Abstract: This paper analyses the role played by US economic assistance during the administrations of Jânio Quadros and João Goulart in Brazil (1961-1964). 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 stabilization as principal criteria 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: Financial Relations, Alliance for Progress, Jânio Quadros, João Goulart
On 13 March 1961, at a reception for ambassadors held at the White House, President John 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 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 US. The size and scope of Kennedy’s approach represented a break with the policy of previous administrations.\textsuperscript{1} Through most of the 1950s, Washington supported right wing dictatorships in the region, played down the role of public funds for development, and emphasized the need for rigorous economic stabilization 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’.\textsuperscript{2}

Some years later, Latin American authorities expressed profound disillusionment over the Alliance for Progress. At the Sao Paulo meeting of the Inter-American Economic and Social Council (IA-ECOSOC) – held in November 1963 to supposedly debate measures for improving Kennedy’s programme – US officials awoke to the seriousness of the discontent. Delivering the opening address, Brazilian President João Goulart simply ignored the Alliance for Progress. He argued that Latin America did not need ‘palliative solutions’ to their problems, and instead focused on the deterioration in terms of trade for primary goods. The president also stressed the significance of the forthcoming United Nations Conference on Trade and Development (UNCTAD), in Geneva in March 1964, for reversing the negative

\textsuperscript{1} 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 regards 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, 75 (517), Dec. 2010, pp. 1449-80. For general characteristics of the Alliance for Progress, see Jeffrey Taffet, \textit{Foreign Aid as Foreign Policy. The Alliance for Progress in Latin America.} (London and New York: Routledge, 2007), chs.1-3.

effects of the international market. It was made clear in Sao Paulo – particularly by the Brazilian government – that Kennedy’s ‘dream’ had failed.

Given that Brazil was considered a key country by the US for the success of the Alliance for Progress, we need to ask what went wrong. This is relevant not only for the understanding of an important period in US-Brazilian relations, but also for shedding light on the reasons behind the failure of Kennedy’s programme. Most scholars emphasize that Alliance funds were used as a tool to destabilize the Goulart government, particularly when it came to transferring resources to state governors who opposed the president. It is widely known that this campaign contributed to the March 1964 military coup which ushered in Brazil’s 21-year-dictatorship. Authors such as 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 US’s obsessive anticommunism was the main reason for the Alliance’s collapse. Other scholars, such as Ruth Leacock, point also to the power which US private lobbies used to alter the programme’s original targets, while Hal Brands’ account puts the blame on both sides (Goulart showed little interest in cooperating), arguing that the United States could not be held solely accountable.

This paper seeks to contribute to this debate by looking at an issue to which scholars have hitherto paid little attention, namely, US-Brazilian financial relations during the early 1960s. We will focus on the May 1961 and March 1963 financial agreements, signed by the governments of Jânio Quadros (January to August 1961) and Joao Goulart (September 1961

---

3 Última Hora (hereafter UH), 12 Nov. 1963, p.8
to March 1964) respectively. 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 here offers a wide-ranging account of the evolution of the Alliance for Progress in Brazil. The fact that scholars did not explore 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 US to the Quadros administration, as well as the way in which US policy towards Goulart evolved over time, particularly as to when Washington began to clearly favour his overthrow – still a disputed issue. The paper will also show how the supposedly ‘technical’ economic policy recommendations attached to financial agreements were employed as Cold War devices to pressure and destabilize the Goulart government, at least as much as other sorts of tools traditionally emphasized in the literature, such as the supply of aid to anti-Goulart state governors. Finally, the analysis of the Brazilian case points to aspects that may contribute to the understanding of the Alliance’s evolution in other Latin American countries.

The paper is divided into three sections: section one analyzes the financial discussions between the governments of John Kennedy and Jânio Quadros, focusing on the May 1961 agreements; section two investigates the different stages through which the United States dealt with Goulart’s regime, having the March 1963 financial negotiations as its central point; section three sets out relevant 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

---

7 Jânio Quadros assumed office in January 1961 and renounced in August 1961. Part 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 a 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), ch.7.


with all South American states but Chile and Ecuador, made it clearly indispensable. If the
Alliance were successful there, advised a Department of State report, it ‘would offset any
number of disappointments among the smaller nations’. However, if it failed, ‘there is no
doubt’ the Alliance ‘would lose its meaning’.

The prospect of losing Brazil to the Communist Bloc strengthened Washington’s desire for the Alliance to flourish within Latin America’s largest nation. If Communism gets a hold in Brazil, stressed another report, ‘it would be a gigantic base for subversion of its smaller sister republics’. For Colonel Vernon Walters, US military attaché in Brazil 1962-1964, ‘the fate of the whole South American Continent is at stake here’.

Kennedy appeared to heed his advisers. Since his term began the US president had
closely followed Brazil’s fragile financial situation. Kennedy was fully acquainted with the
difficult task Jânio Quadros, the newly elected leader, would have to face. During his tenure
(1961-1966), Quadros was obliged to pay more than US$ 1.5 billion in foreign debts. This
accounted for more than the country’s total export earnings in 1960. In these circumstances,
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, down to Quadros with a US$ 100 million aid offer. Quadros nonetheless declined the
offer, as the amount was insignificant in comparison with Brazil’s needs. Instead,
Quadros’s administration requested US$ 980 million from the US and IMF (US$ 630 million
to come from US public sources). 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.

