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The Alliance for Progress and President João Goulart’s Three-Year Plan: the deterioration of U.S.-Brazilian Relations in Cold War Brazil (1962)

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ABSTRACT

This paper analyses U.S.-Brazilian relations during the elaboration of João Goulart’s Three-Year Plan in late 1962, which sought to tackle Brazil’s severe economic imbalances without compromising growth and through the implementation of distributive reforms. Although the plan followed the principles of John F. Kennedy’s Alliance for Progress, Washington did not offer adequate assistance because of Goulart’s threats to increase links with the Soviet bloc. The United States hardened its position, seeking to change the orientation of the Brazilian government. This led to the abandonment of the Three-Year Plan, and contributed to social and political destabilisation that resulted in Brazil’s March 1964 military coup.

Introduction

The 1959 Cuban Revolution profoundly shaped U.S. foreign policy in Latin America. Both the Eisenhower and, particularly, the Kennedy administrations devised strategies aimed at eradicating and containing the first communist experience of the Western hemisphere. One of the most important of these strategies was JFK’s economic aid programme entitled the Alliance for Progress. The idea behind the Alliance was to employ aid to uproot Latin America’s structural causes of underdevelopment, preventing another Cuba. Economic assistance would be provided under several conditions, such as the support for democratic institutions and the promotion of self-help measures for fostering socio-economic development. Specifically, the Alliance emphasises the importance of employing planning for making the most of foreign resources and allowing the implementation of distributive programmes, in particular agrarian and tax reforms.1

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As the largest Latin American country, U.S. officials considered Brazil key for the success of the Alliance for Progress. For its part, Brazil badly needed and keenly attempted to receive U.S. funds. Amid a context of political instability, the Brazilian government formulated an overall plan aimed at tackling the country’s most serious socioeconomic shortcomings in line with the Alliance’s principles. President João Goulart’s Three-Year Plan (*Plano Trienal*) was devised in late 1962 by one of Brazil’s most famous intellectuals, Economic Commission for Latin America (ECLA) economist Celso Furtado. The plan sought to decrease rising levels of inflation and reverse external disequilibria without compromising growth. It also defended the need for structural reforms, particularly land and tax reforms, addressing Brazil’s deep-rooted poverty and income inequality. Brazilian officials publicly acknowledged that the Three-Year Plan could not succeed without substantial foreign assistance. The country’s potential foreign gap for 1963 ($900 million) represented 60% of total exports in 1962. Given that Brazil’s manufacturing sector was highly dependent on imports, combining high growth rates with decreasing inflation and the maintenance of foreign commitments was improbable without substantial international assistance.

The Three-Year Plan fit within the Alliance’s principles and was presented as the Brazilian representative programme in the 1962–1963 Alliance for Progress annual report. Despite that, U.S. aid did not materialise as expected. Washington disbursed a small amount of money to Brazil in April 1963 ($84 million), and conditioned further assistance to the signature of a stand-by agreement with the International Monetary Fund (IMF). Given the usual harsh conditions imposed by the IMF for a stand-by, negotiations between Brazil and the Fund broke down in mid-1963, bringing further U.S. loans to a halt. The Three-Year Plan was soon abandoned, contributing to the deterioration of Brazil’s social, economic and political outlook. In March 1964, a military coup ousted President Goulart from power, setting in motion a 21-year authoritarian regime that would constitute ‘a counter-revolutionary model and stronghold’ for neighbouring countries. Even if it can be farfetched to assume, as some Brazilian politicians did in early 1963, that the Three-Year Plan was Brazil’s ‘last chance’ to save the country’s post-war democracy, scholars concur that the programme’s success depended on U.S. assistance, and that it could have brought stability to Goulart’s presidency if it had been successful.

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4 For recommendations usually involved in a stand-by agreement, taking a Latin American country as example, see Luizi Manzetti, *The International Monetary Fund and Economic Stabilization. The Argentinian Case* (New York: Praeger, 1991).


7 The expression was employed by Osvaldo Filho, a federal deputy from the state of Pernambuco. Telegram 1767, Rio de Janeiro to the Department of State, March 19, 1963, PP, NSF, Box 13A, Folder ‘Brazil General, 9/62’, JFKL. For the importance of the Three-Year Plan to Brazil’s democracy, see Jorge Ferreira and Ângela Gomes, 1964. *O golpe que derrubou um presidente, pós fim ao regime democrático e instituíu a ditadura no Brasil* (Rio de Janeiro: Civilização Brasileira, 2014): 143–160.
Why did Washington take such a hard stance towards Goulart? Answering this question allows us to understand the deterioration of U.S.-Brazilian relations in the early 1960s. Despite the sizeable scholarship on Washington's destabilisation campaign against Goulart, there is still debate about what drove that approach. Most authors claim that Brazil's 'independent' foreign policy, particularly the support for Cuba's right to self-determination, and the desire to increase economic ties with the Soviet bloc, accounted for that change. Yet there is also a consensus around the notion that Washington 'exaggerated (…) whether Goulart's government was "reliably on the side of the Free World"'.

