eased by the fact Goulart’s involvement with the communists would provide “the military both a pretext and public support for his removal”. Among the measures proposed by Sloan to implement his so-called “step-by-step program” stand out the termination of Brazil’s independent foreign policy, the dissolution of Goulart’s links with communist groups in trade unions, the end of Goulart’s policy of nominating radical left wing officials to the Brazilian government and to the Brazilian Army, the execution of a IMF-approved stabilization plan, and the implementation of incentives to private foreign investments inflows. US aid should be conditioned to the implementation of this set of measures as a whole, and not just to part of them.⁵⁰

In mid-November 1962, State Secretary Dean Rusk informed Ambassador Gordon that, after “careful consideration” of the Draper report and other US officials’ assessments, the Department of State had reached “some conclusions” as to what to do with regards to Goulart. On the one hand, contrasting with Draper’s views, the Department recognized that circumstances in Brazil were “not conducive (for an) immediate adoption (of a) comprehensive stabilization program”, since the government would only be able to implement a stabilization plan after the plebiscite, and that it would be “unreasonable (to) expect achievement (of) full stabilization in less than (a) year or two”. The Department was also ready to help Brazil in an emergency basis during the phase of the formulation of the Three-Year Plan, but the Goulart

⁵⁰ Memo, Frank K. Sloan to Edwin Martin, 14 Nov. 1962 (Secret), NARA, RG 59, RRB, Box 3, Folder Mis 5d.

administration had to show intention to pursue concrete actions for tackling the country's financial handicaps.

On the other hand, in divergence to what Gordon had recommended in the case a US-Brazilian financial agreement was approved and successfully carried out by the Brazilians, the Department informed it would be "neither willing nor able to provide massive resources necessary to meet Brazil's prospective enormous balance of payments deficit", even though it "would be prepared to collaborate" if Brazil could induce other countries and international institutions to assist her in a multilateral effort. Moreover, the Department did not follow Gordon's recommendation as to employing indirect means to make Goulart aware of US complaints. The US Ambassador was ordered to directly inform Goulart, "appropriate key GOB (Government of Brazil) officials, as well as selected Congressional leaders" that certain economic and political trends of the Goulart administration had to be reconsidered if Brazil wanted to count on Washington's financial help.⁵¹ Although economic aspects were emphasized, such as the implementation of a stabilization plan and the importance of actions to incentive foreign private investments (particularly regarding changes in the way the country was handling expropriations and profit remittances of foreign companies), political issues caused even more concerns to Washington. These included Brazil's foreign policy, mainly when it comes to Cuba; Goulart's links with leftist and communist labor leaders; and Goulart's assignments of ultranationalists and members of the radical left to government and military posts. These trends, which represented a move away "from hemispheric solidarity internationally and (from) liberal representative democracy internally (...), would limit our ability to help Brazil and Brazil's ability to help herself". Such grave US concerns could not be passed onto Goulart only by Brazilian officials. "Short of

⁵¹ Deptel 1147, 15 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962.

being counterproductive”, a direct “confrontation” with Goulart and his advisers “may be indicated”, in order to “influence him and them away from (the) course described above”.⁵²

Following Washington’s orders, Ambassador Gordon sought immediately to schedule meetings with President Goulart and with the future Brazil’s Finance Minister Santiago Dantas. These meetings would produce important consequences for the future of the US-Brazilian relations and for the US support for the Three-Year Plan, as next session intends to explore.

Goulart’s threats and US attitudes

Even before the US Department of State decided in mid-November 1962 that a “direct confrontation” with Goulart was needed, Brazilian officials had shown signs they that were getting increasingly worried and dissatisfied with the US approach regarding the provision of foreign aid. In October 1962, Ambassador Roberto Campos was informed through the US press that President Kennedy’s advisor Chester Bowles had written a report on the need for new parameters for the provision of US economic assistance. The so-called Bowles report indicated that Washington should be tougher and more careful when offering international aid. Campos rushed to speak with Bowles to present him a critical assessment on the issue. Although Bowles denied that the report represented any definitive policy, he indicated Brazil needed to make improvements, particularly in terms of halting inflation and granting incentives to foreign investments, in order not to compromise the inflow of US aid.⁵³ In early

⁵² Idem; Deptel 1148, 15 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962.

⁵³ Telegram of the Brazilian Embassy in Washington to the Brazilian Foreign Relations Ministry (hereafter Telemb) 728, 11 Oct. 1962, Arquivo do Ministério das Relações Exteriores, Brasília (hereafter

November, the Special Advisor of Brazil's Finance Minister, Ernani Gálveas, expressed his apprehension with the US Embassy officer John Krizay that the "hard line" financial approach the US was having on Brazil could bring serious consequences for bilateral relations.⁵⁴ On 13 November, the acting chief director of the *Superintendência do Desenvolvimento do Nordeste* (Superintendence for the Development of the Northeast, SUDENE) – an agency of the federal government aimed at fostering the development of Brazil's Northeast – made a famous speech in the city of Recife criticizing the Alliance for Progress, and the way the US aid policy was being handed in Brazil, e.g., as a "by-product of the Cold War", focusing on "short-range, artificial results". The speech was considered "an open declaration of war on the Alliance for Progress" by the US Embassy, instigating further discomforts between Brasília and Washington.⁵⁵

