

# The Alliance For or Against Progress? US–Brazilian Financial Relations in the Early 1960s

FELIPE PEREIRA LOUREIRO\*

*Abstract.* This paper analyses the role played by US economic assistance during the administrations of Jânio Quadros and João Goulart in Brazil (1961–4). It focuses on the negotiation and implementation of financial agreements associated with the Alliance for Progress, President Kennedy’s aid programme for Latin America. It demonstrates that the Alliance had a positive impact during Quadros’ administration, providing substantial resources to the country and placing economic growth ahead of economic stabilisation as the principal criterion for aid. Circumstances changed, however, when João Goulart became president, resulting in serious funding constraints. The paper suggests that the main reason for this was political, specifically regarding Washington’s perception of Goulart’s links with communist groups.

*Keywords:* economic relations, Alliance for Progress, Jânio Quadros, João Goulart

On 13 March 1961, at a reception for ambassadors held at the White House, President John F. Kennedy launched a major US economic aid programme for Latin America. The so-called Alliance for Progress was to provide substantial long-term assistance to countries based on their performance in economic growth, implementation of social reforms and respect for democracy. Initially, Kennedy promised US\$ 10 billion in ten years, but his secretary of the Treasury, Douglas Dillon, suggested at the August 1961 Punta del Este Conference that Latin America could obtain at least US\$ 20 billion, mainly from the United States. The size and scope of Kennedy’s approach represented

Felipe Pereira Loureiro is a lecturer in the history of international relations at the Institute of International Relations, University of São Paulo, Brazil. Email: felipeloureiro@usp.br.

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a break with the policy of previous administrations.<sup>1</sup> Throughout most of the 1950s, Washington supported right-wing dictatorships in the region, played down the role of public funds for development and emphasised the need for rigorous economic stabilisation and inducements to private investment. The Cuban Revolution proved that this strategy could produce dangerous outcomes. As a more sustainable solution to the problem of leftist agitation, the Alliance for Progress responded by calling for the strengthening of progressive democratic regimes and an improvement in living standards, to be achieved by higher government spending, social reforms (including agrarian and tax reforms) and foreign aid. As Kennedy stated in his concluding remarks to the diplomats, without ‘social change’ and ‘democracy’, ‘our dream will fail’.<sup>2</sup>

Within a relatively short time, Latin American authorities had expressed profound disillusionment over the Alliance for Progress. At the São Paulo meeting of the Inter-American Economic and Social Council (IA-ECOSOC) – held in November 1963, supposedly to debate measures for improving Kennedy’s programme – US officials awoke to the severity of the discontent. Delivering the opening address, Brazil’s President João Goulart simply ignored the Alliance for Progress. He argued that Latin America did not need ‘palliative solutions’ to its problems, and instead focused on the deterioration in terms of trade for raw materials. He also stressed the significance of the upcoming United Nations Conference on Trade and Development (UNCTAD), to be held in Geneva in March 1964, for reversing the negative effects of the international market.<sup>3</sup> It was made clear in São Paulo – particularly by the Brazilian government – that Kennedy’s ‘dream’ had failed.

Given that the United States considered Brazil a key country for the success of the Alliance for Progress, we need to ask what went wrong. Such a question is relevant not only for understanding an important period in US–Brazilian relations, but also for shedding light on the reasons behind the failure of Kennedy’s programme. Most scholars emphasise that Alliance funds were used as a tool to destabilise the Goulart government, and point in particular

<sup>1</sup> Although recent studies stress that there was continuity between Eisenhower’s and Kennedy’s policies towards Latin America, Kennedy’s methods were different from Eisenhower’s, particularly with regard to the role assigned to foreign aid in fostering development. See Bevan Sewell, ‘Early Modernization Theory? The Eisenhower Administration and the Foreign Policy of Development in Brazil’, *English Historical Review*, 125: 517 (2010), pp. 1449–80. For general characteristics of the Alliance for Progress, see Jeffrey Taffet, *Foreign Aid as Foreign Policy: The Alliance for Progress in Latin America* (London and New York: Routledge, 2007), chaps. 1–3.

<sup>2</sup> ‘Address by President John F. Kennedy at the White House Reception for Members of the Diplomatic Corps of the Latin American Republics’, 3 March 1961, cited in Taffet, *Foreign Aid*, pp. 199–204. For previous US policies, see Stephen Rabe, *Eisenhower and Latin America: The Foreign Policy of Anti-Communism* (Chapel Hill, NC: University of North Carolina Press, 1988), chap. 1.

<sup>3</sup> *Última Hora*, 12 Nov. 1963, p. 8.

to the transfer of resources to state governors who opposed the president.<sup>4</sup> It is widely known that this campaign contributed to the March 1964 military coup which ushered in Brazil's 21-year dictatorship. Michael Weis and Stephen Rabe stress that Goulart's links with the radical Left (including the communists) and Brazil's independent foreign policy explain why Washington worked to undermine him. In their view, the Brazilian case demonstrates that the United States' obsessive anti-communism was the main reason for the Alliance's collapse.<sup>5</sup> Other scholars, such as Ruth Leacock, point also to the power of US private lobbies, which they exerted in order to alter the programme's original targets. Finally, Hal Brands blames both sides (Goulart showed little interest in cooperating), arguing that the United States cannot be held solely accountable.<sup>6</sup>

This article seeks to contribute to this debate by looking at an issue that scholars have generally paid little attention to: namely, US–Brazilian financial relations during the early 1960s. I will focus on the May 1961 and March 1963 financial agreements, signed by the governments of Jânio Quadros (January to August 1961) and João Goulart (September 1961 to March 1964) respectively.<sup>7</sup> Due to the fragile condition of Brazil's finances during that period, as well as the central role of international aid in sustaining high growth rates – one of the Alliance's primary objectives – the approach taken

<sup>4</sup> See Jan Knippers Black, *United States Penetration of Brazil* (Philadelphia, PA: University of Pennsylvania Press, 1977), pp. 39–42; James Green, *We Cannot Remain Silent: Opposition to the Brazilian Military Dictatorship in the United States* (Durham, NC, and London: Duke University Press, 2010), chap. 1; Ruth Leacock, *Requiem for Revolution: The United States and Brazil, 1961–1969* (Kent, OH, and London: Kent State University Press, 1990), chap. 4; and Phyllis Parker, *Brazil and the Quiet Intervention, 1964* (Austin, TX: University of Texas Press, 1979), pp. 47–53.

<sup>5</sup> Michael Weis, *Cold Warriors and Coups d'État: Brazilian–American Relations, 1945–1964* (Albuquerque, NM: University of New Mexico Press, 1993), chap. 6; and 'Twilight of Pan-Americanism: The Alliance for Progress, Neo-Colonialism, and Non-Alignment in Brazil, 1961–1964', *International History Review*, 23: 2 (2001), pp. 322–44; Stephen Rabe, *The Most Dangerous Area in the World: John F. Kennedy Confronts Communist Revolution in Latin America* (Chapel Hill, NC, and London: University of North Carolina Press, 1999), pp. 64–7, 196–7. Carlos Fico, *O grande irmão: da Operação Brother Sam aos anos de chumbo* (Rio de Janeiro: Civilização Brasileira, 2008), chaps. 1–2; and Jeffrey Taffet's *Foreign Aid*, chap. 6, come to similar conclusions, although the latter emphasises the role of Brazilian foreign policy.

<sup>6</sup> Leacock, *Requiem for Revolution*, chap. 5; Hal Brands, *Latin America's Cold War* (Cambridge, MA, and London: Harvard University Press, 2010), p. 64.

<sup>7</sup> Jânio Quadros assumed office in January 1961 and resigned in August 1961. Sectors of the military did not want Vice-President Goulart in power because of his links with leftist groups. In September 1961 a compromise was reached: to amend the Constitution and establish a parliamentary regime. One year later, however, after substantial pressure on Congress, Goulart anticipated the plebiscite that would decide the future of parliamentarianism. At the January 1963 plebiscite, Goulart regained full presidential powers. See Thomas Skidmore, *Politics in Brazil, 1930–1964: An Experiment in Democracy* (New York: Oxford University Press, 1967), chap. 7.

here offers a wide-ranging account of the evolution of the Alliance for Progress in Brazil.<sup>8</sup> The fact that scholars have not explored US–Brazilian financial relations in depth has led them to overlook important issues, such as the characteristics of the significant level of economic support provided by the United States to the Quadros administration or the way in which US policy towards Goulart evolved over time. Particularly important in this regard is the specific point in time at which Washington began to clearly favour Goulart’s overthrow – still a disputed issue.<sup>9</sup> The article will also show how the supposedly ‘technical’ economic policy recommendations attached to financial agreements were employed as Cold War devices to pressure and destabilise the Goulart government. This was done, I argue, to an extent similar to other sorts of tools traditionally emphasised in the literature, such as the supply of aid to anti-Goulart state governors. Finally, the analysis of the Brazilian case sheds light on the evolution of the Alliance’s impact on other Latin American countries.

The article is divided into three sections. Section one analyses the financial discussions between the governments of John F. Kennedy and Jânio Quadros, focusing on the May 1961 agreements; section two investigates the different stages of the negotiations between the United States and the Goulart administration, with particular focus on the March 1963 financial negotiations; and section three presents the conclusions.

### *The Government of Jânio Quadros and the Alliance for Progress*

On several occasions, US officials argued that the Alliance for Progress would be meaningless without a successful Brazilian partnership. Despite not sharing the dominant regional Spanish heritage, the country’s giant economy, natural resource base and frontiers with all South American states except Chile and Ecuador made it clearly indispensable. The success of the Alliance in Brazil, advised a United States Agency for International Development (USAID) report, ‘would offset any number of disappointments among the smaller nations’. If it failed there, however, there was ‘no doubt’ that the Alliance ‘would lose its meaning’.<sup>10</sup> The prospect of losing Brazil to the Communist Bloc strengthened

<sup>8</sup> On financial constraints in the early 1960s, see Felipe Pereira Loureiro, ‘Empresários, trabalhadores e grupos de interesse: a política econômica nos governos Jânio Quadros e João Goulart, 1961–1964’, unpubl. PhD diss., University of São Paulo, 2012, chap. 1.