In addition, understanding Washington's approach towards Goulart is also revealing of the nature of the Alliance for Progress in a broader sense. Scholars still debate what accounts for the significant gap between the Alliance's idealistic conceptualisation and its actual execution. The contrast was particularly acute in terms of U.S. support for democratic regimes and socioeconomic reforms: JFK's 'decade of development' turned 'into the decade of military coup d'état' and social injustice in Latin America. Some claim this is a 'false problem', as the Alliance always employed developmentalism (or state-promoted modernisation) as anti-Communist strategy by encouraging and then supporting military authoritarianism. Others, in turn, argue that the Kennedy government transitioned from its initial idealism to an increasingly pragmatic approach, favouring short-term solutions to perceived national security threats.

Part of this debate has to do with variation across the region. While Bolivia was the most extreme case of U.S. support for anti-democratic policies, Colombia counted on Washington's backing for democratic institutions and moderate socioeconomic reforms. Therefore, given that Brazil was regarded as key for the Alliance's success, it is important to understand how the Kennedy administration approached Goulart's most important economic plan in order to improve our knowledge about the driving logics of the Alliance's implementation.

This article argues that the U.S. hard approach towards Goulart's Brazil matured exactly during the period of formulation of the Three-Year Plan (from September to December 1962). Up to that point, there was a split amongst Kennedy's officials about how to handle aid provision to the country. The U.S. Ambassador to Brazil, Lincoln Gordon, was one of the main advocates of a softer line. By early 1963, however, most officials had consolidated the view that Washington had to be tough on Goulart. Employing recently declassified sources, the paper claims that the late 1962 period was as critical for U.S.-Brazilian relations as the moment when the Brazilian president Getúlio Vargas decided, after extensive bargaining between Washington and the Axis, to support the United States in the Second World War.

In fact, President Goulart (Vargas’ political protégé and heir) sought to drive a similar type of...
bargain with Washington, negotiating greater U.S. financial support in exchange for Brazil's commitment not to expand ties with the Soviet bloc — something that has been largely neglected by scholars so far.15 As this took place when Washington's relative power vis-à-vis the Soviet bloc in Latin America was increasing in the aftermath of the Cuban Missile Crisis, the Kennedy administration felt confident enough to toughen its stance towards Goulart, eventually opening paths for the U.S. support for the 1964 coup in Brazil.16

The paper is divided in four sections. Section two provides a brief historical background of Brazil's economic, social and political outlook in the early 1960s, as well as of U.S.-Brazilian relations. Sections three and four analyses Washington's perspectives and actions during the formulation of the Three-Year Plan (from mid-September to December 1962). Section five offers a conclusion.

### Brazil's economic and political background in the early 1960s

Brazil's economic outlook in the early 1960s was particularly challenging. After years of intensive growth, the country was dealing with rising inflation rates, growing public and external deficits, and bottlenecks in the energy and transport sectors. The Brazilian foreign debt was not large (roughly $3 billion in 1960, accounting for two years of exports), but it had a short-term high-interest profile. Half had to be paid off during the presidency of Jânio Quadros (1961–1966). This was a heavy burden given the country's declining capacity to attain foreign exchange. Initially, the Kennedy administration showed itself sympathetic, even though Quadros' ‘independent’ foreign policy was not seen as trustworthy. In May 1961, Washington provided substantial assistance to Brazil. Quadros also signed a stand-by agreement with the IMF, but most U.S. assistance was free from the Fund's requirements. This provided room for Brazilian officials to favour economic policies that fostered growth.17

When the country's economic position improved, political and social instability grew. In August 1961, president Quadros suddenly resigned, leaving office in the hands of his vice-president João Goulart, the leader of the Brazilian Labour Party (Partido Trabalhista Brasileiro, PTB), and a former protégé of the country's most notorious politician, Getúlio Vargas.18 Goulart pushed Vargas' tradition further to the left, defending structural reforms on behalf of the poorest. He also nurtured strong links with trade unions, including communist syndicates. The conservative section of the Brazilian military opposed his ascension to power, putting the country on the brink of a civil war. Conflict was only avoided by a last-minute agreement: the Constitution was amended, and Goulart became president with limited powers, within a parliamentary framework.19