It was in this complex and confrontational political environment that Gordon scheduled a meeting with President Goulart on 16 November, 1962, to discuss with him the problems of the US-Brazilian relations. The meeting took place in a flight from Brasília to Rio de Janeiro. Joined in most of the time by Jack B. Kubish, US Embassy's Minister for Economic Affairs, Gordon raised several issues with Goulart. They first debated the shortcomings of the Alliance for Progress in Brazil. Gordon complained about the obstacles presented by certain Brazilian "officials and institutions" to the Alliance, particularly SUDENE, which had been putting impediments to direct implementation of project loan contracts between the USAID and Northeast state governments. At first Goulart reacted angrily, pointing out that Washington aided only

MRE), Telegramas Confidenciais, Embaixada Washington, 1962, Box 423, Book Washington, Telegramas-Cartas, 1962.

⁵⁴ Memcon, John Krizay and Ernani Gálveas, Subject: Possible Approach in New Aid Negotiations, 7 Nov. 1962 (Confidential), NARA, RG 84, CGR, Box 136, Folder 500.8.

⁵⁵ Embrep A-580, Subject: Background Information for Discussions with Ambassador Gordon, Week of November 26 (Secret), 23 Nov. 1962, JFKL, NSF, Country Files, Box 13, Folder Brazil General, 11/16/62-11/30/62: 2.

“reactionaries” leaders, who have been his strongest political enemies. Like Edwin Martin had done with Ambassador Campos one month before, Gordon argued that there would not be any political bias in the distribution of US aid. The most privileged states were those that were technically more prepared to implement social and development projects. Even though Goulart made other complains about the Alliance of Progress, particularly its excessive bureaucracy and control on loans, and the concentration of projects in areas and issues deemed as “social palliatives”, the Brazilian president agreed to “personally review and approve worthy projects” which had been facing resistance at SUDENE. This was considered an important concession by Goulart, since it would open the possibility of systematically by-passing SUDENE and other federal agencies through *ad hoc* presidential reviews.⁵⁶

Then they turned to the stabilization measures the Brazilian government was formulating to tackle the country’s financial shortcomings. Goulart said he would like to have Dantas in a mission to Washington at late November 1962 to discuss with US officials the draft of the Three-Year Plan. He even asked whether the US government had objections about Dantas, on which Gordon replied negatively, even though the Ambassador stressed that many aspects of the Brazilian foreign policy during the Dantas period as foreign minister (from September 1961 to July 1962) had been “distasteful” to the US. Goulart took the opportunity to point out that Brazil badly needed US aid to assure the success of the Three-Year Plan, particularly when it comes to debt refunding and financing of imports of capital goods (the same points raised by Furtado with Gordon in their 9 October meeting). Once again the Ambassador argued that most of the US aid should take the form of project loans, instead of general loans.

⁵⁶ Embtel 1001, Sections I and III, 23 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security 1962.

Goulart did not take issue on this with Gordon, but decided to make a move that would produce a decisive impact in the US-Brazilian relations.

For the first time in the postwar era, a Brazilian president openly threatened the US with the possibility of severing ties with Washington if the US did not provide the amount of aid (and under the conditions that) Brazil needed. According to Gordon, although Goulart claimed he was not threatening the US, and that he did not wish to look for “communist aid” to alleviate Brazil’s economic difficulties, an inflexible US attitude would inevitably call for extreme actions by the Brazilian government, such as debt default, rationing of the country’s two most significant import goods (gasoline and wheat), acceptance of offers of Soviet project loans, and implementation of policies to allow a “much more widespread domestic socialization of (the) economy”. Goulart also pointed out he would “denounce (the) US for depressing Latin American terms of trade, and denounce (...) (the) Alliance for Progress and (the) IMF in order (to) steel people for necessary sacrifices”. The Brazilian president claimed that “most of Latin America would join him in (the) opposition (against the) US if we (Washington) failed (to) accept his ideas”. Goulart recognized that his moves could produce another coup attempt by the military against him, but he was “confident he could keep (it) from succeeding”. It has to be emphasized, however, that if Goulart talked of a possible “widespread socialization” of the Brazilian economy, and that the country would be “on path to (a) new social order”, he also stressed that communism would not be a “serious danger in Brazil”, as it would be contrary to the temper and to the religious tradition of the Brazilian people.⁵⁷

⁵⁷ Embtel 1001, Sections II and III, 23 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security 1962.