<sup>9</sup> Weis, ‘Twilight of Pan-Americanism’, p. 340, argues that the United States began to work towards destabilising Goulart in late 1962; for Taffet, *Foreign Aid*, p. 109, and Leacock, *Requiem for Revolution*, chap. 8, mid-1963 is the key period; and finally, Fico, *O grande irmão*, pp. 75–6, stresses early 1964 as the decisive moment.

<sup>10</sup> USAID, ‘Policy Considerations Relating to United States Assistance to Brazil’, report to Latin American Policy Committee (LAPC), 10 July 1962, John F. Kennedy Library (hereafter JFKL), National Security Files (hereafter NSF), Papers of Ralph Dungan (hereafter PRD), Box 390, Folder Brazil 3/62-9/62, p. 1.

Washington's desire for the Alliance to flourish in Latin America's largest nation. If communism managed to get a hold in Brazil, stressed another report, 'it would be a gigantic base for subversion of its smaller sister republics'.<sup>11</sup> For Colonel Vernon Walters, US military attaché in Brazil between 1962 and 1964, 'the fate of the whole South American Continent is at stake here'.<sup>12</sup>

Kennedy appeared to heed his advisers. From the start of his term in office, the US president had closely followed Brazil's fragile financial situation.<sup>13</sup> Kennedy was fully acquainted with the difficult task that Jânio Quadros, the newly elected leader, would have to face. Quadros was obliged to pay more than US\$ 1.5 billion in foreign debt over the course of his tenure, which was supposed to run from 1961 to 1966. This accounted for more than the country's total export earnings in 1960.<sup>14</sup> In these circumstances, the consolidation of economic growth without significant external help was unrealistic. This explains why in February 1961 Kennedy sent the chief of the Alliance's Task Force, Adolf Berle, to meet with Quadros and offer US\$ 100 million in aid. Quadros declined the offer, however, as the amount was insignificant in comparison with Brazil's needs.<sup>15</sup> Instead, Quadros' administration requested US\$ 980 million from the United States and the International Monetary Fund (IMF) (US\$ 630 million to come from US public sources).<sup>16</sup> If the request were accepted, the funding would allow Brazil to overcome its balance-of-payments constraints during the following years, and in all probability keep its economy on track.

There was, however, strenuous resistance to the Brazilian proposal both inside and outside the US government – and demands for strings to be attached to the financial aid. Opposition was based around two crucial points, one economic and the other political. First, if Washington were to provide considerable resources to Brazil, loans should be conditional on the implementation of an IMF stabilisation programme.<sup>17</sup> This would normally

<sup>11</sup> Roberto Toro to Teodoro Moscoso, report, 18 June 1962, National Archives and Records Administration, Maryland (hereafter NARA), Record Group (hereafter RG) 59, Records Relating to Brazil, compiled 1954–63 (hereafter RRB), Box 2, Folder CUL 7, p. 3.

<sup>12</sup> Vernon Walters to Major General Alva Fitch, report, 6 March 1963, JFKL, NSF, PRD, Box 390 A, Folder Brazil 1/63-6/63, p. 2.

<sup>13</sup> Memorandum for the President (hereafter MemPres), Feb. 1961, JFKL, President Office's Files (hereafter POF), Box 112, Folder 15; MemPres, 1 Feb. 1961, NSF, Box 12, Folder Brazil General 1/26/61-2/24/61.

<sup>14</sup> 'Estatísticas históricas do Brasil', Instituto Brasileiro de Geografia e Estatística, Rio de Janeiro, 1990, pp. 583–9.

<sup>15</sup> US Embassy, Brazil, to Department of State, report (hereafter Embrep) 781, 8 March 1961, NARA, RG 84, US Embassy, Brazil, Classified General Records, compiled 1941–63 (hereafter CGR), Box 125, Folder 350.

<sup>16</sup> 'Foreign Financial Assistance', Feb. 1961, NARA, RG 84, CGR, Box 129, Folder 501.

<sup>17</sup> Herbert K. May to John M. Cabot, 17 March 1961, NARA, RG 84, CGR, Box 129, Folder 501; K. Weston to R. Isaacson, 2 Mar 1961, National Archives, London (hereafter

consist of severe measures to curb inflation and balance external finances, including cuts in government expenditure, promotion of exports by freeing the exchange rate, restriction of credit supplies and constraints on wage readjustments. Although some commentators claim that these actions offer long-term positive results, there is general consensus that they produce negative economic impacts in the short run.<sup>18</sup> It is no wonder that Brazilian officials were reluctant to cede to all IMF recommendations.<sup>19</sup>

Second, some US officials claimed that Washington should not give money to Quadros without demanding political changes in his regime – particularly with reference to Brazil's independent foreign policy.<sup>20</sup> The policy was based on two premises: defence of peoples' right to self-determination, and the view that economic relations with the Communist Bloc would neither have ideological side effects nor compromise Brazil's historical links to the West. Supported by these principles, Quadros re-established diplomatic relations with socialist countries, set up commercial agreements with several East European countries and strongly opposed any intervention against Cuba.<sup>21</sup> In private talks with US officials, however, Quadros stressed that the independent foreign policy was only a tool to maintain domestic leftist support at a moment when Brazil was facing severe economic constraints. Once these difficulties were overcome, Quadros argued, he would gradually change the tone of his policy, particularly towards Cuba. Quadros implicitly suggested that Brazil required substantial international aid for this policy adjustment to take place.<sup>22</sup>

During the May 1961 financial negotiations between Brazilian authorities and their most important creditors, the White House stuck to the Alliance for Progress principle of prioritising growth over economic stabilisation. Washington not only provided extensive long-term assistance but also,

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UKNA), Foreign Office Papers (hereafter FO), 371/155829; Treasury Papers (hereafter T), 312/21.

<sup>18</sup> Robert Barro and Jong-Wha Lee, 'IMF Programs: Who is Chosen and What are the Effects?', *Journal of Monetary Economics*, 52 (2005), pp. 1245–69.

<sup>19</sup> Casimiro Ribeiro to Clemente Mariani, Centro de Pesquisa e Documentação em História Contemporânea do Brasil, Fundação Getúlio Vargas, Rio de Janeiro (hereafter CPDOC-FGV), Papers of Clemente Mariani (hereafter CMA), mfc 1961.01.31/4; Moreira Salles and Herbert May, Memorandum of Conversation (hereafter MemCon), 6 March 1961, NARA, RG 84, CGR, Box 128, Folder 400.1.

<sup>20</sup> US Embassy, Brazil, to Department of State, telegram (hereafter Embtel) 1579, 12 May 1961, NARA, RG 84, CGR, Box 121, Folder 320. See also Keith Storrs, 'Brazil's Independent Foreign Policy, 1961–1964: Background, Tenets, Linkage to Domestic Politics, and Aftermath', unpubl. PhD diss., Cornell University, 1973.

<sup>21</sup> Mário Victor, *Cinco anos que abalaram o Brasil* (Rio de Janeiro: Civilização Brasileira, 1965), chap. 12.

<sup>22</sup> See Quadros' meeting with Douglas Dillon, US Secretary of Treasury. Embtel 1384, Section I, 13 April 1961, JFKL, POF, Box 112, Folder 15.



according to British diplomatic sources, pressed the IMF and Europeans 'to act as generously to Brazil as the United States proposed to do'.<sup>23</sup> G. A. Wallinger, the British ambassador to Brazil, reported to London that the IMF was pushed to relax policy recommendations for the sake of reaching a standby agreement with the Brazilians.<sup>24</sup> Indeed, the US executive director to the IMF, Frank Southard, presented a strong defence of the Brazilian proposal at a May 1961 meeting of the IMF executive board.<sup>25</sup> European countries were also pressed to reschedule Brazil's debts in order to ease the country's financial burden.<sup>26</sup> Quadros' government had to make concessions as well, but in economic rather than political areas. Brazil signed a letter of intent with the IMF, agreeing to a moderate stabilisation programme (by Latin American standards).<sup>27</sup> If Quadros did not stick to his policy commitments, both the IMF and Europe would freeze funding. US finance was not tied directly to Brazil's agreement with the IMF, therefore giving the Brazilians room for manoeuvre in devising economic policy.<sup>28</sup>

By June 1961, due primarily to Kennedy's support, Brazil had concluded agreements with all of its creditors. In total, comprising reschedules and new loans, Brazil received more than US\$ 1.64 billion, 55 per cent of which came from US sources (Table 1). In particular, credit from the Export-Import Bank (Eximbank) and from USAID was issued on excellent terms, with subsidised interest rates and long-term maturities (20 to 30 years). Adolf Berle described it as the 'most generous agreement in History', while Casimiro Ribeiro, economic director of the Superintendência da Moeda e do Crédito (Superintendence of Money and Credit, SUMOC), called it 'the best financial arrangement Brazil has ever made'.<sup>29</sup> All exaggeration aside, the May 1961 agreements certainly constituted an outstanding deal for Brazil.

Previous Brazilian administrations had attempted to obtain similar deals, but all of them had gone away disappointed. In 1946, the staunchly pro-US and anti-communist Dutra government (1946–51) had asked Washington for

<sup>23</sup> K. Weston to L. Petch, 2 May 1961, UKNA, T 312/23.

<sup>24</sup> British Embassy, Brazil, to Foreign Office, telegram (hereafter Embtel UK) 103, 24 April 1961, UKNA, T 312/22.

<sup>25</sup> Executive Board Documents (hereafter EBD), Minutes of the Executive Board Meeting (hereafter MEBM), IMF Archives, 17 May 1961, 61/25, p. 7.

<sup>26</sup> Douglas Dillon to Selwyn Lloyd, 11 May 1961; R. Carter to L. Crick, 15 May 1961; Weston to Petch, 2 May 1961, UKNA, T 312/23.

<sup>27</sup> IMF Press Release 352, 17 May 1961, CPDOC-FGV, CMA, mfc 1961.01.31/4. The terms of Argentina's 1959 standby agreement with the IMF are outlined in Luigi Manzetti, *The International Monetary Fund and Economic Stabilization: The Argentine Case* (New York: Praeger, 1991), pp. 38–43.

<sup>28</sup> Embrep 139, 22 Aug. 1961; Embrep 193, 14 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560.

<sup>29</sup> See Weis, *Cold Warriors*, p. 146; and Casimiro Ribeiro, 'Depoimento I, 1975–1979', interview, CPDOC-FGV, p. 82.