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15See, for example, Weis, ‘Twilight of Pan-Americanism,’ 340.
16Pereira also argues that 1963 was the key year when it comes to the U.S. decision for supporting Goulart’s overthrow. See Anthony Pereira, ‘The US Role in the 1964 Coup in Brazil: A Reassessment,’ Bulletin of Latin American Research, Published online: June 2016.
18Vargas ruled Brazil for almost two decades (1930-1945, 1951-1954), being part as dictator (1937-1945). Strongly identified with the institutionalization of social rights to urban workers and the implementation of a nationalist economic policy on behalf of Brazil's industrialization, Vargas profoundly shaped the Brazilian political system, drawing a line between those for and against his legacy. See Thomas Skidmore, Politics in Brazil, 1930-1964: An Experiment in Democracy (New York: Oxford University Press, 2007).
Political instability continued for another year, as Goulart struggled to regain full powers back. Arguing that his constrained position did not allow him to pursue a much-needed reform agenda, Goulart used his ties to trade unions to indirectly promote general strikes, putting pressure on Congress to advance a plebiscite on the return of the presidential system. In September 1962, the Brazilian Congress surrendered to Goulart’s pressures, voting for the plebiscite in January 1963. Goulart’s victory came with a price, however. Political polarisation intensified, strengthening society’s division into leftist and conservative camps. The political crisis also brought along economic and social problems that fuelled a vicious circle. Even though growth was not seriously compromised, public and external deficits soared, while inflation rose to disturbing rates (nearly 50% a year). Deteriorating macroeconomic conditions further incited social struggles. Strike activity in urban areas reached unprecedented levels. Rural strife intensified and the number of land invasions skyrocketed, especially in the northeast, Brazil’s poorest region.

Washington observed the Brazilian crisis with apprehension. Even though Goulart frequently claimed he wanted to be ‘an alternative to the communists’ growing influence’ in the workers’ movement, he was distrusted given his close connections to leftists. Not coincidently, Washington froze all aid to Brazil when Goulart came to power. This hardline approach did not last long though. Between September 1961 and April 1962, $224 million were disbursed as part of the financial agreements that Quadros negotiated, allowing Brazil to pay foreign liabilities without compromising growth. What were the American motivations? First, the Kennedy government did not want to appear as the one who breached agreements. Second, Goulart’s powers were constrained by the newly instituted parliamentary system, as well as by a moderate and pro-U.S. cabinet. Finally, Goulart showed moderation in the beginning of his term, even though he neither broke contacts with leftist groups nor changed Brazil’s foreign policy.

However, by mid-1962 U.S.-Brazilian relations cooled again, leading to a longer freeze in financial assistance. Although Washington pointed to the deterioration of Brazil’s macroeconomic conditions as a justification for its decision, political issues were central to it, particularly Goulart’s moves to advance the plebiscite on Presidentialism. It was just after Congress approved such move in September 1962 that Goulart set up a team to formulate the Three-Year Plan. His interests were to have a political programme for winning the plebiscite and bringing back stability to the country. Given Brazil’s extremely fragile financial situation, U.S. assistance was critical for the success of the Three-Year Plan. The sections below discuss why Goulart’s wishes did not materialise.

First U.S. impressions of the Three-Year Plan

The formulation of President Goulart’s Three-Year Plan started off in late 1962 under strained conditions. The U.S. aid freeze worsened Brazil’s financial situation. In the last quarter of 1962 alone, a $90 million was expected in the country’s foreign accounts, surpassing Brazilian gold reserves ($70 million). Alternatives were to accumulate further commercial

20 Abreu, ‘The Brazilian Economy’; 352.
22 Michael Weis, Cold Warriors, 153-155.
arrears — a risky move, as suppliers could stop selling their products, compromising growth — or to obtain credit abroad. The IMF was not an option in this regard. Without controlling inflation, public and external deficits, the Fund would not consider the provision of financial assistance, closing doors to private and European banks. Therefore, Washington was Brazil’s final (and only) hope that the Three-Year Plan could achieve a viable launch.

The Kennedy administration maintained its hard line though. In September 1962 Brazil requested $25.5 million out of the May 1961 loan package for fulfilling financial obligations, arguing that political stability and a sound economic programme would follow after the (likely) restoration of Presidentialism. The request was denied on the grounds that further assistance would be given only after tangible results in economic stabilisation efforts were achieved. Kennedy’s officials suggested the possibility of holding new discussions in November, when the guidelines of Goulart’s Three-Year Plan would be made clearer. In fact, the Department of State was informed that the country’s exchange condition was ‘serious, but not critical’. This meant that aid could be momentarily denied, as it would not produce serious consequences. Brazil’s greatest commitments would fall due in December 1962. Postponing negotiations, Washington gained time to review the political orientation of the Goulart regime.