10 Telegram, Department of State to US Embassy in Rio de Janeiro (hereafter Deptel), 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.
11 Report by Roberto Toro to Teodoro Moscoso, 18 Jun 1962, National Archives and Records Administration, Maryland (hereafter NARA), Record Group (hereafter RG) 59, Box 2, Folder CUL 7, p.3.
13 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.
15 Report, US Embassy in Rio de Janeiro to Department of State (hereafter Reptel) 781, 8 March 1961, NARA, RG 84, Box 125, Folder 350.
There was, however, strenuous resistance to the Brazilian proposal both inside and outside the US government – unless strings were attached. 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 stabilization programme. This would normally consist of severe measures to curb inflation and balance external finances, including government expenditure cuts, promotion of exports by freeing the exchange rate, restriction of credit supplies, and limitation of wage readjustments. Although some commentators claim these actions offer long-term positive results, there is general consensus that they produce negative economic impacts in the short run. It is no wonder that Brazilian officials were reluctant to cede to all IMF recommendations.

Secondly, 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’. 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 bring 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 states, and strongly opposed any intervention against Cuba. 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, argued Quadros, he would gradually change the tone of his policy, particularly towards Cuba. Quadros left implicit that Brazil required substantial international aid for this policy adjustment to take place.

---

21 See Quadros’ meeting with Douglas Dillon, US Secretary of Treasury. Embtel 1384, Section I, 13 April 1961, JFKL, POF, Box 112, Folder 15.
During the May 1961 financial negotiations between Brazilian authorities and their most important creditors, the White House stuck to the Alliance for Progress principle to prioritise growth over economic stabilization. Washington not only provided extensive long-term assistance, but also, according to British diplomatic sources, pressed the IMF and Europeans ‘to act as generously to Brazil as the United States proposed to do’.22 British Ambassador to Brazil, G. A. Wallinger, reported to London that the IMF was pushed to relax policy recommendations for the sake of reaching a stand-by agreement with the Brazilians.23 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.24 European countries were also pressed to reschedule Brazil’s debts in order to ease the country’s financial burden.25 Quadros’ government had to make concessions as well, but in economic rather than political areas. Brazil signed a letter of intent with the IMF, complying with a moderate stabilization programme (by Latin American standards).26 It was agreed that both the IMF and Europe would freeze funding if Quadros did not stick to his policy commitments. US finance was not tied directly to Brazil’s agreement with the IMF – therefore giving the Brazilians room for manoeuvre in economic policy.27

By June 1961, due primarily to Kennedy’s support, Brazil had concluded agreements with all her creditors. In total, comprising reschedules and new loans, Brazil received more than US$ 1.64 billion, 55 per cent being from US sources (Table 1). In particular, credit from the Export-Import Bank (Eximbank) and the Agency of International Development (USAID) were issued on excellent terms, with subsidized 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 Superintendence of Money and Credit (the predecessor of the Brazilian Central Bank), called it ‘the best financial arrangement Brazil

22 K. Weston to L. Petch, 2 May 1961, TNA, T 312 / 23.
24 Executive Board Documents (hereafter EBD), Minutes of the Executive Board Meeting (hereafter MEBM), IMF Archives, 17 May 1961, 61/25, p.7.
25 Douglas Dillon to Selwyn Lloyd, 11 May 1961; R. Carter to L. Crick, 15 May 1961; Weston to Petch, TNA, T 312/23.
has ever made’.\textsuperscript{28} All exaggeration aside, the May 1961 agreements certainly constituted an outstanding deal for Brazil.

\textit{Table 1. May 1961 financial agreements between the government of Jânio Quadros and Brazil’s largest creditors: outcomes (US$ million)}

<table>
<thead>
<tr>
<th>I. Refinancing</th>
<th>II. New loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eximbank Program Financing</td>
<td>212</td>
</tr>
<tr>
<td>Eximbank Project Financing</td>
<td>92</td>
</tr>
<tr>
<td>US private banks</td>
<td>200</td>
</tr>
<tr>
<td>US and European oil companies</td>
<td>45</td>
</tr>
<tr>
<td>IMF</td>
<td>140</td>
</tr>
<tr>
<td>European and Japanese creditors</td>
<td>300</td>
</tr>
<tr>
<td>Sub-total I</td>
<td>989</td>
</tr>
<tr>
<td>Total (I+II)</td>
<td>1645</td>
</tr>
</tbody>
</table>

\textbf{Sources}: Joint announcement Dillon and Mariani, 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.

\textbf{Notes}: * Release dependent on Brazil’s commitment to IMF policy requirements.