As expected, Gordon's take on the meeting was extremely negative. The US Ambassador argued that Goulart's threats could be paraphrased as if the Brazilian president were saying "that (the) alternative to support for GOB on his terms was a second Yugoslavia at best and a second Cuba at worst".⁵⁸ For Gordon, Goulart's "strong nationalist tone" and "unrealistic methods (of) external assistance" reflected Celso Furtado's opinion that the Brazilian economy would have viable alternatives without US help. Even though Goulart seemed to have awakened to Brazil's serious economic problems, the Brazilian president was "clearly not aware (on) how difficult would be for Brazil to swim by itself".⁵⁹ The still unclear key point was to what extent Washington would be able to neutralize or remove the influence that Furtado's and other leftist advisers' views had on Goulart. Gordon finished his account by emphasizing that the 16 November's talk "impressed me once again with Goulart's basic incapacity to be (the) President (of a) large country", and "with his forcefulness as political animal and shrewdness at manipulation".⁶⁰ Unfortunately, there are not further accounts of this important meeting (neither Kubish nor Goulart seemed to have written anything about it). However, giving Gordon's previous moderate stand in the debate instigated by the Drapper report, it is plausible to think that the US Ambassador did not have reasons to misreport the content of his meeting with President Goulart.

Goulart's threats produced shock waves in Washington. A series of exasperate telegrams signed by State Secretary Dean Rusk to the US Embassy in Rio questioned whether the US government could negotiate and discuss "financial assistance (with) a

⁵⁸ Embtel 976, Section II, 19 Nov. 1962 (Secret); JFKL, POF, Country Files, Box 16, Folder Brazil Security 1962: 3.

⁵⁹ Embtel 1001, Section III, 23 Nov. 1962, JFKL, POF, Country Files, Box 16, Folder Brazil Security 1962: 2-3.

⁶⁰ Embtel 976, Section II, 19 Nov. 1962 (Secret); JFKL, POF, Country Files, Box 16, Folder Brazil Security 1962: 3.

regime oriented as you (Gordon) describe(d)”. Rusk became particularly troubled by Goulart’s assertion that, if Brazil decided to denounce the US and the Alliance for Progress, Latin America would join ranks with Brazil: “Do Goulart (...) realize (the) extent of distrust” among Latin American countries “of the Brazilian leadership stimulated by GOB’s neutralistic foreign policy and equivocal position in (the) Cuban crisis?”⁶¹

On the other hand, the State Secretary gave signs he was worried about the possibility of losing Brazil to the Soviet camp, and wanted to know to what extent Goulart’s threats were real. US Embassy officials in Rio and State Department officials in Washington set out to analyze the alternatives the Brazilian economy had in the case Goulart decided to fulfill his threats. The results were encouraging. Even the best scenario for Brazil, that is, to terminate financial payments to the US (profit remittances and debts) without compromising commercial ties with Washington, would oblige Brazil to impose a severe import constrain to fill up its exchange gap in 1963 (\$200 million), resulting in economic downturn (Table 1).

Considering that Washington would probably retaliate in the case Brazil cut financial payments to the US, the scenario would become even worse. Two possibilities were considered. If the Goulart administration managed to get Soviet bloc supplies, particularly oil, as the US Embassy supposed, the exchange gap would be \$400 million. However, if Soviet supplies were minimal in the short run, as forecast by the State Department, due to the lack of capacity by Brazilian oil refineries to manipulate the type

⁶¹ Deptel 1188, 27 Nov. 1962 (Secret), JFKL, NSF, Country Files, Box 13, Folder Brazil General, 11/16/62 – 11/30/62: 2.

Table 1, Estimations for Brazil's exchange deficit in 1963 in the case of a US-Brazilian diplomatic break (million \$)

Estimation 1 (US Embassy in Rio de Janeiro, Brazil)			
<i>Against Brazil</i>		<i>Pro-Brazil</i>	
Previous projected deficit*	800	Financial gains†	500
Cessation of exports to the US	550	Soviet Bloc supplies	250
		Maximum cut in imports	200
Total projected deficit	1,350	Total projected gains	950
Remaining deficit	400		
Estimation 2 (State Department)			
Alternative A - Total rupture of the US-Brazilian relations			
<i>Against Brazil</i>		<i>Pro-Brazil</i>	
Previous projected deficit*	900	Financial gains†	500
Cessation of exports to the US	550	Maximum cut in imports	200
Total projected deficit	1,450	Total projected gains	700
Remaining deficit	750		
Alternative B - Only financial rupture of the US-Brazilian relations			
<i>Against Brazil</i>		<i>Pro-Brazil</i>	
Previous projected deficit*	900	Financial gains†	500
		Maximum cut in imports	200
Total projected deficit	900	Total projected gains	700
Remaining deficit	200		

Sources: Embtel 1072, Section I, 3 Dec. 1962 (Secret), JFKL, NSF, Country Files, Box 13, Folder Brazil General, 12/1/62 – 12/15/62; Memo, Subject: Brazil's Economic Alternatives, Undated (Secret), JFKL, NSF, PRD, Box 390, Folder Brazil, Undated.

Notes: * Exchange deficit to take place regardless the evolution of the US-Brazilian relations. Deficit constituted by financial commitments, commercial arrears, swaps, and other liabilities.