Table 1. *May 1961 Financial Agreements between the Government of Jânio Quadros and Brazil's Largest Creditors: Outcomes (US\$ Million)*

I. Refinancing		II. New loans	
Eximbank programme financing	212	Eximbank	168
Eximbank project financing	92	AID	100
US private banks	200	US Treasury*	70
US and European oil companies	45	US private banks	48
IMF	140	IMF*	160
European and Japanese creditors	300	European creditors*	110
Sub-total I	989	Sub-total II	656
Total (I+II)	1645	–	–

\* Release dependent on Brazil's commitment to IMF policy requirements.

*Sources:* Dillon and Mariani, joint announcement, 17 May 1961; IMF Press Release 352, 17 May 1961, CMA, mfc 1961.01.31/4; Campos to Mariani, 29 April 1961, CMA, mfc 1961.02.01/6; Procès-verbal de la reunion du 24 May 1961, CPDOC-FGV, RC d/md 61.04.0.

a five-year US\$ 1 billion loan to encourage a developmental programme. Implicit in Dutra's request was that Brazil deserved a reward for having supported the United States in the Second World War (Brazil was the only Latin American country to send troops to Europe). However, during the period 1946–50, Brazil obtained only US\$ 126 million – the same amount that Perón's Argentina received in 1952, though Argentina had pursued a neutralist foreign policy during most of the war.<sup>30</sup> The same is true of the Vargas administration (1951–4), which made Brazilian support for the United States in the Korean War (not including the sending of troops) conditional upon economic assistance. Although Vargas obtained the money in the end (US\$ 300 million), US officials did everything they could to reduce the amount and delay the release of funds.<sup>31</sup> Attempts by the Kubitschek administration (1956–61) to obtain long-term development loans also failed. The Eisenhower government repeatedly stressed the need for Brazil to create incentives for private investment – that is, to liberalise the economy and to implement sound stabilisation measures. Since President Kubitschek refused to jeopardise his five-year development programme, Brazil ended up without any substantial US support.<sup>32</sup> These examples show how unique and unprecedented the May 1961 agreements were, particularly with regard to the smoothness and speed with which Washington accepted Quadros' demands, as well as the conditions and quantity involved (Table 1).

<sup>30</sup> Stanley Hilton, 'The United States, Brazil, and the Cold War: End of a Special Relationship', *Journal of American History*, 68: 3 (1981), pp. 602–6.

<sup>31</sup> *Ibid.*, pp. 608–13.

<sup>32</sup> Sewell, 'Early Modernization Theory', pp. 1469–71; Weis, *Cold Warriors*, chap. 5.



The May 1961 agreements also proved to be outstanding compared to agreements reached with other Latin American countries. In 1961, Brazil received the largest amount of US aid in the region, although this was not on per capita terms. During the 1950s Brazil had obtained less financial aid than countries with smaller populations, such as Bolivia and Mexico.<sup>33</sup> Thus, the fact that between mid-1960 and mid-1962 Brazil received four times more aid than Rômulo Betancourt's Venezuela and two and a half times more than Lleras Camargo's Colombia – whose governments were considered by Washington to be models of the Alliance for Progress – further highlights the significance of the May 1961 agreements.<sup>34</sup>

There were strong criticisms against the 'soft line approach' taken by Kennedy's government towards Jânio Quadros. British Ambassador Wallinger considered it 'disturbing' that 'political considerations' were making 'the US government exert pressure on the IMF to relax its rule in favour of Brazil'. Wallinger was worried that this could provoke reactions in other countries 'and render Fund operations extremely difficult'.<sup>35</sup> Colombia could have been one of these countries: despite its strong pro-US stance in inter-American affairs, it still had to comply with a rigid stabilisation programme to maintain its standby agreement with the IMF.<sup>36</sup> No wonder, then, that according to the British ambassador, the IMF managing director himself was 'furious' when he first heard that the Kennedy administration was offering a substantial amount of money to Quadros, free from Fund requirements.<sup>37</sup> In a telegram to the State Department, John Moors Cabot, the US ambassador to Brazil, also expressed his 'increasing concern at [the] evident tendency to give Jânio everything he wants ... despite his constantly manifested indications of neutralism'.<sup>38</sup>

Kennedy supported Brazil during the May 1961 negotiations, expecting Quadros to become a political ally of the United States as well as a symbolic leader of the Alliance for Progress in Latin America. But when the financial agreements were concluded, instead of promoting a clear pro-US stance, Quadros further strengthened Brazil's independent foreign policy. Contact between Brazil and communist countries became stronger, and so did Brazilian defence of the Cuban right to self-determination.<sup>39</sup> Quadros could

<sup>33</sup> USAID, *US Overseas Loans and Grants 2010 (The Greenbook)* (Washington, DC: USAID, 2011), available at <http://gbk.eads.usaidallnet.gov>.

<sup>34</sup> For the importance of Rômulo Betancourt and Lleras Camargo, see Rabe, *The Most Dangerous Area in the World*, pp. 99–116; and Taffet, *Foreign Aid*, chap. 7.

<sup>35</sup> Embtel UK 103, 24 April 1961, UKNA, T 312/22.

<sup>36</sup> Jon Kofas, *The Sword of Damocles: U. S. Financial Hegemony in Colombia and Chile, 1950–1970* (Westport, CT: Praeger, 2002), pp. 45–7.

<sup>37</sup> Embrep UK, 3 May 1961, UKNA, FO 371/155829.

<sup>38</sup> Embtel 1579, 12 May 1961, NARA, RG 84, CGR, Box 121, Folder 320.

<sup>39</sup> Storrs, 'Brazil's Independent Foreign Policy', pp. 304–85; Victor, *Cinco anos*, pp. 245–68.

not have stressed his independence more, however, than at a meeting in Brasilia with the Cuban finance minister, Ernesto Guevara. Quadros awarded him the most distinguished Brazilian medal of honour, an act interpreted by some US officials as provocation to the Alliance for Progress.<sup>40</sup>

The White House did not regard Quadros' political attitudes as serious enough to justify a change of approach on Brazil. In June 1961 Quadros was even invited to visit Washington at the end of the year (an invitation he promptly accepted).<sup>41</sup> Moreover, when the IMF froze the Brazilian standby in July, alleging a lack of Brazilian commitment to implementing stabilisation measures, Washington stood by its word as stated in the May 1961 agreements and maintained US funding. European creditors, on the other hand, followed the IMF and also withheld their loans.<sup>42</sup> Even Guevara's award does not appear to have shaken the US position. Days after this event, the Banco do Brasil (Bank of Brazil) demanded the release of the first instalment of the May 1961 agreements (US legal procedures had delayed the disbursement of funds until mid-August). Had it not been for Quadros' resignation, which took place 24 hours after that requisition, the funds would have been released normally.<sup>43</sup>

One might ask what was motivating Washington to maintain support for Quadros. Scholars emphasise that Brazil was too important for the United States and for the Alliance's success for Kennedy to simply give up.<sup>44</sup> Although this is correct, evidence shows that, by and large, Washington accepted Quadros' justification that the independent foreign policy was only a tool to gain internal leftist support while Brazil's financial problems were being resolved (and, implicitly, a device to bargain for greater US economic assistance), even though US officials recognised that it might get out of control, producing 'unexpected and at times unpleasant results'.<sup>45</sup> As Quadros explained to Adlai Stevenson, US ambassador to the United Nations, in June 1961, Brazil's international stance did not imply that the Brazilian government would negotiate with domestic communists – a fact confirmed by the US labour attaché.<sup>46</sup> The United States had a similar approach to other Latin American countries that espoused neutralist foreign policies but pursued a strong anti-communist line domestically, such

<sup>40</sup> Embtel 92, 1 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560, p. 1.

<sup>41</sup> Embtel 205, 25 July 1961, JFKL, NSF, Box 12, Folder Brazil General 6/61-07/61.

<sup>42</sup> Embrep 139, 22 Aug. 1961; Embrep 193, 14 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560.

<sup>43</sup> Embtel 22, 1 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560, p. 1.

<sup>44</sup> Leacock, *Requiem for Revolution*, pp. 25–6; Taffet, *Foreign Aid*, p. 99.

<sup>45</sup> Embtel 1384, Section I, 13 April 1961, JFKL, POF, Box 112, Folder 15.

<sup>46</sup> Embtel Santiago 25, 14 June 1961, NARA, RG 84, CGR, Box 121, Folder 30; 'Kennedy e o Brasil', CPDOC-FGV, Papers of Roberto Campos (hereafter RC), d/emb 61.10.19, Folder VII, pp. 3–4; US Labor Report 1033, 18 May 1961, NARA, RG 84, CGR, Box 131, Folder 560.

as Paz Estenssoro's Bolivia.<sup>47</sup> This suggests that the United States was even more sensitive to the attitudes of Latin American politicians towards domestic communists than was first thought. Even though Quadros' foreign policy was a matter of concern, in Washington's eyes the real test for Latin American leaders was their approach to communism at home, as the case of the Goulart government would confirm.

*The Government of João Goulart and the Alliance for Progress*

Quadros' resignation on 25 August 1961 caught everybody by surprise, including Washington. During the political-military crisis that followed, the United States made it clear that it did not welcome the prospect of João Goulart, the vice-president, becoming the new Brazilian leader. The anti-Goulart section of the army, headed by Marshall Odílio Denys, looked to Kennedy's government for help in the event of civil war – and US officials received an emissary of Denys 'cordially' and 'sympathetically', following Kennedy's instruction to 'make sure this fellow gets over an impression of warmth'. Kennedy added that the United States might even help the Brazilian military with food and arms, if the situation became 'serious'.<sup>48</sup> In the end, however, US support for the anti-Goulart group did not materialise, and Denys' backing in the military was weaker than expected. Goulart was allowed to step into office with only limited powers, following the establishment of a parliamentary regime.