Previous Brazilian administrations had attempted to obtain similar deals, but all of them had gone away disappointed. In 1946, the staunchly pro-US and anticomunist Dutra government (1946-1951) had asked Washington for 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 US in the Second World War (Brazil was the only Latin American country to send troops to Europe). However, over the period 1946-1950, Brazil obtained only US$ 126 million – the same amount that Perón’s Argentina received in 1952, although Argentina had pursued a neutralist foreign policy during most of the war.\textsuperscript{29} The same goes for the Vargas administration (1951-1954), which made Brazilian support for the US in the Korean War (not including the sending of troops) conditional on 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.\textsuperscript{30} Attempts by the Kubitschek administration (1956-1961) to obtain long-term development loans also failed. The Eisenhower government constantly stressed the need for Brazil to create incentives for private investment, i.e., to liberalize the economy and to implement sound

\textsuperscript{28} See Weis, \textit{Cold Warriors}, p. 146; and Interview, Casimiro Ribeiro, ‘Depoimento I, 1975-1979’, CPDOC-FGV, p. 82.


\textsuperscript{30} \textit{Ibid.}, pp.608-13.
stabilization measures. Since President Kubitschek refused to jeopardize his five-year development programme, Brazil ended up without any substantial US support. These examples show how specific the May 1961 agreements were, particularly with regards to the smoothness and speed with which Washington accepted Quadros’ demands, as well as the conditions and quantity involved (Table 1).

The May 1961 agreements also proved to be outstanding compared to agreements reached with other Latin American countries. In 1961, Brazil received the greatest 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. Thus, the fact Brazil got between mid-1960 and mid-1962 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 models of the Alliance for Progress – further highlights the significance of the May 1961 agreements.

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’. Colombia might have been one of these countries: despite its strong pro-US stance in inter-American affairs, it still had to comply with a rigid stabilization programme to maintain its stand-by agreement with the Fund. No wonder then, that according to the British Ambassador, the IMF Managing Director himself was ‘furious’ when he first heard that Kennedy’s administration was offering substantial money to Quadros free from Fund requirements. The US Ambassador to Brazil, John Moors Cabot, in a telegramme to the Department of State, also expressed his
'increasing concern at evident tendency to give Jânio everything he wants (...), despite his constantly manifested indications of neutralism'.

Kennedy supported Brazil during the May 1961 negotiations expecting Quadros to become a US political ally 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 strengthened further 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. Quadros could 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.

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). What is more, when the IMF froze the Brazilian stand-by in July, alleging a lack of Brazilian commitment in implementing stabilization 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. Even Guevara’s decoration did not seem to have shaken the US position. Days after this event, the 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). If it were not for Quadros’ resignation, which took place 24 hours after that requisition, the funds would have been released normally.

One might ask what was motivating Washington to maintain support to Quadros. Two main points might explain this. Scholars emphasize that Brazil was too important for the United States and for the Alliance’s success for Kennedy to simply give up. Although this is correct, evidence shows that, by and large, Washington accepted Quadros’s justification that the Independent Foreign Policy was only a tool to gain internal leftist support while Brazil’s

37 Embtel 1579.
39 Embtel 92, 1 Sep. 1961, NARA, RG 84, Box 131, Folder 560, p.1.
41 Embrep 139; Embrep 193, pp.1–2.
42 Embtel 22, 1 Sep. 1961, NARA, RG 84, Box 131, Folder 560, p.1.
financial problems were being resolved (and, implicitly, a device to bargain for greater US economic assistance), even though US officials recognized that it might get out of control, producing ‘unexpected and at times unpleasant results’. As Quadros explained to Adlai Stevenson, US Ambassador to the United Nations, in June 1961, Brazil’s international stance did not mean that the Brazilian government would be keen to negotiate with domestic communists – a fact confirmed by the US Labour Attaché. The US had a similar approach to other Latin American countries that espoused neutralist foreign policies but pursued a strong anticommunist line domestically, such as Paz Estenssoro’s Bolivia. This suggests that the US 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.’ The US president added that the US might even help the Brazilian military with food and arms, if the situation became ‘serious’. In the end though, US support to the anti-Goulart group did not come, and Denys’ backing in the military was smaller than expected. Goulart was allowed to step into office with only limited powers, following the establishment of a parliamentarian regime.

The US’s attitude during the August 1961 Brazilian political crisis proved that Washington’s commitment to democracy in Latin America was limited. As Undersecretary of 

---

44 Embtel 1384, Section I, 13 April 1961, JFKL, POF, Box 112, Folder 15.
47 Telecom, John Kennedy and George Ball, 31 Aug. 1961, JFKL, Personal Papers of George Ball (hereafter PPGB), Box 1, Folder Brazil 4/20/61-7/10/63, pp. 1–2.
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’. 48 Most scholars do not recognize that. 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.49

Washington’s hard-line stance towards Goulart continued after he assumed office. The US froze all authorized loans to Brazil, including those negotiated in May 1961.50 Though the majority of resources were theoretically free from the terms of the IMF stand-by 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.51 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 stabilization (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.52

To negotiate the release of funding, the Brazilian government threatened Washington with the abandonment of stabilization measures. Proving that these threats were real, they restored some exchange controls, and the action did result in a change in US policy.53 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 far from fair by Brazilian officials. In October 1961, Goulart’s Finance Minister, 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