† Financial gains resulting mainly from cessation of profit remittances to US investors and cancelation of debt repayments (interests and principal).

of oil the Soviet bloc would probably offer to Brazil, then the gap would increase to \$750 million.⁶² A \$400 million import contraction to a country that bought \$1.3 billion in goods in the international market in 1962 (being \$500 million composed by oil and oil derivatives) would already be a major task. A \$750 million reduction (56% of the

⁶² Memo, Subject: Counterpoise to Brazilian Threat to Turn to the Soviet Bloc, Undated (Secret), JFKL, NSF, PRD, Box 390, Folder Brazil, Undated.

value of the country's total imports) would certainly represent a structural break for the Brazilian economy. That is why Ambassador Gordon believed that "any thoughtful Brazil, however left wing, should be hesitant (to) seek or (to) accept (a) break with (the) US at this stage".⁶³

This was, in fact, Santiago Dantas' perspective on the Brazilian situation. Two days after the famous 16 November Gordon-Goulart talk, the US Ambassador had a meeting with Goulart's future Finance Minister. Dantas recognized Brazil's grave economic situation and argued that the Brazilian government would only ask for funds when Brazil had something to show to the US in terms of stabilization performance. Gordon confronted him with the "total unrealism (of the) Goulart-Furtado approach to possible forms of aid". Dantas replied that "Furtado's ideas did not really matter", and that Brazil would be "much (more) interested in having aid for support for major projects", such as transport and energy infrastructure, and heavy industries, particularly the expansion of the country's steel plants.⁶⁴ It is possible that Dantas talked with Goulart after this episode, as the Brazilian president offered a much more moderate attitude in a second meeting with Gordon on 28 November. This time Goulart pointed out that if no reasonable financial deal were possible between Brazil and the US, the US-Brazilian relations would continue to be "cordial". Goulart also emphasized he did not have intention to blackmail Washington. The US Ambassador responded "that blackmail policy would be quite dangerous", and that the US "had not yielded to Soviet

⁶³ Embtel 1072, Section II, 3 Dec. 1962 (Secret), JFKL, POF, Country Files, Folder Brazil Security 1962: 2.

⁶⁴ Embtel 976, Section II, 19 Nov. 1962 (Secret), JFKL, POF, Country Files, Folder Brazil Security 1962: 1.

blackmail (in the Cuban crisis), and would certainly have no disposition to yield to (a) Brazilian blackmail” at that moment.⁶⁵

The problem was that mixed signs were offered to Washington by the Brazilian government. On the same day Gordon and Goulart met for the second time to discuss the issue of US financial assistance, supposedly Goulart also held a meeting with former Brazilian President Kubitschek. According to the testimony presented by an unrevealed source to the US Embassy, Goulart complained to Kubitschek that he was getting “fed (up) with repeated delays by (the) US in assisting Brazil and was thinking of telling Brazilian people about recent Soviet aid offers and showing how (the) US was responsible for economic ills of Brazil”.⁶⁶ Two days later, on 30 November, Furtado reaffirmed these same points with US officials Jack Kubish and Ralph Korp.⁶⁷ On December 1st, the Brazilian government stopped talking and signed a \$70 million credit agreement with Poland.⁶⁸ Although the amount to be borrowed was modest, US officials emphasized that this loan “opened a new sort of relationship between Brazil and the (Soviet) Bloc”, previously focused only on bilateral trade. Brasília was also studying the possibility of signing further agreements with Soviet bloc countries, including the Soviet Union herself, in the area of oil exploration. State Department officials saw in these possible partnerships the “real danger” of Soviet penetration in Brazil. Given that “the need to import oil is Brazil’s Achilles heel (...), the temptation to open up its limping oil monopoly (...) to Soviet development aid”, securing

⁶⁵ Embtel 1046, 28 Nov. 1962 (Secret), NARA, RG 84, CRG, Box 135, Folder 500.

⁶⁶ Embtel 1072, Section II, 3 Dec. 1962 (Secret), JFKL, NSF, Country Files, Box 13, Folder Brazil General, 12/1/62 – 12/15/62: 2.

⁶⁷ Idem: 2.

⁶⁸ Research Memo n° RAR-16, 14 Dec. 1962 (Secret), JFKL, PRD, Box 390, Folder Brazil, Undated: 2.

“additional imports of Soviet (high-quality) oil payable in goods, must be almost irresistible”.⁶⁹

The threats presented by the Goulart government to Washington changed the balance of force within the Kennedy administration. A greater proportion of US officials began to defend tougher measures to deal with Brazil. Ambassador Gordon’s views represented one of the clearest examples of this change. Although the US Ambassador remained aloof from the hard line perspective of the Draper report (for practical reasons, to be sure), Gordon felt that the Brazilian president had crossed a line, and should be openly confronted by a high-level US official to deliver the message that Brazil had to pursue political transformations in exchange of US assistance. This “especially authoritative presidential emissary to confront Goulart in near future”, argued Gordon, would be expected to tell the Brazilian leader that if Brazil “is to continue being undermined by appointments (of) extreme nationalist leftists in key positions”, compromising democratic institutions domestically and the implementation of the Alliance for Progress, “and if Brazilian cooperation with inter-American system continues to be eroded, we think Brazil will be well on (the) road down which Cuba went, in which case (the) US cannot support it”.⁷⁰

The US Ambassador recognized, though, as he had done before, when he positioned himself against a more offensive approach, that a direct confrontation with Goulart would entail risks. The Brazilian president could not only refuse to yield to US demands, but also denounce Washington publicly, bringing the US-Brazilian relations to a historical low. Risks would be greater, however, defended Gordon, if prevailing

⁶⁹ Idem: 5-6.