The United States' attitude during the August 1961 Brazilian political crisis proved that Washington's commitment to democracy in Latin America was limited. As Undersecretary of State George Ball pointed out afterwards, the United States almost 'applauded a military man for interfering in the constitutional process of a country, and probably against the popular will'.<sup>49</sup> Most scholars do not recognise this. Apart from Stephen Rabe, who stresses that Kennedy denied putting out a statement defending constitutionalism, most authors have overlooked the US involvement in the crisis; in fact, one important study goes so far as to argue that Washington would have been 'vehemently contrary' to any sort of political manoeuvre.<sup>50</sup>

Washington's hard-line stance towards Goulart continued after he assumed office. The United States froze all authorised loans to Brazil, including those

<sup>47</sup> Thomas Field Jr., 'Ideology as Strategy: Military-Led Modernization and the Origins of the Alliance for Progress in Bolivia', *Diplomatic History*, 36: 1 (2012), pp. 153, 165–9.

<sup>48</sup> John Kennedy and George Ball, telecom, 31 Aug. 1961, JFKL, Personal Papers of George Ball (hereafter PPGb), Box 1, Folder Brazil 4/20/61-7/10/63, pp. 1–2.

<sup>49</sup> George Ball and Woodward, telecom, 7 Sep. 1961, JFKL, PPGb, Box 1, Folder Brazil 4/20/61-7/10/63.

<sup>50</sup> Almir Labaki, *1961: a crise da renúncia e a solução parlamentarista* (São Paulo: Brasiliense, 1986), p. 63; Rabe, *The Most Dangerous Area in the World*, p. 66.

Table 2. *Breakdown of US Public Finance in the May 1961 Agreements: Payments to Brazil, September 1961 to January 1963*

Date	Value (US\$ million)	Source	Maturity
22 Sep. 1961	35	Treasury	–
25 Sep. 1961	42	Eximbank	–
17 Oct. 1961	21	Eximbank	–
27 Oct. 1961	30	Treasury	45 days
30 Nov. 1961	21	Eximbank	–
Dec. 1961	40	USAID (15), Eximbank (25)*	–
4 April 1962	35	USAID (9.5), Eximbank (16), Treasury (9.5)*	–
3 Jan. 1963	30	USAID (20), Eximbank (10)*	90 days
Total released	254	–	–
Residual	84	–	–

\* Numbers in parentheses refer to the participation of US institutions in particular payments (US\$ million).

Sources: Deptel 891, 22 Sep. 1961; Embtel 227, 25 Sep. 1961; Deptel 1236, 27 Oct. 1961, Box 131, Folder 560; Embtel 431, 30 Nov. 1961, Box 129, Folder 501; Deptel 2909, 9 April 1962, Box 137, Folder 501; Deptel 1352, 3 Jan. 1963, NARA, RG 84, CGR, Box 135, Folder 350.

negotiated in May 1961.<sup>51</sup> Though the majority of resources were theoretically free from the terms of the IMF standby agreement, the Department of State informed Brazilian officials that, from that moment on, credit would be conditional on the implementation of the rules agreed with the Fund.<sup>52</sup> This meant that Washington was willing to uphold the May agreements, but under very different conditions. If US resources were to be dependent on strict adherence to IMF requirements, economic stabilisation (instead of growth) would become the main objective, contradicting one of the Alliance's stated priorities and thus resembling previous US approaches, particularly Eisenhower's stance on economic aid.<sup>53</sup>

To negotiate the release of funding, the Brazilian government threatened Washington with the abandonment of stabilisation measures. Proving that these threats were real, the government restored some exchange controls, and the action did result in a change in US policy.<sup>54</sup> The May 1961 loans began to be released, but on a short-term basis (when contractually possible) and in small amounts (Table 2). But even this more moderate approach was seen as

<sup>51</sup> Embtel 92, 1 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560.

<sup>52</sup> Department of State to US Embassy, Brazil, telegram (hereafter Deptel) 815, 13 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560.

<sup>53</sup> Roberto Campos to Herbert May, 19 Sep. 1962, CPDOC-FGV, Papers of Hermes Lima (hereafter HL), c 62.09.19/2, pp. 1–2.

<sup>54</sup> Embtel 764, 15 Sep. 1961; Embtel 1068, 27 Oct. 1961, NARA, RG 84, CGR, Box 131, Folder 560.

being far from fair by Brazilian officials. In October 1961, Goulart's finance minister, Walter Moreira Salles, stressed to the new US ambassador to Brazil, Lincoln Gordon, that it was understandable if Washington wished to hold back resources tied to the IMF agreement, but that 'it would be complicated not to release the remaining funds'.<sup>55</sup> Brazilian ambassador Roberto Campos made a similar complaint to Eximbank's president, Harold Linder, at a meeting in November 1961. Linder replied that although Eximbank's drawings were not conditional on the maintenance of the IMF standby loan, 'Eximbank could not ignore the IMF'.<sup>56</sup> The fact is that Eximbank had already 'ignored' the IMF's position in July 1961, when the Fund froze its standby to Quadros, while concurrently Kennedy's government maintained its loan commitments. It cannot be argued thus that Washington modified its approach because Brazil had failed in following IMF economic policy targets. Given that this change took place immediately after Goulart's arrival in power, it is clear that Washington employed a 'technical' argument to conceal a political motivation whose origins can be traced back to Goulart himself.

Available evidence shows that US officials were suspicious of President Goulart because of his links with 'communists', particularly in the labour movement. This distrust of Goulart was not new. Beginning in 1953, when Goulart became Vargas' labour minister, Washington had looked on in alarm at his relationship with the radical Left. The United States' doubts intensified over time, particularly when Goulart became Kubitschek's vice-president in 1956 (and then Quadros' vice-president in 1961).<sup>57</sup> This explains why the US Embassy recommended that Washington proceed 'slowly' in pursuing new aid commitments to Brazil due to 'Goulart's past associations with communists'.<sup>58</sup> In the same month, the CIA reported on the 'communist inroad in the Brazilian government', focusing on the members of Goulart's administration that were either communists or communist sympathisers. The Department of State also shared the CIA's preoccupation.<sup>59</sup> Even for some Brazilian officials it was clear that the change in US focus on aid was related to Goulart's political links, and not to economic or technical concerns.<sup>60</sup>

<sup>55</sup> Embtel 1023, Section I, 22 Oct. 1961, JFKL, NSF, Box 12, Folder Brazil General 10/61-11/61, p. 2.

<sup>56</sup> Dias Carneiro, Roberto Campos and Harold Linder, MemCon, 7 Nov. 1962, NARA, RG 84, CGR, Box 131, Folder 560, p. 2.

<sup>57</sup> For Goulart's relations with the labour movement, see Timothy Harding, 'The Political History of Organized Labor in Brazil', unpubl. PhD diss., Stanford University, 1973, chaps. 4 and 8. According to the 1946 Brazilian Constitution, presidential and vice-presidential elections were held separately.

<sup>58</sup> Embtel 157, 8 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560, p. 1.

<sup>59</sup> CIA Memorandum 5064, 27 Sep. 1961, JFKL, NSF, Box 12, Folder Brazil General 8/61-9/61.

<sup>60</sup> Embtel 92, 1 Sep. 1961, NARA, RG 84, CGR, Box 131, Folder 560, p. 1.

However, Goulart's association with 'communists' was not regarded as evidence that the Brazilian president wished to lead the country towards communism. In other words, the US perception was not as short-sighted as it might at first seem. US officials demonstrated awareness that Goulart was likely 'involved in [a] cynical political relationship of "using and being used" with communists'.<sup>61</sup> This is to say that the president was supporting 'extremist elements' not only to get backing against right-wing coup-minded groups, but also to control the Left, guaranteeing 'social peace', as Goulart himself explained to Lincoln Gordon.<sup>62</sup> Important sections of organised labour in Brazil were under the influence of the radical Left.<sup>63</sup> Goulart believed he could not rule out the political capital they provided; the influence of pro-US international labour unions on Brazilian workers was very limited, reducing Goulart's chances of working with them (not to mention the fact that such unions did not back Goulart after Quadros had stepped down).<sup>64</sup> The problem for the United States was that Goulart's actions were capable of ideologically contaminating Brazilian government and society. As Kennedy pointed out to Goulart's finance minister in March 1963, to allow communists to get a grip on the labour movement was 'the most undemocratic thing that could be done', given the 'key role' played by unions in 'strengthening democracy'. Furthermore, argued Kennedy, the communists 'exploit[ed] social problems to the utmost', since 'the more chaos there is, the more power they attain'.<sup>65</sup> In other words, the communists would never support a programme such as the Alliance for Progress, which was focused on bringing stability to Latin America's development through economic growth and social reforms. Kennedy stressed that by 'communists' he did not mean 'left-wing anti-Americans, since those are inevitable' – contrasting, at least rhetorically, with the approach the United States used during the 1950s, when communists and radical nationalists were lumped together in the same basket.<sup>66</sup> Kennedy's message was that Goulart should rely on the

<sup>61</sup> Embtel 946, 11 Oct. 1961, NARA, RG 84, CGR, Box 121, Folder 30, pp. 1–2.

<sup>62</sup> Embtel 1353, 6 Dec. 1961, NARA, RG 84, CGR, Box 124, Folder 350.

<sup>63</sup> Renato Colistete, 'Trade Unions and the ICFTU in the Age of Developmentalism in Brazil, 1953–1962', *Hispanic American Historic Review*, 92: 4 (2012), pp. 690–2; Rafael R. Ioris, "Fifty Years in Five" and What's in It for Us? Development Promotion, Populism, Industrial Workers and *Carestia* in 1950s Brazil', *Journal of Latin American Studies*, 44: 2 (2012), pp. 271–2; Timothy Harding, 'The Political History of Organized Labor', chap. 10.

<sup>64</sup> Labour Report 5/61, Sep. 1961, UKNA, LAB 13/1490; Renato Colistete, 'Trade Unions and the IFCTU', pp. 695–8; *O Estado de São Paulo*, 29 Aug. 1961, p. 8.

<sup>65</sup> Deptel 1677, 13 March 1963, JFKL, NSF, Box 13A, Folder Brazil General 3/12/63-3/21/63, pp. 7–10.