48 Telecom, George Ball and Woodward, 7 Sep. 1961, JFKL, PPGB, Box 1, Folder Brazil 4/20/61-7/10/63.
50 Embtel 92.
51 Telegram, Department of State to US Embassy in Rio de Janeiro (hereafter Deptel), 815, 13 Sep. 1961, NARA, RG 84, Box 131, Folder 560.
52 Roberto Campos to Herbert May, 19 Sep. 1962, CPDOC-FGV, Papers of Hermes Lima (hereafter HL), c 62.09.19/2, pp.1–2.
complicated not to release the remaining funds’.\textsuperscript{54} 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 stand-by loan, ‘Eximbank could not ignore the IMF’.\textsuperscript{55} The fact is that Eximbank had already ‘ignored’ the IMF’s position in July 1961, when the Fund froze its stand-by 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.

\textit{Table 2. Breakdown of U.S. public finance in the May 1961 agreements: Brazilian drawings, September 1961 to January 1963 (US$ million)}

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
<th>Source</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 Sep. 1961</td>
<td>35</td>
<td>Treasury</td>
<td>-</td>
</tr>
<tr>
<td>25 Sep. 1961</td>
<td>42</td>
<td>Eximbank</td>
<td>-</td>
</tr>
<tr>
<td>17 Oct. 1961</td>
<td>21</td>
<td>Eximbank</td>
<td>-</td>
</tr>
<tr>
<td>27 Oct. 1961</td>
<td>30</td>
<td>Treasury</td>
<td>45 days</td>
</tr>
<tr>
<td>30 Nov. 1961</td>
<td>21</td>
<td>Eximbank</td>
<td>-</td>
</tr>
<tr>
<td>Dec. 1961</td>
<td>40</td>
<td>USAID (15) / Eximbank (25)*</td>
<td>-</td>
</tr>
<tr>
<td>4 April 1962</td>
<td>35</td>
<td>USAID (9.5) / Eximbank (16) / Treasury (9.5)*</td>
<td>-</td>
</tr>
<tr>
<td>3 Jan. 1963</td>
<td>30</td>
<td>USAID (20) / Eximbank (10)*</td>
<td>90 days</td>
</tr>
<tr>
<td>Total released</td>
<td>254</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Residual</td>
<td>84</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


\textbf{Notes:} * Numbers in parentheses refer to the participation of US institutions in particular drawings.

Evidence shows that US officials were suspicious of President Goulart due to his links with ‘communists’, particularly in the labour movement. This US distrust was not new. Since 1953, when Goulart became Vargas’s Labour Ministry, Washington had looked on in alarm at his relationship with the radical left. The US’s doubts intensified over time, particularly when Goulart became Kubitschek’s Vice-President in 1956 (and then Quadros’ Vice-


\textsuperscript{55} MemCon, Dias Carneiro, Roberto Campos, Harold Linder, 7 Nov. 1962, NARA, RG 84, Box 131, Folder 560, p.2.
President in 1961). 56 This explains why the US Embassy recommended that Washington proceed ‘slowly’ in getting into new aid commitments to Brazil due to ‘Goulart’s past associations with communists’. 57 In the same month, the CIA reported the ‘communist inroad in the Brazilian government’, focusing on the members of Goulart’s administration that were either communists or Communist sympathizers. The Department of State also shared the CIA’s preoccupation. 58 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 because of economic or technical concerns. 59

However, Goulart’s association with ‘communists’ was not regarded as a sign that the Brazilian president wished to lead the country towards communism. In other words, US perception was not as short-sighted as might at first seem. US officials showed awareness that Goulart was likely ‘involved in cynical political relationship of ‘using and being used’ with communists’. 60 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. 61 Important sections of organized labour in Brazil were under the ascendancy of the radical left. 62 Goulart believed he could not rule out the political capital they provided. The influence of pro-US international labour unions over the Brazilian workers was very limited, reducing Goulart’s chances of working with them (not to mention the fact that they did not back Goulart after Quadros had stepped down). 63 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 is ‘the most undemocratic thing that could be done’, giving the ‘key role’ played by unions in ‘strengthening democracy’. Furthermore, argued Kennedy, the

---

56 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, chs.4, 8. According to the 1946 Brazilian Constitution, Presidential and Vice-Presidential elections were held separately.
59 Embtel 92, p.1.
60 Embtel 946, 11 Oct. 1961, NARA, RG 84, Box 121, Folder 30, pp.1–2.
61 Embtel 1353, 6 Dec. 1961, NARA, RG 84, Box 124, Folder 350.
communists ‘exploit social problems to the utmost’, since ‘the more chaos there is, the more power they attain’.

In other words, the communists would never support a programme such as the Alliance for Progress, 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 US used during the 1950s, when communists and radical nationalists were lumped together in the same basket. Kennedy’s message was that Goulart should rely on the non-communist left to govern the country; otherwise the United States could not make Alliance funds fully available to Brazil.

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. Moreover, in contrast to what is argued by Jeffrey Taffet, the US did not consider that Goulart ‘strengthened Quadros’ Independent Foreign Policy’. 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 ‘has showed little interest in developing close relations with Cuba, certainly far less than Quadros’.