The Brazilian Ambassador to the United States, Roberto Campos, regretted Washington’s ‘hard line’ approach on aid in a letter to the U.S. Undersecretary of State for Latin American Affairs, Herbert May. Campos argued that originally the Alliance for Progress emphasised economic growth, social development, and democracy support, and not economic stabilisation at any cost. Taking these original principles as benchmarks, said Campos, Brazil’s performance would be regarded as highly satisfactory, given the country’s post-war growth rates and the level of consolidation of its institutions.

Moreover, in a meeting in October 1962 between members of the U.S. Embassy in Rio and high-ranking Brazilian officials, including economist Celso Furtado (Goulart’s Ministry of Planning and responsible for the formulation of the Three-Year Plan), the centrality of U.S. aid for the Plan was strongly emphasised. Furtado criticised the way the Alliance for Progress was being carried out in Brazil. Instead of focusing on ‘marginal problems’, channelling resources to impact programmes, he said, the Alliance should deepen Brazil’s industrialisation, providing aid to finance the country’s external deficit. The idea was to maintain high investment rates by assuring imports of capital goods. Ambassador Lincoln Gordon disagreed that the Alliance’s projects in Brazil had been ‘small or unimportant’, and emphasised it would not be possible to provide funds with no strings attached. The larger part of the U.S. assistance should be project specific, Gordon said, as this was an approach
Washington and other multilateral financial institutions had been successfully pursuing for years.\textsuperscript{29}

Back in Washington, disagreements over Brazil became more intense. In late September 1962, President Kennedy decided to send over a fact-gathering mission to Brazil to look into the country’s economic situation. Formed by officials belonging to the Central Intelligence Agency (CIA), USAID, the U.S. Information Agency (USIA), and the Treasury and Defence Departments, and led by former general William H. Draper, Jr., the mission spent 16 days in Brazil. It met with different members of the Brazilian government, including Goulart and Furtado, as well as with local and foreign entrepreneurs.\textsuperscript{30} Ambassador Gordon unsuccessfully attempted to change the timing and composition of the mission, arguing that Brazilians could interpret it as suspicious, given the number of military officers involved.\textsuperscript{31} In fact, in Washington’s perspective, Brazil’s impertinent attitudes during the Cuban Missile Crisis, particularly its rhetorical support for Cuba’s right to self-determination, the opposition to the possibility of a military invasion of the island, and the neglect in dealing with a U.S.-secretly backed proposition to negotiate with Fidel Castro for the removal of the Soviet nuclear missiles, ratified the need to reassess the political orientation of the Goulart regime.\textsuperscript{32}

Scholars have already highlighted the importance of the conclusions of the Draper commission for U.S.-Brazilian relations.\textsuperscript{33} The commission’s report presented a dark picture of the Brazilian political and economic outlook, proposing a destabilisation policy for bringing about Goulart’s overthrow. Since Goulart did not have strength to execute a tough stabilisation agenda, the report argued, Washington had to either fill in Brazil’s gigantic potential exchange deficit in 1963 ($900 million) alone, or abandon the country altogether. Draper defended the second alternative, despite risks involved. The rationale was that Brazil’s economic situation would rapidly deteriorate without foreign aid, moving Goulart further to the left, and, thus, prompting the military to overthrow him. The report emphasised Goulart’s close political links with the radical left, and the fact that he would be willing to turn Brazil to the Soviet Bloc if he found it interesting for his political career.\textsuperscript{34}

The Draper report produced a major debate among Kennedy’s officials. This is important because it shows there was no consensus in Washington as to what to do regarding Goulart’s Brazil. Ambassador Gordon was the report’s staunchest critic, raising four basic points against it. First, the Embassy did not believe that Brazil’s economy would deteriorate immediately in case aid was not forthcoming. Second, Gordon saw Goulart’s overthrow as ‘highly speculative’ and ‘implausible’. According to him, the ‘military might react against (an) obvious communist coup’, but not against economic deterioration \emph{per se}, or against a Goulart’s leftist move. Third, Gordon thought it would be neither ‘technically sound’ nor ‘politically feasible’ to expect a ‘rapid and complete elimination (of) inflation’ in Brazil in

\textsuperscript{29}ibid.

\textsuperscript{30}telegram, Department of State to Rio de Janeiro, September 21, 1962, PP, NSF, Box 13, Folder ‘Brazil General, 9/62’; Telecom, Ball and Leedy, 26 September, 1962, Personal Papers of George Ball (hereafter PPGB), Box 1, Folder ‘Brazil 4/20/61 – 7/10/63’, JFKL.

\textsuperscript{31}telegram 682, Rio de Janeiro to Department of State, September 24, 1962, PP, NSF, Box 13, Folder ‘Brazil General, 9/62’, JFKL.

\textsuperscript{32}James Hershberg, ‘The United States, Brazil, and the Cuban Missile Crisis, 1962 (Part II), Journal of Cold War Studies 6, no. 3 (Summer 2004): 5-67.