<sup>66</sup> Gerald Haines, *The Americanization of Brazil: A Study of U. S. Cold War Diplomacy in the Third World, 1945–1954* (Wilmington, DE: Scholarly Resources, 1989), p. 31.



non-communist Left to govern the country; otherwise, the United States could not make Alliance funds fully available to Brazil.<sup>67</sup>

Goulart's perpetuation of Quadros' independent foreign policy did not constitute a fundamental reason for Washington's hard-line approach. In fact, Washington saw an opportunity to use the Brazilian foreign policy as a tool to keep the recently independent African states under Western influence. Brazil's support was considered to be particularly attractive in Portuguese Africa, due to historical and cultural links.<sup>68</sup> Moreover, in contrast to what is argued by Jeffrey Taffet, the United States did not consider that Goulart 'strengthened Quadros' Independent Foreign Policy'.<sup>69</sup> According to an April 1962 CIA report, although Brazil took the lead in opposing anti-Castro measures at the January 1962 Punta del Este Conference, the Goulart government 'showed little interest in developing close relations with Cuba, certainly far less than Quadros'.<sup>70</sup>

The United States still released substantial financial assistance to Brazil during the first eight months of Goulart's regime, albeit under stricter conditions (Table 2). This more cooperative approach can be explained both by Goulart's moderate position at the beginning of this term and by the fact that Brazil was too important for the United States to be dismissed, as Taffet correctly stresses.<sup>71</sup> It was also a consequence of Goulart's limited presidential powers. The United States perceived the parliamentary regime set up after Quadros' resignation not as a framework at imminent risk of extinction, but rather as something to be consolidated.<sup>72</sup> Although Goulart was not powerless (he kept the right to appoint political positions), the president could not do much political harm because of the parliamentary straitjacket. The US Embassy also stressed that the members of the Brazilian cabinet, including the prime minister, were 'genuinely conservative' and 'anti-communists'.<sup>73</sup> Moreover, Washington still hoped to convince Goulart to abandon his political approach by persuading him that his attitude towards the Left – no matter how rational it was tactically – was unacceptable.<sup>74</sup> The most

<sup>67</sup> Embtel 1488, 6 Feb. 1963, JFKL, NSF, Box 13A, Folder Brazil General 2/63, pp. 1–2.

<sup>68</sup> 'Brazil, Short-Term Action Paper', July 1962, JFKL, NSF, PRD, Box 390, Folder Brazil, p. 2; 'Brazil as an Instrument of Western Influence in Africa', position paper, undated, JFKL, NSF, Box 12, Folder Brazil General 2/25/61-5/31/61.

<sup>69</sup> Taffet, *Foreign Aid*, pp. 100–1.

<sup>70</sup> CIA Memorandum, 'The Situation in Brazil', 2 April 1962, JFKL, Box 112, Folder 16, p. 4.

<sup>71</sup> Taffet, *Foreign Aid*, p. 100.

<sup>72</sup> Embtel 1213, Section III, 15 Nov. 1963, JFKL, NSF, Box 12, Folder Brazil General 10/61-11/61.

<sup>73</sup> Embtel 1280, Section II, 24 Nov. 1961, JFKL, NSF, Box 12, Folder Brazil General 10/61-11/61, p. 2.

<sup>74</sup> 'Background Paper', Sep. 1961, JFKL, POF, Box 112, Folder 15, p. 2; Goulart, Gordon and John Fishburn, MemCon, 20 March 1962, NARA, RG 59, RRB, Box 2, Folder ECO 2.

significant US effort took place when Goulart visited the United States in April 1962, an event US officials considered a major success. Goulart promised to give full support to the economic stabilisation measures being implemented by his finance minister, and to settle cases involving the expropriation of US public service companies in Brazil.<sup>75</sup> In addition, a US\$ 131 million agreement within the Alliance for Progress was signed for the development of the Brazilian north-east (the country's poorest region).<sup>76</sup> Finally, meetings were held between Goulart and US trade union leaders to discuss the importance of freeing labour from 'communist infiltration'.<sup>77</sup> It seemed that the Brazilian president left Washington fully aware of US concerns.

However, a few months later it was clear that Goulart had not changed his political approach, particularly regarding organised labour. In early June 1962, the US Embassy informed Washington that 'we continue to be concerned over the administration's close relations with communist labour leaders'.<sup>78</sup> To make matters worse, the embassy interpreted the July and September 1962 national strikes called by the Comando Geral dos Trabalhadores (Worker's Central Command, CGT – a union with strong communist infiltration) as being part of a strategy by Goulart to push Congress into reinstating his presidential powers (which is what actually happened in a January 1963 plebiscite).<sup>79</sup> Available evidence shows that Goulart manoeuvred to regain his full powers, employing the support of the radical Left in labour unions.<sup>80</sup> This made US officials believe Goulart was giving signals that 'the establishment of a so-called syndicalist republic' with significant communist involvement could be one of his 'ultimate objectives'.<sup>81</sup> By mid-1962 it was clear that the parliamentary regime would not last and that the United States would be obliged to deal with a politically stronger Brazilian president. From that moment on, cooperation over the release of funds ceased.

Washington began to follow a new strategy to modify the political orientation of the Brazilian government. At a June 1962 meeting, Ambassador Lincoln Gordon explained to President Kennedy that the United States should strengthen any political and military forces capable of influencing

<sup>75</sup> Kennedy and Goulart, MemCon, 4 April 1962; Moreira Salles, Douglas Dillon and John Leedy, MemCon, 4 April 1962, JFKL, NSF, Box 12A, Folder Brazil General 4/62.

<sup>76</sup> Joseph Page, *The Revolution that Never Was: Northeast Brazil, 1955–1964* (New York: Grossman, 1972), pp. 73–4; Riordan Roett, *The Politics of Foreign Aid in the Brazilian Northeast* (Nashville, TN: Vanderbilt University Press, 1972), pp. 82–6.

<sup>77</sup> George Meany, Walter Reuther and Clodsmith Riani, MemCon, 4 April 1962, JFKL, PRD, Box 390, Folder Brazil 3/62-9/62.

<sup>78</sup> Embtel 2818, Section II, 7 June 1962, JFKL, NSF, Folder Brazil General 6/62, p. 2.

<sup>79</sup> Embrep A-87, 20 July 1962, Folder Brazil General 7/62; Embtel 634, 17 Sep. 1962, JFKL, NSF, Box 13, Folder Brazil General 9/62, p. 2.

<sup>80</sup> Loureiro, *Empresários*, chap. 6.

<sup>81</sup> Memorandum for McGeorge Bundy, 28 July 1962, JFKL, POF, Box 112, Folder 16, p. 2.

Goulart and reducing his power.<sup>82</sup> This included support for 'democratic' (that is, anti-communist) candidates in elections, the organisation of a pro-US faction in the Brazilian armed forces, and the channelling of Alliance for Progress funds to state governors aligned with the United States – a policy Gordon later described as 'islands of administrative sanity'.<sup>83</sup> At a meeting held on 23 August 1962, the Latin American Policy Committee (LAPC) approved a 'plan of action for Brazil' which broadly included these recommendations.<sup>84</sup> However, the objective of this strategy was not to destabilise Goulart. Although the prospect of removing Goulart from office, as Gordon remarked to Kennedy, was 'in the cards', the aim was to 'strengthen the moderate, democratic reformist elements in Brazil so that Goulart w[ould] be persuaded to cooperate with them rather than with the extreme left'.<sup>85</sup>

Besides supporting 'democratic forces', in late 1962 Washington embarked on a complementary strategy aimed at modifying the political orientation of the Goulart administration. Further economic aid was to be conditional on the execution of what some US officials called a 'step by step' approach. According to Frank Sloan, the State Department's deputy assistant secretary, this represented a strategy designed either to alienate Goulart from the communists or 'to involve him so unequivocally with them as to give the military both a pretext and public support for his removal'.<sup>86</sup> In order to receive US aid, the Brazilian government would have to implement a rigorous stabilisation programme; settle expropriation cases involving subsidiaries of the International Telephone and Telegraph (ITT) and American Foreign Power (AMFORP) companies; terminate the independent foreign policy; and, most importantly, cease undermining the 'liberal representative democracy internally' (that is, Goulart would be forced to break links with communists in the labour movement, and to stop admitting leftists into government positions).<sup>87</sup> The 'step by step' approach was expected to result in an unequivocal break between Goulart and the communists and constituted the last US attempt to achieve a compromise with Goulart's administration.

<sup>82</sup> Timothy Naftali, *The Presidential Recordings: John F. Kennedy – The Great Crises*, vol. 1 (New York and London: W. W. Norton & Company, 2001), p. 17.

<sup>83</sup> Embtel 171, 19 July 1962, JFKL, NSF, Box 13, Folder Brazil General 7/62, p. 4; Toro to Moscoso, report, 18 June 1962, NARA, RG 59, RRB, Box 2, Folder CUL 7, pp. 5–6.

<sup>84</sup> 'Brazil, Short-Term Action Paper', July 1962, JFKL, NSF, PRD, Box 390, Folder Brazil, p. 1; Deptel 243, 19 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil General 8/21/63-8/31/63, pp. 2–3.

<sup>85</sup> H. Wellman to Edwin Martin, memo, 8 Nov. 1962, NARA, RG 59, RRB, Box 3, Folder Mis 5d, p. 1; Naftali, *The Presidential Recordings*, p. 17. Fico, *O grande irmão*, pp. 75–6, reaches similar conclusions, although the concept he employs to define the US–Brazilian relationship from mid-1962 onwards ('US destabilization campaign') is not accurate.

<sup>86</sup> Frank Sloan to Edwin Martin, memo, 14 Nov. 1962, NARA, RG 59, RRB, Box 3, Folder Mis 5d, pp. 2–6.

<sup>87</sup> Deptel 1147, 15 Nov. 1962, JFKL, POF, Box 112, Folder 16, pp. 1–3.