⁷⁰ Embtel 977, Section I, 19 Nov. 1962 (Top Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 2.

situation in Brazil continued to evolve. Moreover, if Goulart decided to denounce US pressures, strengthening the leftist tendencies of his regime, this move would encourage pro-US forces in Brazil “to attempt to depose him”, although the Ambassador did elaborate neither on the probability of success of such attempt nor on the US role in it. Gordon thought that the best candidate to confront Goulart would be Attorney General Robert Kennedy, President Kennedy’s brother, accompanied by Walt W. Rostow – the latter with the mission “to paint positive side (of the US demands) in most attractive terms”.⁷¹ In a previous cable, Gordon had already suggested he should return to Washington for consultation to discuss these strategies.⁷² If the confrontational card failed, pointed out the Ambassador, “we must consider all possible means (of promoting (a) change in (the) regime, including careful estimate (of) dangers even worse to follow”.⁷³

Gordon went back for consultation to Washington in early December 1962. After his departure, the Brazilian case entered into the agenda of the 11 December meeting of the US National Security Council (NSC). There, high level US officials, including President Kennedy and Secretary of State Dean Rusk, discussed what to do about Brazil. The alternative chosen was identical to the one suggested by Ambassador Gordon. The US would seek to change the political and economic orientation of the Goulart government by conditioning financial assistance to Brazil’s performance. An authoritative presidential emissary (Bob Kennedy) would deliver this message to Goulart. The NSC decided, however, that “the needs and possibilities of shifting” the US policy, collaborating “with Brazilian elements hostile to Goulart with a view of

⁷¹ *Idem*: 2-3.

⁷² Embtel 976, Section III, 19 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 3.

⁷³ Embtel 977, Section I, 19 Nov. 1962 (Top Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 3.

bringing about his overthrow (...), must be kept under active and continuous consideration”.⁷⁴

Bob Kennedy presented the US economic and political demands to Goulart in a five hour meeting in Brasília on 18 December, 1962. The political issues were clearly the most important ones, particularly the fact Goulart should tackle “many signs of Communist or extreme left-wing nationalistic infiltration into civilian government positions, military appointments, the leadership of trade unions, and student group leading”.⁷⁵ Even the economic demands presented to Goulart, such as the need for a strong stabilization plan, or for a fair settlement for US expropriated companies, were entangled with political objectives. As Ambassador Gordon pointed out in his recommendations to the State Department in late November, “there is some prospect that economic stabilization performance would in any case entail substantial conflict between GOB and communist and pro-communist forces in Brazil”, ripping their alliance apart.⁷⁶

Although Goulart accepted and implemented many of the US political and economic demands after his meeting with Bob Kennedy, recent declassified material suggests that, in fact, that the Brazilian president became “furious” with the US confrontational approach, and thought to react against it in the first place. According to a testimony done by Luis Alberto Bahia, Santiago Dantas’ political advisor, to an unidentified CIA source in February 1963, Goulart was dissuaded by Dantas to act in

⁷⁴ Memo for the National Security Council Executive Meeting, 11 Dec. 1962 (Secret), JFKL, NSF, Box 13, Brazil General 12/1/62 – 12/15/62: 2; Outline of Brazil Presentation, NSC, Dec. 1962, JFKL, NSF, PRD, Box 390, Brazil, 11/62 – 12/62.

⁷⁵ For the Memorandum of Conversation between President Goulart and Bob Kennedy, see Lincoln Gordon’s account of the meeting in Embtel A-710, 19 Dec. 1962 (Secret), JFKL, NSF, Box 13A, Folder Brazil General, 12/16/62 – 12/31/62.

⁷⁶ Embtel 977, Section I, 19 Nov. 1962 (Top Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 2.

such a way on the grounds that the Goulart-Bob Kennedy meeting would have been a “turning point in (the) relations between the two countries”, and that if “the tough line had prevailed (in the US), then Brazilian would have (to) be tougher too”. Time was needed, however, to see how things would evolve. Bahia also remarked that Dantas considered the Cuban missile crisis a watershed in the US-Latin American relations. After the crisis, the “the tough line” would have gained upper hand in Washington, being Robert Kennedy its clearest “personification”. Dantas’ expectation was that the “co-operative line” regained predominance, allowing him to “do business with” the US.⁷⁷