\textsuperscript{33}Leacock, \textit{Requiem for Revolution}, 124-128; Rabe, \textit{The Most Dangerous}, 68.

one year, as proposed by the report. And, finally, he criticised the idea that price stabilisation should be attained before any assistance was provided.\textsuperscript{35} Instead, the U.S. Ambassador argued for a softer approach: Goulart could be successfully influenced by Brazilian officials, such as Minister Santiago Dantas, rather than confronted by U.S. officials. The aim was to disguise U.S. fingerprints, making Goulart understand that a cooperative approach would also be in Brazil’s interest. The Ambassador defended the maintenance of U.S. aid to Brazil during the formulation of the Three-Year Plan, including project-based USAID credits and balance of payments assistance.\textsuperscript{36} Although the U.S. Embassy realised this course of action would be ‘less psychologically satisfying than (a) quick dramatic showdown,’ it would also be ‘both less risky (and) likely (to) secure sound ultimate results.’\textsuperscript{37}

Other officials backed Gordon’s views on the Draper report. Kennedy’s Chief of the Policy Planning Council (PPC), Walt W. Rostow, argued that it would be ‘too soon’ to conclude that Goulart was a ‘lost soul,’ because he nurtured plans to build an alliance with the Soviet bloc or a ‘Castro-type dictatorship.’ Rostow also criticised the proposal of pressing Brazil to adopt a ‘one-shot drastic monetary effort,’ as it neglected the country’s ‘major structural distortions.’\textsuperscript{38} The State Department’s Director of East Coast Affairs, H. Wellman, followed a similar reasoning, arguing that Washington should continue to ‘strengthen the moderate, democratic (anti-communist) reformist elements in Brazil, so that Goulart will be persuaded to cooperate with them than with the extreme left.’\textsuperscript{39}

In contrast, there were those who sided with Draper’s recommendations. The clearest example was State Department’s Deputy Assistance Secretary, Frank Sloan, who suggested that further assistance should be conditioned by a set of measures. The goal was to know whether Goulart was ‘pro-communist, pro-Castro, anti-US’ or not. If he was, steps should be taken to overthrow him. Among the proposed measures were the termination of Brazil’s ‘independent’ foreign policy, the dissolution of Goulart’s links with communist groups in trade unions, the dismissal of radical left wing officials from government, the execution of an IMF-approved stabilisation plan, and the implementation of incentives for private foreign investments.\textsuperscript{40}

In mid-November 1962, after considering both sides, Secretary Dean Rusk informed Ambassador Gordon that the Department reached ‘some conclusions’. In consonance with Ambassador Gordon’s views, it was recognised that circumstances in Brazil were ‘not conducive (to an) immediate adoption (of a) comprehensive stabilisation program’. Washington was prepared to aid Brazil on an emergency basis during the formulation of the Three-Year Plan as long as Goulart made clear his intentions to pursue concrete actions for tackling the country’s grave financial situation. Yet, in contrast to Gordon’s position, the United States was ‘neither willing nor able to provide massive resources necessary to meet Brazil’s prospective enormous balance of payments deficit.’ Besides, the Department did not follow the Ambassador’s recommendation regarding the employment of indirect means for influencing Goulart. Gordon was ordered to directly notify not only Goulart, but also

\textsuperscript{35}Telegram 924, Rio de Janeiro to Secretary of State, November 2, 1962, PP, President’s Office Files (hereafter POF), Country Files (hereafter CF), Box 112, Folder ‘Brazil Security, 1962,’ JFKL.


\textsuperscript{37}Telegram 924, Rio de Janeiro to Secretary of State, November 2, 1962, JFKL.

\textsuperscript{38}Report, Walt W. Rostow to Edwin Martin, November 14, 1962, PP, NSF, RDF, Box 390, Folder ‘Brazil, 11/62 – 12/62,’ JFKL.

\textsuperscript{39}Memo, H. Wellman to Edwin Martin, November 8, 1962, RRB, Box 3, Folder ‘Mis 5.d – Draper Team (1962),’ RG 59, NARA.

\textsuperscript{40}Memo, Frank K. Sloan to Edwin Martin, November 14, 1962, RRB, Box 3, Folder ‘Mis 5.d – Draper Team (1962),’ RG 59, NARA.
‘appropriate key GOB (Government of Brazil) officials’ and ‘selected Congressional leaders’
that certain economic and political inclinations of the government had to be reconsidered if
Brazil wanted financial help.\textsuperscript{41} Although economic points were emphasised, political issues
caused more concern. These included Brazil’s foreign policy (mainly the defence of Cuba’s
right to self-determination), Goulart’s links to leftist and communist labour leaders, and
the nomination of radical leftists to government positions.\textsuperscript{42}

Following Washington’s orders, Ambassador Gordon sought to schedule a meeting with
president Goulart and Brazil’s Finance Minister to be Santiago Dantas. These meetings
brought serious consequences for the future of the U.S.-Brazilian relations.