'If this fails', said Lincoln Gordon in November 1962, 'we must consider all possible means [to promote a] change in regime'.<sup>88</sup>

Some scholars suggest that Washington's insistence on making aid conditional on the 'step by step' programme – particularly the stabilisation measures and the settlement of cases involving US subsidiaries – reflected the growing influence of private interest groups on the Kennedy administration.<sup>89</sup> Certainly, the linking of Alliance aid with the observance of IMF-authorized stabilisation programmes (which meant leaving aside the target of economic growth in the short term) was not a Brazilian exception. In fact, the United States had been imposing similar requirements on other Latin American countries since the beginning of 1962, including those that were strongly pro-US, such as Alessandri's Chile and León Valencia's Colombia.<sup>90</sup> This suggests that a broad issue such as the influence of private interest groups on the Kennedy administration might also have driven Washington's decision on Brazil – yet in reality, that was only part of the story. On the one hand, conditionality represented an end in itself, as achievement of an IMF-supported stabilisation plan favoured private US creditors who demanded assurances that Brazil would comply with its financial obligations. The same could be said of a 'fair compensation' to US companies expropriated by Brazilian state governors, in turn assuring other foreign companies that their investments would be respected. On the other hand, the conditions were also a means to generate a split between Goulart and the radical Left, as they were clearly unacceptable to the latter. Therefore, beyond simply asserting the interests of capital, the programme acted as a tool for long-term strategic US objectives.<sup>91</sup> The Department of State openly proclaimed that AMFORP was not the 'most important issue of Brazilian-US relations'. However, it had 'become a test of Goulart's good faith and capacity' to resist pressure from leftist groups.<sup>92</sup> Similarly, as clearly stated by the US Embassy, agreeing an IMF stabilisation programme with Goulart 'would represent [the] best chance available to us to modify [the] political tendencies of [the] regime in [a] desirable direction'.<sup>93</sup>

<sup>88</sup> Embtel 977, Section I, 19 Nov. 1962, JFKL, POF, Box 112, Folder 16, p. 2.

<sup>89</sup> See particularly Leacock, *Requiem for Revolution*, chap. 5.

<sup>90</sup> Kofas, *The Sword of Damocles*, pp. 54–6, 146–7.

<sup>91</sup> These are somewhat different from Walcher's conclusions regarding the impacts of the November 1963 law (which cancelled oil contracts in Argentina) on the relationship between Argentina and United States. Although Walcher recognises that 'political calculations worked in tandem with, rather than at the exclusion of, economic factors', he emphasises the primary role of economic interests in shaping US policy on Arturo Illia's Argentina. See Dustin Walcher, 'Petroleum Pitfalls: The United States, Argentine Nationalism, and the 1963 Oil Crisis', *Diplomatic History*, 37: 1 (2013), pp. 26, 41.

<sup>92</sup> Deptel, 29 June 1963, JFKL, NSF, Box 14, Folder Brazil General 6/63, p. 2.

<sup>93</sup> Embtel 1702, Section II, 9 March 1963, JFKL, NSF, Box 13A, Folder Brazil General 3/1/63-3/11/63, p. 2.

This was not the first time Washington had used multilateral financial agreements to protect US interests in Latin America. During the 1950s, the United States had used the conditionality of an IMF financial assistance package to Carlos Ibañez's Chile to enhance the power of large US copper corporations.<sup>94</sup> The difference is that in Brazil, the aim was not only to protect US investments but also to change the political orientation of the Brazilian government.

By the end of 1962, the US stance on Brazilian foreign policy had also changed. There were two reasons for this. First, Washington disapproved of Brazil's attitude during the October 1962 Cuban missile crisis. Although Brazil supported the Organization of American States resolution ratifying the US naval blockade of Cuba, it had not backed the 'use of force' in a possible intervention on the island.<sup>95</sup> Second, though the Brazilian government had constantly assured Washington that Brazil's independent foreign policy did not mean 'neutralism' (that is, that the relationship with the socialist bloc would not compromise the country's commitment to the Western sphere), in November 1962 Goulart attempted to blackmail Ambassador Lincoln Gordon by saying that if the United States did not release funds, Brazil would have to accept a recent Khrushchev offer of project assistance. Goulart also claimed that he would 'denounce [the] U. S. for depressing Latin American terms of trade' and condemn '[the] Alliance for Progress and [the] IMF in order [to] steel people for necessary sacrifices'.<sup>96</sup> Goulart's attitude had serious consequences. Once it was sure that the Soviet Union was not in a position to provide the financial assistance Brazil badly needed, Washington decided to take a harder position on Brazil's foreign policy.<sup>97</sup> Yet, like the conditions regarding the need for stabilisation measures and the payment of fair compensation to US firms, the request for Brazil to change its international stance was an end in itself, but also a way to pressure Goulart to choose between pro-US and radical Left forces in Brazilian politics.

In a meeting held on 11 December 1962, the US National Security Council (NSC) decided that a 'special emissary' of President Kennedy would present Brazil with this package of political and economic demands. Remarkably, the chosen emissary was Robert Kennedy, the US attorney general, who flew to Brasília on December 18 for a five-hour meeting with Goulart, during which

<sup>94</sup> Kofas, *The Sword of Damocles*, chap. 7; Thomas O'Brien, *Making the Americas: The United States and Latin America from the Age of Revolutions to the Era of Globalization* (Albuquerque, NM: University of New Mexico Press, 2007), pp. 184–5, 190–1.

<sup>95</sup> Deptel, 27 Nov. 1962, JFKL, POF, Box 112, Folder 16, p. 2; *O Estado de São Paulo*, 24 Oct. 1962, p. 2; Weis, 'Twilight of Pan-Americanism', p. 339.

<sup>96</sup> Embtel 1001, Section II, 23 Nov. 1962, JFKL, POF, Box 112, Folder 16, pp. 2–3.

<sup>97</sup> 'Brazil's Economic Alternatives', Dec. 1963; 'Counterpoise to Brazilian Threat to Turn to the Bloc', Dec. 1963, JFKL, NSF, PRD, Box 390, Folder Brazil.

time he emphasised US concerns over the ‘many signs of communist or extreme left-wing nationalist infiltration’ in the Brazilian government, military, trade union leadership and student organisations. Goulart replied that the few leftists in his administration were restricted to low-ranking positions and did not have the power to shape government policy. He also emphasised that the United States should have ‘confidence’ that he ‘would not play the communist game’.<sup>98</sup> The following day, Robert Kennedy returned to Washington. This was Goulart’s last chance to obtain US financial support. The NSC stressed that failure would result in a change of approach ‘to facilitate [a] shift of power in Brazil’ through collaboration with those ‘hostile to Goulart with a view to bringing about his overthrow’.<sup>99</sup>

During the first half of 1963, it seemed that the US approach was having the predicted result. US officials perceived that not only was Goulart ‘undergoing a change of heart’, but a ‘possible divergence between the regime and communist and pro-communist elements of the left’ was also being created.<sup>100</sup> The evidence of transformation was substantial. First, the Brazilian government initiated a strong stabilisation programme (the so-called *Plano Trienal*, ‘Three-Year Plan’), and opened talks with the IMF to reach a standby agreement.<sup>101</sup> Second, Goulart took clear steps towards moderating the tone of his independent foreign policy – the most noticeable example of this was the lack of official support for the Continental Congress for Solidarity with Cuba, organised by a local civil society group called the Sociedade dos Amigos de Cuba (Society of the Friends of Cuba), which took place in Rio de Janeiro in March 1963.<sup>102</sup> Third, the Brazilian government paid ‘fair compensation’ to an ITT subsidiary expropriated in Rio de Grande do Sul and signed a memorandum of understanding with AMFORP to nationalise all company assets – as Goulart had promised Kennedy in April 1962.<sup>103</sup> Finally, the Brazilian president took concrete steps to break alliances with communists within organised labour. In May 1963, Goulart sponsored the setting up of a new national trade union free from

<sup>98</sup> Embtel A-710, 19 Dec. 1962, JFKL, NSF, Box 13A, Folder Brazil General 12/16/62-12/31/62, pp. 2–3, 12–16.

<sup>99</sup> ‘Outline of Brazil’s Presentation’, Dec. 1962, JFKL, NSF, PRD, Box 390, Folder Brazil 11/62-12/62.

<sup>100</sup> Department of State to US Embassy, Brazil, report (hereafter Deprep) A-1284, 9 May 1963, p. 5, Box 14, Folder Brazil General 7/16/63–7/31/63; Embrep A-941, 18 Feb. 1963, JFKL, NSF, Box 13A, Folder Brazil General 2/3.

<sup>101</sup> The seriousness of the Three-Year Plan was widely recognised by US officials. See MemPres, 7 March 1963, JFKL, NSF, Folder Brazil General 3/1/63-3/11/63.

<sup>102</sup> Deprep, 13 May 1963, UKNA, FO 371/168152; ‘Background Paper’, March 1963, JFKL, POF, Box 112, Folder 17.

<sup>103</sup> Embrep A-941, 18 Feb. 1963, JFKL, NSF, Box 13A, Folder Brazil General 2/3; ‘Histórico da operação de compra das ações e direitos da AMFORP’, 1966, CPDOC-FGV, RC e/ag 61.02.10 IV-21, pp. 15–16.



communist membership.<sup>104</sup> In this sense, Hal Brands' argument that Goulart 'made cooperation with the US impossible' is inaccurate.<sup>105</sup>

For the changes to be sustained, however, the Kennedy administration would inevitably have to yield as much as Goulart had. This is where the March 1963 financial negotiations played a crucial role. In mid-1962, following Goulart's manoeuvres to regain full presidential powers, the US government had frozen all remaining funds associated with the May 1961 agreements. The sole exception was a US\$ 30 million short-term loan authorised in January 1963 to stop Brazil going bankrupt (Table 2). According to Lincoln Gordon, this loan freeze resulted in Brazil's financial situation in early 1963 becoming 'critical'.<sup>106</sup> If Brazil did not obtain substantial resources from this visit to Washington, the country would be unable to pay its debts and would lose any chance it had of maintaining economic growth. Given that social tensions remained high following the harsh consequences of stabilisation, economic growth was deemed fundamental to settling things down. In March 1963, the Brazilian finance minister San Tiago Dantas travelled to Washington to negotiate a new aid package for Brazil. Goulart required the backing of the international community through a clear-cut victory in Washington to counteract the absence of left-wing support at home.<sup>107</sup>

Nevertheless, Kennedy's government continued with caution. Dantas asked for a three-year, US\$ 839 million aid package from the United States.<sup>108</sup> Washington responded by offering solely the funds outstanding under the May 1961 agreements (US\$ 84 million), which were secretly dependent on the signature of the memorandum of understanding with AMFORP and on the devaluation of Brazil's exchange rate. Both of these steps were taken by Goulart's government in April 1963. Further aid (US\$ 314 million) was only to be released over a 12-month period, officially conditional on a further set of stabilisation measures and covertly linked to demands through the 'step by step' programme. Dantas was also informed that US assistance would have to be reframed if Brazil did not reach a standby agreement with the IMF by June 1963.<sup>109</sup> Given the conservative position adopted by the United States,

<sup>104</sup> Embtel 106, Section II, 17 July 1963, JFKL, NSF, Box 14, Folder Brazil General 7/16/63-7/31/63.