However, Brazil faced heavy difficulties to negotiate with the US in the early 1963 (although it was not as difficult as the members of the Draper mission would have liked). The economic and political demands that Washington presented in exchange of financial assistance for the Three-Year Plan proved to be excessive, as some US officials would later recognize.⁷⁸ By mid-1963, Goulart decided to abandon the Plan and to get tougher with Washington, contributing to a sharp deterioration of the US-Brazilian relations. The tough line pursued by Washington towards Brazil from late 1962 on, represented by Bob Kennedy’s visit, was a crucial factor in the Three-Year Plan’s abandonment. Evidence suggest that the US pursued such a policy based on two intertwined reasons: on one hand, the interpretation that power conditions had changed in Latin America in US favor after the Cuban missile crisis (as Dantas had correctly perceived); and, on the other, that Washington needed to exploit these new conditions in

⁷⁷ CIA Information Report n° (classified), Subject: Views of San Tiago Dantas, Brazilian Finance Minister, on Brazil-US Co-operation and President Kennedy’s Tough Line (Secret), 4 March 1963, JFKL, NSF, Country Files, Box 13A, Folder Brazil General, 3/1/63 – 3/11/63.

⁷⁸ “Brazil”, Walt W. Rostow, 2 Oct. 1963, John F. Kennedy Library (hereafter JFKL), National Security Files (hereafter NSF), Papers of Ralph Dungan (hereafter PRD), Box 390A, Folder Brazil 7/63 and undated: 3.

order to pressure key and recalcitrant countries to choose their sides in Latin America's Cold War.⁷⁹ This was particularly true with regards to Brazil, which, because of Goulart's threats and to the country's political and economic developments, became the most important strategic issue in Latin America in late 1962 for the Kennedy administration. Besides, as Ambassador Gordon pointed out, "the continued deterioration of Brazil's exchange position and its acute need for currency stabilization assistance" would make Brasília even more amenable to US pressures.⁸⁰

But if conditions did not seem adequate for Brazil to threat Washington by pulling the "red card", why did Goulart follow such a path in mid-November 1962, giving the justification the US hard line officials needed to press for a tougher line towards Brazil? It seems that president Goulart's move was greatly influenced by the attitudes pursued during the Second World War by former Brazilian president Getúlio Vargas (1930-45, 1951-54), Goulart's main political model. At that time, Vargas successfully bargained economic and military assistance with Franklin D. Roosevelt's United States, including the financing of Brazil's first major integrated steel plant in the city of Volta Redonda, state of Rio de Janeiro (*Companhia Siderúrgica Nacional*, CSN), after threatening several times to turn to the Nazis if Washington did not make a move. In a famous public speech delivered on 10 June, 1940, Vargas proclaimed that, although Brazil was a member of the Pan-American community, the country had the "firm intention" to expand its industrialization and to modernize its Armed Forces, even if it were necessary, in order to implement that, to look for the "organization of the strong

⁷⁹ Embrep A-580, Subject: Background Information for Discussions with Ambassador Gordon, Week of November 26 (Secret), 23 Nov. 1962, JFKL, NSF, Country Files, Box 13, Folder Brazil General, 11/16/62-11/30/62: 7-8.

⁸⁰ *Idem*: 8.

peoples” (e.g., the Nazi bloc).⁸¹ After this and other similar threats done by Vargas, Washington’s position changed, and substantial amounts of economic and military funds were released. Brazil became the greatest Latin American recipient of lend lease credits (\$366 million), achieving almost 75% of the military funds channeled to Hispanic American countries combined. In exchange, Vargas’ Brazil became closely connected to the US, granting prerogatives to Washington in terms of supply of raw materials, allowing US military personnel to station troops and to build air bases in the strategic Brazilian Northeast hump, and even joining the Allied war effort in Europe (Brazil was the only Latin American country to send troops to the European front during World War II).

Goulart presented several indications that he was following the Vargas’ example. Goulart’s warning to Ambassador Gordon during their fatidic 16 November meeting that Brazil would be on the path to “a new social order”, and that a “much more widespread domestic socialization of the economy” would be necessary if the US continued to deny aid, seemed similar to the Vargas’ reference on the need to follow the example of the “strong peoples” in the case the expected US assistance did not come. In the same meeting with Gordon, Goulart even made a direct reference to Vargas. After being questioned by the US Ambassador on the impossibility of the US to provide aid for Brazil in a general basis (only project-based loans would be possible), Goulart acknowledged that “US aid to big national projects would be most welcome and (a) great triumph (for the) Alliance for Progress, citing (as) example (the) American financing (of) Volta Redonda (steel plant) as direct outcome (of the) Vargas-FDR

⁸¹ For the Vargas’ June 1940 speech, see Gerson Moura, *Sucessos e Ilusões. Relações Internacionais do Brasil durante e após a 2ª Guerra* (FGV, 1991): 20-1. For Vargas’ bargaining attitudes vis-à-vis the US, see Stanley Hilton, ‘Brazilian Diplomacy and the Washington-Rio de Janeiro ‘Axis’ during the World War II Era’, *The Hispanic American Historical Review* 59, no 2 (May 1979): 201-231, 220-1.

agreement”.⁸² Even Gordon himself compared the effort the US had to make to convert Goulart, taking him away from Soviet bloc overtures, “with Vargas conversion in 1941 from pro-German to pro-Allied stand”.⁸³