The US 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 not only by Goulart’s moderate position at the beginning of this term, and because Brazil was too important for the US to be dismissed, as Taffet correctly stresses, but also due to Goulart’s limited presidential powers. The parliamentarian regime set up after Quadros’ resignation was not seen by the US at the time as a framework at

68 Taffet, Foreign Aid, pp.100-1.
70 Taffet, Foreign Aid, p.100.
imminent risk of extinction, but rather as something to be consolidated.\textsuperscript{71} Even through Goulart was not powerless (he kept the right to appoint political positions), the president could not do much political harm in the parliamentarian straitjacket. The US Embassy also stressed that the Brazilian cabinet, including the Prime Minister, were ‘genuinely conservative’ and ‘anti-communists’.\textsuperscript{72} What is more, 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.\textsuperscript{73} The most 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 stabilization measures being implemented by his Finance Minister, and to settle cases involving the expropriation of US public service companies in Brazil.\textsuperscript{74} In addition, a US$ 131 million agreement within the Alliance for Progress was signed for the development of the Brazilian Northeast (the country’s poorest region).\textsuperscript{75} Finally, meetings were held between Goulart and US trade union leaders to discuss the importance of freeing labour from ‘communist infiltration’.\textsuperscript{76} 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’.\textsuperscript{77} 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).\textsuperscript{78} Evidence shows that Goulart

\textsuperscript{71} Embtn 1213, Section III, 15 Nov. 1963, JFKL, NSF, Box 12, Folder Brazil, General, 10/61 – 11/61.
\textsuperscript{72} Embtn 1280, Section II, p. 2.
\textsuperscript{73} ‘Background Paper’, Sep. 1961, JFKL, POF, Box 112, Folder 15, p.2; MemCon, Goulart, Gordon, and John Fishburn, 20 Mar. 1962, NARA, RG 59, Box 2, Folder ECO 2.
\textsuperscript{74} MemCon, Kennedy and Goulart, 4 April 1962; MemCon, Moreira Salles, Douglas Dillon and John Leedy, 4 April 1962, JFKL, NSF, Box 12A, Folder Brazil, General, 4/62.
\textsuperscript{76} MemCon, George Meany, Walter Reuther, and Clodosmith Riani, 4 April 1962, JFKL, PRD, Box 390, Folder Brazil, 3/62-9/62.
\textsuperscript{77} Embtn A-87, 20 July 1962, Folder Brazil General 7/62; Embtn 634, 17 Sep. 1962, JFKL, NSF, Box 13, Folder Brazil General 9/62, p.2.
manoeuvred to have his full powers back, employing the support of the radical left in labour unions.\textsuperscript{79} 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’.\textsuperscript{80} By mid-1962 it was clear that the parliamentarian regime would not last and that the United States would be obliged to deal with a politically stronger Brazilian president. From that moment on, the cooperative approach regarding 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 US should strengthen any political and military forces capable of influencing Goulart and reducing his power.\textsuperscript{81} This included support for ‘democratic’ (i.e. anti-communist) candidates in elections, the organization 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 named as ‘islands of administrative sanity’.\textsuperscript{82} 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.\textsuperscript{83} However, the objective of this strategy was not to destabilize 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 would be persuaded to cooperate with them rather than with the extreme left’.\textsuperscript{84}

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 an expedient designed to either

\textsuperscript{80} Memorandum for McGeorge Bundy, 28 July 1962, JFKL, POF, Box 112, Folder 16, p.2.
\textsuperscript{82} Embtel 171, 19 July 1962, JFKL, NSF, Box 13, Folder Brazil, General, 7/62, p.4; ‘Report on Brazil’, pp.5–6.
\textsuperscript{84} Memo, H. Wellman to Edwin Martin, ‘Comments on Draper Report’, 8 Nov. 1962, NARA, RG 59, Box 3, Folder Mis 5d, p.1; Naftali, Presidential Records, p.17.
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’. In order to receive US aid, the Brazilian government would have to implement a rigorous stabilization programme; settle expropriation cases involving subsidiaries of the International Telephone and Telegraph (ITT) and the American Foreign Power (AMFORP) companies; terminate the ‘Independent Foreign Policy’; and, most importantly, cease undermining the ‘liberal representative democracy internally’ (i.e., to break links with communists in the labour movement, and to stop admitting leftists into government positions). The ‘step by step’ approach was expected to result in an unequivocal break between Goulart and communists, constituting the last US attempt to achieve a compromise with Goulart’s administration. ‘If this fails’, said Lincoln Gordon in November 1962, ‘we must consider all possible means [to promote a] change in regime’.