**Goulart’s threats and U.S. responses**

Even before Washington decided to confront Goulart directly, Brazilian officials had already
revealed that they were strongly dissatisfied with the Kennedy government. The clearest
eexample came on November 13, 1962, when the acting chief director of the *Superintendência
do Desenvolvimento do Nordeste* (Superintendence for the Development of the Northeast,
SUDENE), Francisco de Oliveira, delivered a famous speech criticising the Alliance for
Progress. According to Oliveira, the way U.S. aid policy was being carried out in Brazil was
simply a ‘by-product of the Cold War’, focusing only on ‘short-range, artificial results’. U.S.
officials considered the speech ‘an open declaration of war on the Alliance for Progress’.\textsuperscript{43}

It was in this confrontational environment that Gordon scheduled a meeting with presi-
dent Goulart on November 16, 1962. The meeting took place on board from Brasília to Rio
de Janeiro, and it was also joined by Jack B. Kubish, U.S. Embassy’s Minister for Economic
Affairs. Gordon and Goulart first debated the shortcomings of the Alliance for Progress
in Brazil, but quickly turned to the stabilisation policy the Brazilian government was for-
mulating. Goulart took the opportunity to point out that Brazil badly needed U.S. aid to
assure the success of the Three-Year Plan. Once again the Ambassador argued (as he had
already done with Furtado) that most U.S. aid should be project-specific. Goulart did not
take issue with this, but decided to make a move that would produce a decisive impact on
bilateral relations.\textsuperscript{44}

For the first time in the post-war era, a Brazilian president openly threatened the United
States with the possibility of severing ties with Washington in the case the United States
failed to provide assistance to Brazil. According to Gordon, although Goulart claimed he
was not making a threat, and that he did not wish to look for ‘communist aid’, an inflexible
attitude by Washington would inevitably call for extreme actions, such as a debt default, the
rationing of Brazil’s two most significant import goods (gasoline and wheat), the acceptance
of Soviet project loans, and the enactment of policies to allow for a ‘much more widespread
domestic socialisation of (the) economy’. Goulart also pointed out that he would ‘denounce
(the United States) for depressing Latin American terms of trade, and denounce (…) (the)

\textsuperscript{41}Telegram 1147, Secretary of State to Rio de Janeiro, November 15, 1962, PP, POF, CF, Box 112, Folder ‘Brazil Security,
1962,’ JFKL.
\textsuperscript{42}ibid.; Telegram 1148, Secretary of State to Rio de Janeiro, November 15, 1962, PP, POF, CF, Box 16, Folder ‘Brazil security,
1962,’ JFKL.
\textsuperscript{43}Report A-580, Rio de Janeiro to Secretary of State, November 23, 1962, PP, CF, Box 112, Folder ‘Brazil General, 11/16/62-
11/30/62,’ JFKL.
\textsuperscript{44}Telegram 1001, Rio de Janeiro to Secretary of State, November 23, 1962, PP, POF, CF, Box 112, Folder ‘Brazil Security
1962,’ JFKL.
Alliance for Progress and (the) IMF in order (to) steel people for necessary sacrifices. The president claimed that ‘most of Latin America would join him in (the) opposition (against the United States) if we (Washington) failed (to) accept his ideas’. Goulart acknowledged that his moves could fuel another military attempt to overthrow him, but he was ‘confident he could keep (it) from succeeding’. In his account of the conversation, however, Gordon emphasised that while Goulart talked about a possible ‘widespread socialization’ of the Brazilian economy, and a ‘path to (a) new social order’, Goulart also stressed that communism would not be a ‘serious danger in Brazil’, as it contrasted with the temperament and religious tradition of the Brazilian people.  

As expected, Gordon’s take on the meeting was extremely negative. The Ambassador argued that Goulart’s threats could be paraphrased as if the Brazilian president were saying ‘that (the) alternative to support for GOB (Government of Brazil) on his terms was a second Yugoslavia at best and a second Cuba at worst’. To Gordon, Goulart’s ‘strong nationalist tone’ and ‘unrealistic methods (of) external assistance’ reflected Furtado’s opinion that the Brazilian economy was viable without the U.S. help. Gordon emphasised that the talk ‘impressed me once again with Goulart’s basic incapacity to be (the) president (of a) large country’, and ‘with his forcefulness as political animal and shrewdness at manipulation’. Unfortunately, there are no other accounts of this important meeting: neither Kubish nor Goulart seemed to have written anything about it, and Brazil’s Ministry of Foreign Relations possesses no records of the talk. However, given Gordon’s previous critical opinion of the Draper report, it is plausible to assume that he did not have reasons to mis-report the content of the meeting.