If Goulart threatened the US in late 1962 taking Vargas’ bargaining approach during World War II as parameter, like suggested by the available evidence, then the Brazilian president committed a grave miscalculation. Although there were many similarities between the two contexts, particularly as to the fact that US hegemony in the Western hemisphere was being contested by a non-Western power (Soviet Union and Germany, respectively), providing room to Latin American countries to pursue a more independent foreign policy, the differences were also remarkably high. Firstly, Vargas’ threatening strategies towards the US were mainly pursued when Germany was on the rise in the European war (1939-1940), making Brazil’s economic and, mainly, military alliance with the US a fundamental and strategic asset for the security of the Western hemisphere. In other words, the small power had something of significant value to offer to the great power, asking something in return. Goulart’s moves, on the other hand, were pursued immediately after the USSR setback in the Cuban missile crisis, e.g., when the relative power of the US vis-à-vis the Soviet Union in the Western hemisphere had just been strengthened. As the US Embassy in Rio de Janeiro pointed out in late November 1962, “the decisiveness of the recent US action with regard to Cuba and the demonstration of the superiority of US military power relative to Soviet military power, at least in the Western hemisphere”, put in discredit “Brazil’s ever

⁸² Embtel 1001, Section II, 23 Nov. 1962 (Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 1-2.

⁸³ Embtel 977, Section I, 19 Nov. 1962 (Top Secret), JFKL, POF, Country Files, Box 16, Folder Brazil Security, 1962: 2.

present, tacitly threatened, alternative to United States assistance, i.e., Soviet-bloc assistance”.⁸⁴

Secondly, although Vargas was openly courting Germany and other Fascist states during the pre-war and the early war periods, he did not depend in any way on the support of local fascist groups for the stability of his regime. On the contrary, the most important Brazilian fascist-inspired group (the so-called *integralistas*) had attempted in April 1938 to stage a coup against the recently instituted Vargas’ authoritarian regime and had failed dramatically, being ripped off (as other political groups and parties) of Brazilian politics. Goulart was in a very different situation. Goulart’s political base rested traditionally on labor groups. The communists had obtained in the early 1960s the hegemony of strategic local unions, such as the railway, dock, and maritime workers’ unions. Therefore, in the case Goulart chose to close ranks with the US, he could not possibly follow all major US strategic interests in Latin America, as Vargas did during World War II, otherwise he would possibly undermine the political stability of his administration.

And finally, in the third place, the preferences and positions of the military officers with regards to the great powers were different between the Vargas’ and Goulart’s regimes. During the Vargas period many military officers sympathized with Germany and the Fascist states. Therefore, Washington would not have local members of the Armed Forces to be allied with aiming at bringing about Vargas’ overthrow if the Brazilian president decided to join ranks with the Nazis. A direct US intervention in Brazil would be necessary to topple Vargas. This, of course, enhanced the credibility of

⁸⁴ Embrep A-580, Subject: Background Information for Discussions with Ambassador Gordon, Week of November 26 (Secret), 23 Nov. 1962, JFKL, NSF, Country Files, Box 13, Folder Brazil General, 11/16/62-11/30/62: 3.

Vargas' threats to Washington. Goulart faced a very different scenario. A significant proportion of the Brazilian military officers were anticommunist and pro-US in the early 1960s – something that had been initiated due to the close links forged between US and Brazilian military officers during and after World War II. These anticommunist officers would probably resist with arms if the Brazilian president decided to pursue a widespread socialization of the country or to integrate Brazil into the Soviet bloc. In this sense, Goulart's threats were much weaker and less plausible than those pursued by Vargas.

It does not seem to be coincidence, thus, that the US Embassy in Rio de Janeiro concluded in late November 1962 that the moment was ripe for Washington to resist Goulart's threats, showing that the "anti-American and pro-communist forces" in Brazil "have gotten ahead of the game and (have been) overextended".⁸⁵ In fact, they resisted, creating great obstacles for the implementation of the Three-Year Plan and for the defeat of Brazil's grave macroeconomic disequilibria. In many aspects, the conditions for the end of Brazilian post-war democracy were nurtured here.

Conclusions

President John F. Kennedy's Alliance for Progress attempted to contain communism in Latin America by providing substantial aid to countries committed to democracy, social reforms, and economic growth. Although the so-called Three-Year Plan (1963-1965) implemented by the Goulart administration in early 1963 Brazil fit those broad principles, it did not receive Washington's full support. The US conditioned financial assistance to uncountable economic and political demands, many of them

⁸⁵ Embrep A-580, Subject: Background Information for Discussions with Ambassador Gordon, Week of November 26 (Secret), 23 Nov. 1962, JFKL, NSF, Country Files, Box 13, Folder Brazil General, 11/16/62-11/30/62: 3.

difficult (not to say impossible) to conciliate with the program's original targets, particularly when it comes to the maintenance of Brazil's economic growth rates, and the implementation of a gradual process of inflation control. The evidence gathered by this paper suggests that the US tough position was politically motivated. Financial aid was employed as an enticement to change the political orientation of the Goulart government, breaking off its alliance with radical leftist groups (including communists), and converting Brazil's *de facto* neutralist international stand into a pro-US and anticommunist foreign policy.