Some scholars suggest that Washington’s insistence on making aid conditional on the ‘step by step’ programme – particularly the stabilization measures and the settlement of cases involving US subsidiaries – reflected the growing influence of private interest groups on the Kennedy administration. Certainly, the linking of Alliance aid with the observance of IMF-authorized stabilization programmes (which meant leaving aside the target of economic growth in the short-run) was not a Brazilian exception. In fact, the US 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, Leon Valencia’s Colombia and Manuel Prado’s Peru. This suggests that a broad issue, such as the influence of private interests groups on the Kennedy administration, might have also driven Washington’s decision on Brazil. Yet, in reality, that was only part of the story. On one hand, conditionality represented an end in itself, as achievement of an IMF-supported stabilization 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

85 Memo, Frank Sloan to Edwin Martin, 14 Nov. 1962, NARA, RG 59, Box 3, Folder Mis 5d, pp.2–6.
86 Deptel 1147, 15 Nov. 1962, JFKL, POF, Box 112, Folder 16, pp.1–3.
87 Embtel 977, Section I, 19 Nov. 1962, p.2.
88 See particularly Leacock, Requiem for Revolution, ch.5
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. 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.\(^\text{90}\) Similarly, as clearly stated by the US Embassy, agreeing an IMF stabilization programme with Goulart ‘would represent [the] best chance available to us to modify political tendencies of [the] regime in [a] desirable direction’.\(^\text{91}\) This was not the first time Washington had used multilateral financial agreements to protect US interests in Latin America. During the 1950s, the US had used the conditionality of an IMF financial assistance package to Carlos Ibañez’s Chile to enhance the power of large US copper corporations.\(^\text{92}\) The difference is that in Brazil, the target 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 are two reasons for this. First, Washington had not liked Brazil’s attitude during the October 1962 Cuban missile crisis. Although Brazil supported the OAS resolution ratifying the US naval blockade of Cuba, it had not backed the ‘use of force’ in a possible intervention on the island.\(^\text{93}\) Second, despite the fact the Brazilian government had constantly assured Washington that Brazil’s Independent Foreign Policy did not mean ‘neutralism’ (i.e., the relationship with the socialist bloc would not compromise the country’s commitment to the Western sphere), in November 1962, Goulart attempted to blackmail US Ambassador Lincoln Gordon by saying that if the US 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’.\(^\text{94}\) 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

\(\text{\textsuperscript{90}}\) Deptel, 29 June 1963, JFKL, NSF, Box 14, Folder Brazil General 6/63, p.2  
\(\text{\textsuperscript{91}}\) Embtel 1702, Section II, 9 Mar. 1963, JFKL, NSF, Box 13A, Folder Brazil, General 3/1/63-3/11/63, p.2  
\(\text{\textsuperscript{92}}\) Jon Kofas, \textit{Sword of Damocles}, ch.7; Thomas O’Brien, \textit{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.  
\(\text{\textsuperscript{93}}\) Deptel, 27 Nov. 1962, JFKL, POF, Box 112, Folder 16, p. 2; OESP, 24 Out. 1962, p.2; Weis, ‘Twilight of Pan-Americanism’, p.339.  
\(\text{\textsuperscript{94}}\) Embtel 1001, Section II, 23 Nov. 1962, JFKL, POF, Box 112, Folder 16, pp.2-3.
position on Brazil’s foreign policy. Yet, like the conditions regarding the need for stabilization 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 on 11 December 1962, the US National Security Committee (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 time he emphasized the US’s concerns over the ‘many signs of communist or extreme left-wing nationalist infiltration’ in the government, military, trade union leadership, and student organizations. Goulart replied that the few leftists in his administration were contained in low-ranking positions and did not have the power to shape government policy. The president also emphasized that the United States should have ‘confidence’ that he, Goulart, ‘would not play the communist game’. The following day, Bob 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’.

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 that a ‘possible divergence between the regime and communist and pro-communist elements of the left’ was being created. The evidence of transformation was substantial. First, the Brazilian government initiated a strong stabilization programme (the so-called Plano Trienal, i.e., ‘Three-Year Plan’), and opened talks with the IMF to reach a stand-by agreement.

Second, Goulart took clear steps towards moderating the tone of his ‘Independent Foreign Policy’ – the most noticeable example of which was the lack of official support for the ‘Continental Congress for Solidarity with Cuba’, which took place in Rio de Janeiro in March.

---

95 ‘Brazil’s Economic Alternatives’, Dez. 1963; ‘Counterpoise to Brazilian Threat to Turn to the Bloc’, Dez. 1963, JFKL, NSF, PRD, Box 390, Folder Brazil.
1963.\textsuperscript{100} 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 nationalize all company assets – as Goulart had promised Kennedy in April 1962.\textsuperscript{101} 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 communist membership.\textsuperscript{102} In this sense, Hal Brands’ argument that Goulart ‘made cooperation with the US impossible’ is inaccurate.\textsuperscript{103}

Inevitably, however, for the changes to be sustained, the Kennedy administration would 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 authorized 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’.\textsuperscript{104} 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 had of keeping pace with economic growth. Given that social tensions remained high following the harsh consequences of stabilization, economic growth was deemed fundamental to settle 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.\textsuperscript{105}

Nevertheless, Kennedy’s government continued with caution. San Tiago Dantas asked for a three-year, US$ 839 million aid package from the United States.\textsuperscript{106} 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