<sup>105</sup> Brands, *Latin America's Cold War*, p. 64.

<sup>106</sup> Embrep A-474, 26 Oct. 1962; Embtel 1436, 29 Jan. 1963, NARA, RG 84, CGR, Box 136, Folder 501.

<sup>107</sup> Embtel 1767, 19 March 1963, JFKL, NSF, Box 13A, Folder Brazil General 3/12/63-3/21/63.

<sup>108</sup> 'Brazilian Proposal for Debt Re-Scheduling', Appendix III, CPDOC-FGV, RC d/emb 61.10.19, Folder V; Bell, Dantas and Herbert May, MemCon, 15.03.1963, NARA, RG 84, CGR, Box 134, Folder 350, pp. 7-8.

<sup>109</sup> Dantas to David Bell, 25 March 1963, POF, Box 112, Folder 17, pp. 2-4; Deptel 1312, March 1963; memo for McGeorge Bundy, 24 March 1963, JFKL, NSF, Box 13A, Folder Brazil General 3/22/63-3/31/63.

the finance minister considered abandoning negotiations, but he held back from doing so.<sup>110</sup>

Despite the meagre financial outcome of the March 1963 negotiations, Goulart continued to pursue a moderate political approach. Opposition in Brazil grew after Dantas' trip, the communists accusing Goulart of selling the country to the 'devil' for a 'plate of lentils'.<sup>111</sup> The greatest attack concerned the AMFORP agreement. The price paid for the subsidiaries was considered too high given the poor state of the company's assets.<sup>112</sup> In addition, entrepreneurial resistance to the government's credit policy was mounting, alongside increasing labour strikes for wage readjustments. To control social tension and avoid hampering economic growth, the finance minister relaxed targets on credits and salaries but retained important aspects of the stabilisation plan.<sup>113</sup> US officials recognised that Goulart and Dantas were in a very delicate political situation, and that they would have to cede ground.<sup>114</sup>

It was in this difficult context that an IMF mission visited Brazil. In spite of Lincoln Gordon's wish for the IMF to be more even-handed, it decided to provide only US\$ 60 million in compensation for the country's lost export earnings.<sup>115</sup> IMF officials made it clear that a standby agreement would not be reached in the near future as they did not believe in the efficiency of Brazil's stabilisation plan. Dantas' recent relaxation of policy was also seen as a sign of the incapacity of Goulart's government to abide by the original programme targets.<sup>116</sup> The reality was that in contrast to what happened to Quadros, this time there was little response from Washington aside from Gordon's 'exhortations' for IMF officials to be less strict and expressions of hope by the US representative to the IMF that conditions for a standby agreement would 'materialize during the reasonably near future'.<sup>117</sup>

Brazil's failure to reach a standby agreement with the IMF undermined the prospects of obtaining further assistance from private banks and European institutions, increasing the country's dependence on US public funds. The credit negotiated by Dantas in Washington, however, was not to be forthcoming. Aside from the first instalment of US\$ 84 million, the United

<sup>110</sup> 'Kennedy e o Brasil', CPDOC-FGV, RC, d/emb 61.10.19, Folder VII, pp. 14–18.

<sup>111</sup> *Novos Rumos*, 214, 29 March–4 April 1963, Centro de Documentação e Memória da Universidade Estadual Paulista, São Paulo, p. 3.

<sup>112</sup> Embtel 2331, 1 June 1963, JFKL, NSF, Box 14, Folder Brazil General 6/63.

<sup>113</sup> Loureiro, *Empresários*, chap. 7.

<sup>114</sup> Deptel 1865, 13 April 1963; Embtel 2328, 31 May 1963, NARA, RG 84, CGR, Box 136, Folder 501.

<sup>115</sup> Embtel 2112, Section III, 30 April 1963, JFKL, NSF, Box 14, Folder Brazil General 4/63.

<sup>116</sup> Embtel 2320, 30 May 1963, NARA, RG 84, CGR, Box 136, Folder 501.

<sup>117</sup> IMF British Director to Foreign Office, report, 9 June 1963, UKNA, FO 371/172354, pp. 6–7; EBD, MEBM, 5 June 1963, IMF Archives, 63/29, pp. 15–16.

States held back the remaining funds due to Goulart's failure to comply with the 'step by step' programme. The Brazilian president's 'change of heart' was not regarded as significant enough. In addition to complaining about the looseness of stabilisation targets, US officials complained of persistent 'communist infiltration' and of the delay in ratifying the AMFORP deal, which Goulart had deferred due to mounting domestic criticism.<sup>118</sup> Brazilian requests for the United States to reconsider – particularly regarding the terms of contract with AMFORP – were not met.<sup>119</sup> As Gordon pointed out to Goulart in July 1963, it was a question of 'intergovernmental good faith', and could not be revised.<sup>120</sup>

The lack of flexibility showed by Washington resulted in Goulart dropping his formerly moderate stance. By mid-1963, he was no longer keen to support the stabilisation programme, the independent foreign policy had been strengthened and, most importantly, links with communist labour leaders had been resumed.<sup>121</sup> No doubt the president's change of mind was motivated by the loss of valuable domestic support without receiving the requisite international backing in return. These circumstances made Goulart vulnerable to coup-minded groups. According to a classified US Embassy source, the president made a choice: if he were to be overthrown, he would relinquish power and be remembered as the 'champion of the people' and the 'father of basic reforms', and not as the politician who moderated his policies in collaboration with the United States and became easy prey for reactionaries – the label placed on Arturo Frondizi, the Argentine president deposed in March 1962.<sup>122</sup>

The fact that Goulart dropped his moderate stance was proof for many US officials of the effective functioning of the US approach. It demonstrated that the Brazilian president was 'uneducable' and would not be prepared to modify his government's political preferences. By mid-1963, the United States had begun to focus more on replacing Goulart's regime than on attempting to moderate its political orientation, with Alliance funds employed primarily in the 'islands of administrative sanity'.<sup>123</sup> Although there are no data available on resources provided to individual Brazilian states, qualitative evidence suggests that the United States did not contemplate loan authorisations to the

<sup>118</sup> Embtel 246, 2 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil General 8/1/63-8/20/63; Deptel 2184, 7 June 1963, NARA, RG 84, CGR, Box 136, Folder 500.8.

<sup>119</sup> Deptel (unnumbered), 29 June 1963, JFKL, NSF, Box 14, Folder Brazil General 6/63, p. 2.

<sup>120</sup> Embtel 20, Section I, 3 July 1963, JFKL, NSF, Box 14, Folder Brazil General 7/11/63-7/15/63.

<sup>121</sup> Embtel A-254, 21 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil General 8/21/63-8/31/63, pp. 5–6.

<sup>122</sup> Embtel 2112, Section II, 30 April 1963, Box 14, Folder Brazil General 4/63; Embtel 982, 2 Nov. 1963, JFKL, NSF, Box 14A, Folder Brazil General 11/1/63-11/15/63.

<sup>123</sup> Embtel 2184, 7 June 1963, NARA, RG 84, CGR, Box 136, Folder 500.8.

federal government in 1963.<sup>124</sup> It follows that the US\$ 86 million sanctioned by USAID that year was channelled to friendly state governors.<sup>125</sup> On the other hand, Washington did not sever financial relations with Goulart completely. Repayment of Brazilian federal debt continued to be put off in order to avoid a major diplomatic split.<sup>126</sup> If a rupture were to occur, said Lincoln Gordon, ‘constructive US activities’ in Brazil (meaning mainly ‘islands of administrative sanity’ and contacts with pro-US elements of the armed forces) would be compromised.<sup>127</sup>

However, some US officials did not agree with ceasing support for Goulart and propping up conservative governors with Alliance funds. The assistant secretary for inter-American affairs, Edwin Martin, stressed that the United States should defend ‘social and economic development as strongly as we favour financial stability and protection of foreign investments’.<sup>128</sup> Kennedy’s adviser, Arthur Schlesinger, argued that the obsession with stabilisation could jeopardise the future of the Alliance. According to Schlesinger, ‘if the IMF standards of fiscal purity were enforced on the United States in the first half of the nineteenth century, it would probably have retarded American economic growth by a generation’.<sup>129</sup> Walt Rostow, Kennedy’s director of the Policy Planning Council, stressed that the United States was in part to blame for Brazil’s shortcomings, because the March 1963 agreement ‘involved commitments which were beyond the capacity of the Brazilian political and social process to manage in a short period of time’. Rostow pointed out that the United States should ask ‘a good deal of Goulart, but we must begin by offering a contingent framework of international action’.<sup>130</sup>

The anti-Goulart group inside the US government also spoke out loudly against those favouring cooperation. Lincoln Gordon asserted that the United States should pay attention to the ‘syndicalist authoritarian regime’ that had been ‘cautiously nudged’ by the Brazilian president. According to Gordon, ‘communist infiltration in Brazil ha[d] made much headway’, and if Goulart were to set up an authoritarian regime, the communists would be in a position

<sup>124</sup> US funding to the Brazilian federal government in January (US\$ 30 million) and April (US\$ 84 million) 1963 compounded residual credits from the May 1961 agreements.

<sup>125</sup> ‘Agency for International Development and Alliance for Progress’, 1965, Lyndon Baines Johnson Library, NSF, Box 3, Folder AID & Alliance for Progress, p. 67.

<sup>126</sup> Embtel 2, 16 July 1963, NARA, RG 84, CGR, Box 136, Folder 500.8; Embtel 631, Section II, 20 Sep. 1963, JFKL, NSF, Box 14, Folder Brazil General 9/63.

<sup>127</sup> Embtel 374, Sections II and III, 21 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil General 8/21/63-8/31/63.

<sup>128</sup> Deptel 234, 14 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil General 8/1/63-8/20/63.

<sup>129</sup> Memo for Mr. Bundy, 13 Dec. 1962, Papers of Arthur Schlesinger, JFKL, Box WH-26, Folder Brazil 9/62-2/63, pp. 1-2.

<sup>130</sup> ‘Brazil’, 2 Oct. 1963, JFKL, NSF, PRD, Box 390A, Folder Brazil 7/63-10/63.