Goulart’s threats produced shock waves in Washington. A series of exasperated telegrams signed by secretary Dean Rusk questioned whether the U.S. government could negotiate and discuss ‘financial assistance (with) a regime oriented as you (Gordon) describe(d)’. Rusk became particularly troubled by Goulart’s assertion that Latin America would join ranks with Brazil if Goulart decided to denounce the United States and the Alliance for Progress: ‘Do(es) Goulart (…) realize (the) extent of distrust’ among Latin American countries ‘of the Brazilian leadership stimulated by GOB’s neutralistic foreign policy and equivocal position in (the) Cuban crisis?’

In spite of that, Rusk worried about the prospect of losing Brazil to the Soviet camp, and asked for studies to assess the extent to which Goulart’s threats were credible. U.S. Embassy officials in Rio and State Department officials in Washington set out to analyse, separately, Brazilian alternatives in case Goulart decided to fulfil his threats. The results were encouraging. Even considering the best scenario (the termination of financial payments to the United States without compromising commercial ties), Brazil would have to severely constrain imports (around $200 million). Given Brazilian dependence on oil imports, and knowing the role played by highways in the country’s transportation system, this would certainly result in a grave economic crisis (see estimation 2, alternative B, Table 1).

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45 Ibid.
46 Telegram 976, Rio de Janeiro to Secretary of State, November 19, 1962; PP, POF, CF, Box 112, Folder ‘Brazil Security 1962,’ JFKL.
47 Telegram 1001, Rio de Janeiro to Secretary of State, November 23, 1962, JFKL.
48 Telegram 976, Rio de Janeiro to Secretary of State, November 19, 1962, JFKL.
49 Telegram 1188, Secretary of State to Rio de Janeiro, November 27, 1962, PP, NSF, CF, Box 13, Folder ‘Brazil General 11/16/62-11/30/62,’ JFKL.
However, considering that Washington was likely to retaliate if Brazil defaulted on its debt, the scenario would become worse. Two possibilities were considered. If Goulart managed to get Soviet supplies, particularly oil, as the U.S. Embassy supposed, Brazil’s external gap would stay around $400 million (estimation 1, Table 1). Nevertheless, if Soviet supplies were minimal in the short run, as forecasted by the State Department, due to a lack of capacity to manipulate the type of Soviet oil, then the gap would reach as much as $750 million (estimation 2, alternative A, Table 1).50 A $400 million import contraction for a country that bought $1.3 billion in external goods in 1962 ($500 million in oil and oil derivatives) would already be a major blow. A $750 million reduction (56% of the value of Brazil’s total imports in 1962) would certainly result in an extraordinary disruption. That is why Ambassador Gordon believed that ‘any thoughtful Brazilian, however left wing, should be hesitant (to) seek or (to) accept (a) break with (the) U.S. at this stage’.51

Brazil’s Finance Minister Santiago Dantas shared a similar perspective of the situation. Two days after the famous Gordon-Goulart meeting on November 16, the U.S. Ambassador met with Dantas. The Brazilian Finance Minister acknowledged his country’s serious economic constrains and argued that Brasília would ask for funds only after concrete stabilisation results had been achieved. Gordon confronted him with the ‘total unrealism (of the) Goulart-Furtado approach to possible forms of aid’. Dantas replied that ‘Furtado’s ideas did not really matter’, as Brazil was ‘much (more) interested in having aid for support of major projects’, such as transport and energy programmes, as well as heavy industries, particularly

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**Table 1.** Estimations for Brazil’s exchange deficit in 1963 in the case of a U.S.-Brazilian diplomatic break (million $).

<table>
<thead>
<tr>
<th>Against Brazil</th>
<th>Pro-Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous projected deficit*</td>
<td>800</td>
</tr>
<tr>
<td>Cessation of exports to the U.S.</td>
<td>550</td>
</tr>
<tr>
<td>Total projected deficit</td>
<td>1,350</td>
</tr>
<tr>
<td>Remaining deficit</td>
<td>400</td>
</tr>
</tbody>
</table>

**Estimation 1 (U.S. Embassy in Rio de Janeiro, Brazil)**

- **Against Brazil**
  - Previous projected deficit*: 800
  - Cessation of exports to the U.S.: 550
  - Total projected deficit: 1,350
  - Remaining deficit: 400

- **Pro-Brazil**
  - Financial gains**: 500
  - Soviet bloc supplies: 250
  - Maximum cut in imports: 200
  - Total projected gains: 950