\textsuperscript{100} Deprep, 13 May 1963, TNA FO 371/168152.
\textsuperscript{101} Embrep A-941; ‘Histórico da operação de compra das ações e direitos da AMFORP’, 1966, CPDOC-FGV, RC e/ag 61.02.10 IV-21, pp.15–6.
\textsuperscript{102} Embtel 106, Section II, 17 July 1963, JFKL, NSF, Box 14, Folder Brazil, General, 7/16/63-7/31/63.
\textsuperscript{103} Hal Brands, \textit{Latin America’s Cold War}, p.64.
\textsuperscript{104} Embrep A-474, 26 Oct. 1962; Embtel 1436, 29 Jan. 1963, NARA, RG 84, Box 136, Folder 501.
\textsuperscript{105} Embtel 1767, 19 Mar. 1963, JFKL, NSF, Box 13A, Folder Brazil General, 3/12/63- 3/21/63.
\textsuperscript{106} ‘Brazilian Proposal for Debt Re-Scheduling’, Appendix III, CPDOC-FGV, RC d/emb 61.10.19, Folder V; MemCon, Bell, Dantas, Herbert May, 15.03.1963, NARA, RG 84, Box 134, Folder 350, pp.7–8.
understanding with AMFORP, as well as on the devaluation of Brazil’s exchange rate. Both steps were taken by Goulart’s government in April 1963. Further aid (US$ 314 million) was only to be released over a twelve-month period, officially conditional on a further set of stabilization 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 stand-by agreement with the IMF by June 1963. Given the conservative position adopted by the United States, the Finance Minister considered abandoning negotiations, but he held back. 

Despite the meagre financial outcome of the March 1963 negotiations, Goulart continued to pursue a moderate political approach. Opposition in Brazil grew after Dantas’s trip, the communists accusing Goulart of selling the country to the ‘devil’ for a ‘plate of lentils’. 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. 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 stabilization plan. US officials recognized that Goulart and Dantas were in a very delicate political situation, and that they would have to cede ground.

It was in this difficult context that an IMF mission visited Brazil. In spite of Lincoln Gordon’s wish for the Fund to be more even-handed, the IMF decided to provide only US$ 60 million in compensation for the country’s lost export earnings. Fund officials made it clear that a stand-by agreement would not be reached in the near future as they did not believe in the efficiency of Brazil’s stabilization plan. Dantas’s recent relaxation of policy was also seen as a sign of the incapacity of Goulart’s government to abide by the original

---

109 NR, 214, 29 March – 4 April 1963, CEDEM, p.3.
110 Embtel 2331, 1 June 1963, JFKL, NSF, Box 14, Folder Brazil, General 6/63.
111 Loureiro, Empresários, ch.7.
112 Deptel 1865, 13 April 1963; Embtel 2328, 31 May 1963, NARA, RG 84, Box 136, Folder 501.
113 Embtel 2112, Section III, 30 April 1963, JFKL, NSF, Box 14, Folder Brazil, General 4/63.
The reality was that in contrast to what happened to Quadros, this time Washington did little aside from Gordon’s ‘exhortations’ for Fund officials to be less strict and from expressions of hope by the US Representative to the IMF that conditions for a stand-by agreement would ‘materialize during the reasonably near future’.  

Brazil’s failure to reach a stand-by agreement with the IMF undermined 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 States held back the remaining funds due to Goulart’s failure in complying 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 stabilization 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.  

Brazilian requests for the US to reconsider – particularly regarding the terms of contract with AMFORP – were not met. As Lincoln Gordon pointed out to Goulart in July 1963, it was a question of ‘intergovernmental good faith’, and could not be revised.  

The lack of flexibility showed by Washington resulted in the Brazilian president dropping his formerly moderate stance. By mid-1963, Goulart was no longer keen to support the stabilization programme, the ‘Independent Foreign Policy’ had been strengthened and, most importantly, links with communist labour leaders had been resumed. No doubt his 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

---

114 Embtel 2320, 30 May 1963, NARA, RG 84, Box 136, Folder 501.
116 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, Box 136, Folder 500.8.
118 Embtel 20, Section I, 3 July 1963, JFKL, NSF, Box 14, Folder Brazil General 7/11/63-7/15/63.
reactionaries – the label placed on Arturo Frondizi, the Argentine president deposed in March 1962.\footnote{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.}

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 began to focus more on the replacing Goulart’s regime than attempting to moderate its political orientation, with Alliance funds employed primarily in the ‘islands of administrative sanity’.\footnote{Embtel 2184, 7 June 1963, NARA, RG 84, Box 136, Folder 500.8.} Although there is no data available on resources provided to individual Brazilian states, qualitative evidence suggests that the US did not contemplate loan authorizations to the federal government in 1963.\footnote{Embtel 2184, 7 June 1963, NARA, RG 84, Box 136, Folder 500.8.} It follows that the US$ 86 million sanctioned by USAID that year was channelled to friendly state governors.\footnote{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.}

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.\footnote{121 ‘Agency for International Development and Alliance for Progress’, 1965, Lyndon Baines Johnson Library (hereafter LBJL), NSF, Box 3, Folder AID & Alliance for Progress, p.67.} 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.\footnote{Embtel 374, Sections II and III, 21 Aug. 1963, JFKL, NSF, Box 14, Folder Brazil, General, 8/21/63-8/31/63.}