'at some point to force him to step aside'.<sup>131</sup> US Army attaché in Brazil Colonel Vernon Walters, the CIA and the Department of Defense expressed similar views.<sup>132</sup> In the end, this was the interpretation behind the 'short-term policy' approved by the Latin American Policy Committee at a meeting on 3 October 1963.<sup>133</sup> The anti-Goulart faction had won. In the face of a strong destabilisation campaign, Goulart did not last long. In March 1964, in a context of economic crisis and mounting social unrest, a military coup put an end to his government.

### *Conclusions*

Kennedy's Alliance for Progress promised to deliver substantial resources to Latin American states provided they committed to economic growth, social reforms and respect for democracy. Brazil was considered a key country for the programme's success. Although President Goulart was broadly committed to the Alliance's principles, the United States used Alliance resources to undermine him. This article has sought to explain how and why this happened, focusing especially on US–Brazilian financial relations in the early 1960s.

During the short tenure of Goulart's forerunner, Jânio Quadros, the Alliance paid much more attention to the values on which the programme was allegedly based. The May 1961 agreements showed that the United States prioritised growth over economic stability in its guidelines for providing funds for Brazil, although scholars usually fail to recognise this. When the IMF and Europe froze their various loans in July 1961 due to a lack of Brazilian dedication to stabilisation, the United States continued to uphold the May agreements and nominally maintained the availability of funds. This indicates that Kennedy placed US long-term objectives ahead of short-term economic interests, particularly those of private creditors. Most importantly, even though Washington strongly disliked Brazil's independent foreign policy and desired its termination, there was an understanding that the policy was a tactical move, as Quadros pursued a conservative line in domestic politics. This suggests awareness on the part of the Kennedy government of what constituted an immediate US strategic objective in Brazil (and in Latin America) and what did not.

In contrast, Washington's approach to Goulart was not consistent over time. Apart from the covert support to the undemocratic faction of the army

<sup>131</sup> Embtel A-254, 21 Aug. 1963, p. 3; Embtel 373, Section I, 21 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil General 8/21/63-8/31/63, p. 2.

<sup>132</sup> Walters to Fitch, report, 6 Mar. 1963, Folder Brazil 1/63-6/63; CIA Memo, 27 Aug. 1963, JFKL, NSF, PRD, Box 390A, Folder Brazil 7/63-10/63.

<sup>133</sup> 'Proposed Short-Term Policy, Brazil', 30 Sep. 1963, JFKL, POF, Box 112, Folder 17.

after Quadros' resignation, the Kennedy government did not work systematically to destabilise the Goulart regime. Three separate phases of US–Brazilian relations can be distinguished. Although the conditions imposed by the United States for the release of funds became progressively harsher, these phases differed in many important ways. At the outset, in clear contempt of the May 1961 agreements, US assistance was linked to Brazil's commitment to re-establishing relations with the IMF. This signified an inversion of US priorities in terms of economic policy, placing stabilisation ahead of immediate growth. By mid- to late 1962, the US attitude had shifted, and a two-pronged approach was put forward. Contrary to Michael Weis' assertion, the United States' primary intention was not to destabilise Goulart, but rather to influence the political orientation of his government and to remain 'in standby' up to the next presidential elections. By mid-1963, however, the US position had changed again. The two-pronged approach gave way to a clear destabilisation campaign. Alliance funds were released only to anti-Goulart forces, particularly state governors, and resources to the federal government were curtailed, except for the rescheduling of a few debts.

The US stances towards the Quadros and Goulart governments differed mostly because of Goulart's association with the radical Left (in particular, his association with the communists), especially in the labour movement. Private interest groups were thus not the main cause of this shift, in contrast to what Leacock has asserted. The change took place too quickly to be the result of increased private influence on the government. Rather, available evidence shows that Washington used economic policy requirements, such as the execution of an IMF-authorized stabilisation plan, as a means to force a break between Goulart and the communists, since stabilisation measures and similar demands were unacceptable to the radical Left. In this case, long-term political and short-term economic objectives coincided, though political issues took the lead in determining US attitudes. Scholars like Taffet, who argue that Goulart strengthened Brazil's independent foreign policy and that this explains much of the US opposition towards him, also miss the point. In fact, although Brazil resisted US pressure to support anti-Cuban measures, in the beginning Washington considered Goulart's foreign policy to be more restrained than that of Quadros – an assessment that would hold until late 1962.

As for the shifts in the US approach towards the Goulart government, these can be explained by pointing to a combination of domestic and international developments. The first, more cooperative stage owes more to the fact that Goulart initially moderated his political positions and that he did not enjoy full presidential powers, rather than to the US decision to give him the 'benefit of the doubt', as Michael Weis argues. The scholarship on this issue does not pay enough attention to the role the Brazilian parliamentary regime had in moderating US attitudes. Goulart's manoeuvre against Congress, using the



support of the radical Left and its influence over organised labour to get his full powers back, prompted the transition to a tougher approach by Washington in mid-1962. The final shift, by mid-1963, happened after Goulart had failed to comply with the 'step by step' programme. At the time, Washington could afford to be tougher, since it was in a stronger bargaining position after the Soviet retreat in the Cuban missile crisis. The Brazilian president was left with little choice: he could either opt to meet all of the United States' demands without receiving its decisive support (as the disappointment with the March 1963 financial agreement had shown), or drop his conservative approach and re-establish links with the radical Left. Although both options would endanger Goulart's situation, the second alternative seemed to offer the greater chance to keep his political future alive. The inevitable result was Washington's decision to terminate relations with his administration.

One cannot use these shifts in the US approach to Brazil to extrapolate for Latin America as a whole. Taffet is right when he argues that the 'goals, method and timing' of the Alliance for Progress 'varied by country'.<sup>134</sup> While Washington backed Quadros, it did not give the same level of support to Manuel Prado's Peru, even though the latter was one of the staunchest US supporters in international affairs.<sup>135</sup> By the time Washington had embarked on a clear destabilisation campaign against Goulart, it had drained off considerable resources to Alessandri's Chile to prop up the victory of the Christian Democrat candidate Eduardo Frei, despite the fact that both Frei and Goulart were reformist democratic leaders.<sup>136</sup> How can these differences be accounted for? The Brazilian case suggests that the degree of respect paid by the Kennedy government to the alleged Alliance principles was coloured by three considerations: the country's importance for US strategic interests, the perceived level of communist threat, and the national leader's commitment to upholding an anti-communist line, mainly in domestic politics. In this sense, Quadros' Brazil was much more sensitive than Prado's Peru for Washington: Brazil was strategically more important and its poorest areas seemed to present a more fertile breeding ground for radical ideologies. Similarly, Alessandri's Chile was privileged compared to Goulart's Brazil not only because Eduardo Frei offered a clear-cut break with the Chilean communists, particularly in the labour field, but also because there was the prospect of a communist electoral takeover in Chile (with Salvador Allende's Popular Unity coalition).

<sup>134</sup> Taffet, *Foreign Aid*, p. 10.

<sup>135</sup> Paulo Contreras, 'Struggles for Modernization: Peru and the United States, 1961–1968', unpubl. PhD diss., University of Connecticut, 2010, pp. 102–5.

<sup>136</sup> Taffet, *Foreign Aid*, chap. 4.

An examination of the Brazilian case also points to important insights that can contribute to a broader understanding of the Alliance's development in Latin America. First, it is incorrect to say that the US 'demanded unflagging commitment to its Cold War policies' from Latin American countries in exchange for Alliance funds.<sup>137</sup> Brazil's independent foreign policy did not stop Washington providing substantial resources to Quadros and even to Goulart. To argue that the United States did this because Brazil was too important to be dismissed or because Washington wanted to influence Quadros' international stance, as stated by Taffet and Leacock, albeit correctly, is not enough. The pragmatism shown by the United States was not a privilege unique to Brazil (as the Bolivian case illustrates), nor did it change immediately after the signing of the May 1961 agreements. It seems that the United States was not so narrow-minded about the issue, as the intention of employing Brazil's independent foreign policy as a bridge to keep African states away from Soviet influence clearly suggests. Second, the Brazilian case also shows how US requirements for providing aid – such as the implementation of stabilisation programmes – could be used as Cold War instruments to separate Latin American leaders into those on which Washington could count and those on which it could not. Since the conditionality of stabilisation became widespread in Latin America by 1962, it remains to be seen whether in other places it reflected only private economic interests or, as in Goulart's Brazil, also represented primary political aims.

### *Spanish and Portuguese abstracts*

*Spanish abstract.* Este artículo analiza el papel jugado por la asistencia económica estadounidense durante los gobiernos de Jânio Quadros y João Goulart en Brasil (1961–4). Se centra en la negociación e implementación de acuerdos financieros asociados con la Alianza para el Progreso, el programa de ayuda para Latinoamérica del presidente Kennedy. Demuestra que dicha Alianza tuvo un impacto positivo durante la administración de Quadros, al proveer de recursos sustanciales al país y al priorizar al crecimiento económico sobre la estabilización económica como el criterio principal de la ayuda. Las circunstancias cambiaron, sin embargo, cuando João Goulart se hizo presidente, lo que desembocó en serias limitaciones financieras. El artículo sugiere que la razón principal para lo anterior fue política, específicamente en relación a la percepción de Washington sobre los vínculos de Goulart con los grupos comunistas.

*Spanish keywords:* relaciones económicas, Alianza para el Progreso, Jânio Quadros, João Goulart

<sup>137</sup> Rabe, *The Most Dangerous Area in the World*, p. 56.

*Portuguese abstract.* Este artigo analisa o papel desempenhado pelo programa estadunidense de assistência financeira durante os governos dos presidentes Jânio Quadros e João Goulart no Brasil (1961–4). Foca-se na negociação e implementação dos acordos financeiros associados com a Aliança para o Progresso, programa do governo Kennedy de assistência econômica para a América Latina. Demonstra-se que a Aliança teve um impacto positivo durante a administração de Jânio Quadros, fornecendo recursos substanciais para o país e colocando crescimento econômico antes da estabilização econômica como critério principal para a assistência. No entanto, este quadro muda quando João Goulart assume a presidência, resultando em sérias limitações de recursos. O artigo sugere que a principal razão para tal mudança foi política, particularmente no tangente à percepção por parte de Washington das ligações de Goulart com grupos comunistas.

*Portuguese keywords:* relações econômicas, Aliança para o Progresso, Jânio Quadros, João Goulart