The tough US approach towards the Three-Year Plan matured during the late 1962, when the program was still being formulated. Before that, although US funds to the Brazilian federal government had been frozen, there was still a debate within the Kennedy administration as to what to do regarding the grave financial needs Brazil would face in the 1963-1965 period. For the members of the so-called Draper commission, which visited Brazil in October 1962 to examine the country's political and economic conditions, the best alternative was to pursue a hard line approach. In other words, Washington should cut off all financial assistance to the Three-Year Plan, letting economic chaos to take place in Brazil through an import shortfall. This would supposedly make the Goulart administration to move further to the left, opening the way for the military to overthrow the Brazilian president, and to set up a pro-US political regime.

Several other US officials did not agree with the conclusions of the Draper report. For the US Ambassador to Brazil, Lincoln Gordon, a clear-cut US destabilization policy would entail more risks than benefits. The black-and-white picture drawn by the Draper commission (no aid, economic chaos, Goulart's overthrow) would not hold. According to Gordon, the best way to deal with Brazil was to keep on strengthening the country's

“democratic” forces (e.g., anticommunist groups), stimulating Goulart to move to the center of the political spectrum. Gordon argued that the US should avoid any direct confrontation with the Brazilian president, attempting to influence Goulart’s policies by indirect means, mainly through the influence of his closest and more conservative advisers. The US Ambassador also pointed out that Washington should assist Brazil with all funds necessary to fill in the country’s prospective foreign gap if the Goulart administration abided by the economic compromises of a reasonable stabilization and development plan. Gordon did not defend this approach based on moral grounds, but on a cold evaluation of the Brazilian political outlook, which he saw inappropriate to hard line US attitudes. Although the State Department was not ready to follow Gordon’s recommendations fully, it was not prepared either to support a destabilization strategy in Brazil, or to request policies to the Goulart administration that Washington knew it would be extremely difficult for the country to implement without producing great social upheaval, such as a harsh and quick stabilization program.

The decision taken by President Goulart in mid-November 1962 to respond to the US pressures by threatening Washington with a broad socialization of the Brazilian economy and with a leftist turn of Brazil’s foreign policy changed the scenario dramatically. Those US officials who had advocated a hard line approach saw in Goulart’s attitudes a ratification of their apprehensions. Those who had spoken on the need for a more moderate perspective, like Ambassador Gordon, changed their minds, and began to defend tougher measures (although still not tougher enough for the hard liners). Supported by Gordon’s recommendations, Washington decided to make an all-out confrontation, sending to Brasília an “authoritative presidential emissary” (John Kennedy’s brother and US Attorney General, Robert Kennedy) to speak with the Brazilian president, pointing out what specific aspects of Brazil’s economic and

political outlook were perturbing Washington. The list was long, but the emphasis fell again on political issues, particularly on the appointments of leftist officials to civil and military posts, on Brazil's defense of the Cuban right for self-determination, and on Goulart's relationship with leftist trade unions. Economic issues, like the implementation of a strong stabilization plan (which, by the way, originally did not constitute a main concern of the Alliance for Progress), were heavily instrumentalized, in the sense they were brought in not only because they interested US economic pressure groups, but also due to their capacity to create discord between Goulart and the radical left. In the end, this confrontational approach produced a set of political and economic demands that were beyond Brazil's capacity to abide, particularly if we have in mind the fact the Brazilian president was heavily dependent on the support of labor groups and the left in general to rule. The result was the abandonment of the Three-Year Plan and the strengthening of the process of macroeconomic disequilibria that would lead to Goulart's downfall and to a 21-year dictatorship in Brazil.

With benefit of hindsight, Goulart's decision to threaten the US was fragile in many ways. Washington became relatively stronger in the Western hemisphere after the Soviet back out of the Cuban missile crisis, giving better conditions for the Kennedy administration to resist to Latin American overtures to the Soviet bloc. Moreover, Brazil's dependence to US supplies was enormous, and could not be replaced by Soviet bloc supplies in the short or even in middle term. Goulart also faced serious fragilities for the sustentation of his political power base. While many military officers would not accept a radical turn of Brazil to the Soviet bloc, or a widespread socialization of the Brazilian economy, the left and radical left wing groups that historically supported him (and that had been greatly responsible for his installation in office after Jânio Quadros' resignation) would certainly go into opposition if Goulart decided to implement an

anticommunist line in domestic and international politics to get US financial assistance. So, either way, Goulart's choices were difficult. Aware of this strategic preponderance, Washington decided to pay to see up to how far Goulart would go. The innumerable economic and political demands presented to the Brazilian president in late 1962 had to be abided in bloc exactly because they served as a test of Goulart's trustfulness. In doing so, however, the US strengthened conditions for an escalation of hard line responses from each side, which would end up by undermining Brazilian democracy.