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 US should defend ‘social and economic development as strongly as we favour financial stability and protection of foreign investments’.\footnote{Deptel 234, 14 Aug. 1963.} Kennedy’s advisor, Arthur Schlesinger, argued that the obsession with stabilization could jeopardize 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’.\textsuperscript{127} Walt Rostow, Kennedy’s Director of the Policy of 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’.\textsuperscript{128}

The anti-Goulart group inside the US government also spoke out loudly against those espousing a cooperative approach. Lincoln Gordon asserted that the United States should pay attention to the ‘syndicalist authoritarian regime’ that has been ‘cautiously nudged’ by the Brazilian president. According to Gordon, ‘communist infiltration in Brazil has made much headway’, and if Goulart were to set up an authoritarian regime, the communists would be in a position ‘at some point to force him to step aside’.\textsuperscript{129} Similar views were expressed by the US Army Attaché in Brazil Colonel Vernon Walters, the CIA, and the Department of Defence.\textsuperscript{130} 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.\textsuperscript{131} The anti-Goulart faction had won. In the face of a heavy destabilization campaign, Goulart did not last long. In March 1964, in an environment of economic crisis and mounting social unrest, a military coup put an end to his government.

\textit{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. Considered a key country for the programme’s success, the Brazilian case showed that the Alliance was implemented in a very different manner. Although President Goulart was broadly committed to the Alliance’s principles, the US used funding to undermine him. This paper sought to understand how and why this happened, with a particular focus on US-Brazilian financial relations in the early 1960s.

\textsuperscript{129} 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.
\textsuperscript{130} Report, Walters to Fitch; CIA Memo, 27 Aug. 1963, JFKL, NSF, PRD, Box 390A, Folder Brazil 7/63-10/63.
\textsuperscript{131} ‘Proposed Short-Term Policy, Brazil’, 30 Sep. 1963, JFKL, POF, Box 112, Folder 17.
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 1961 May agreements showed that the US prioritized growth over economic stability in its guidelines for providing funds for Brazil, although scholars usually fail to recognize this. When the IMF and Europe froze their various loans in July 1961 due to a lack of Brazilian dedication to stabilization, the United States continued to uphold the May agreements and nominally maintained 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 it 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 after Quadros’ resignation, the Kennedy government did not work systematically to destabilize the Goulart regime. Three separate phases of US-Brazilian relations can be distinguished. Although the conditions imposed by the US for the release of funds became progressively harsher, the 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-establish relations with the IMF. This signified an inversion of US priorities in terms of economic policy, placing stabilization 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 US’s primary intention was not to destabilize 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 destabilization campaign. Alliance funds were released only to anti-Goulart forces, particularly state governors. Resources to the federal government were curtailed, except for the rescheduling of a few debts.

The US stance towards 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 stressed. The change took place too quickly to be the result of increased private influence on the government. Rather, evidence shows that Washington used economic policy requirements, such as the execution of an IMF-authorized stabilization plan, as a means to force a break between Goulart and the communists, since stabilization 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 would explain 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 Quadros’ – an assessment that would hold until late 1962.

As to the shifts in the US approach to the Goulart government, these can be explained by a combination of domestic and international developments. The first, more cooperative stage is due 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 deciding to give him the ‘benefit of the doubt’, as Michael Weis would have it. Literature does not pay enough attention to the role the Brazilian Parliamentarian regime had in moderating US attitudes. The transition to a tougher approach by Washington in mid-1962 was prompted by Goulart’s manoeuvre against Congress, using the support of the radical left and its influence over organized labour to get his full powers back. 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: either he could opt to fulfil all US demands without their decisive support (as the disappointment with the March 1963 financial agreement had shown) or to 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 Goulart’s 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’. While Washington strongly upheld Quadros, it did not give the same support to Manuel Prado’s Peru, even though the latter was one of the staunchest US supporters in international affairs. By the time Washington embarked on a clear destabilization 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 both Frei and Goulart were reformist democratic leaders. How can these differences be accounted for? The Brazilian case suggests 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 uphold an anticommunist line mainly in domestic politics. In this sense, Quadros’ Brazil was much more sensitive for Washington than Prado’s Peru: 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 prospect of a communist electoral takeover in Chile (with Salvador Allende’s Popular Unit).

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’ by Latin American countries in exchange for Alliance funds. Brazil’s Independent Foreign Policy did not stop Washington providing substantial resources to Quadros and even to Goulart. To argue that the US 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 US was neither a privilege unique to Brazil (as the Bolivian case illustrates), nor did it change immediately after the signature of the 1961 May agreements. It seems that the US 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 stabilization programmes – could be used as Cold War instruments to separate Latin American leaders into those upon which Washington could count and those

132 Taffet, Foreign Aid, p.10.
133 Rabe, The Most Dangerous Area, p.56.
upon which it could not. Since the conditionality of stabilization became widespread in Latin America by 1962, it remains to be seen whether in other places it reflected only private economic interests or, like Goulart’s Brazil, it also represented primary political aims.