**Estimation 2 (U.S. Department of State)**

**Alternative A - Total rupture of the U.S.-Brazilian relations**

- **Against Brazil**
  - Previous projected deficit*: 900
  - Cessation of exports to the U.S.: 550
  - Total projected deficit: 1,450
  - Remaining deficit: 750

- **Pro-Brazil**
  - Financial gains**: 500
  - Maximum cut in imports: 200
  - Total projected gains: 700

**Alternative B - Only financial rupture of the U.S.-Brazilian relations**

- **Against Brazil**
  - Previous projected deficit*: 900
  - Cessation of exports to the U.S.: –
  - Total projected deficit: 900
  - Remaining deficit: 200

- **Pro-Brazil**
  - Financial gains**: 500
  - Total projected gains: 700

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*Exchange deficit to take place regardless the evolution of the U.S.-Brazilian relations. Deficit constituted by financial commitments, commercial arrears, swaps, and other liabilities; **Financial gains resulting mainly from cessation of profit remittances to U.S. investors and cancelation of debt repayments (interests and principal); Sources: Telegram 1072, Rio de Janeiro to Secretary of State, December 3, 1962, PP, NSF, CF, Box 13, Folder ‘Brazil General, 12/1/62-12/15/62’; Memorandum, Brazil’s Economic Alternatives, Undated, PP, NSF, RDF, Box 390, Folder ‘Brazil’, Undated, JFKL.

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50 Memorandum, Counterpoise to Brazilian Threat to Turn to the Soviet Bloc, Undated, PP, NSF, RDF, Box 390, Folder ‘Brazil’, Undated, JFKL.

51 Telegram 1072, Rio de Janeiro to Secretary of State, December 3, 1962, PP, POF, CF, Box 13, Folder ‘Brazil General, 12/01/62-12/15/62’.
steel plants. It is possible that Dantas spoke with Goulart afterwards, as the Brazilian president offered a much more restrained attitude in a second gathering with Gordon on November 28. This time Goulart pointed out that if no reasonable financial deal were possible, U.S.-Brazilian relations would continue to be 'cordial'. Goulart also emphasised he did not have any intention to blackmail Washington. The Ambassador replied 'that blackmail policy would be quite dangerous': the United States 'had not yielded to Soviet blackmail (in the Cuban crisis), and would certainly have no disposition to yield to Brazilian blackmail' at that moment.

In spite of this retreat, the Brazilian government kept giving mixed signals to U.S. officials. On the same day Gordon and Goulart met for the second time, evidence suggests that the Brazilian president held a meeting with former president Kubitschek. According to the testimony presented by an classified source to the U.S. Embassy, Goulart complained to Kubitschek that he was getting 'fed (up) with repeated delays by (the United States) in assisting Brazil and was thinking of telling the Brazilian people about recent Soviet aid offers and showing how (the United States) was responsible for the economic ills of Brazil'. Two days later, on November 30, Furtado reaffirmed these points to U.S. Embassy's Minister for Economic Affairs Jack Kubish and U.S. Embassy's Financial Attaché Ralph Korp. On December 1st, the Brazilian government signed a $70 million credit agreement with Poland. Although the amount borrowed was modest, U.S. officials emphasised this loan 'opened a new sort of relationship between Brazil and the (Soviet) Bloc', previously focused only on bilateral trade. Brasília was also studying the possibility of signing further agreements in oil exploration. State Department officials saw in these partnerships the 'real danger' of Soviet penetration. Given that 'the need to import oil is Brazil’s Achilles heel (...), the temptation to open up its limping oil monopoly (...) to Soviet development aid (...) must be almost irresistible'.

Goulart’s threats changed the balance of power within the Kennedy administration. The majority of U.S. officials began to defend tougher measures when dealing with Brazil. Ambassador Gordon’s change in view represented the clearest example. Although Gordon did not follow the ‘hawks’ entirely as he feared for Brazil’s stability and the consequences for US interests, the Ambassador felt the Brazilian president had crossed a line, and should be openly confronted by a high-level U.S. official as a result. The aim was to deliver an unambiguous message: Brazil had to pursue immediate political changes in exchange for U.S. assistance. This ‘especially authoritative presidential emissary to confront Goulart in (the) near future’, argued Gordon, needed to point out that if Brazil continued ‘being undermined by appointments (of) extreme nationalist leftists in key positions, and if Brazilian cooperation with (the) inter-American system continues to be eroded’, then ‘Brazil will be well on (the) road down which Cuba went, in which case (the United States) cannot support it.’

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52Telegram 976, Rio de Janeiro to Secretary of State, November 19, 1962, JFKL.
54Telegram 1072, Rio de Janeiro to Secretary of State, December 3, 1962, JFKL.
55Ibid.
56Memorandum RAR-16, Rio de Janeiro to Secretary of State, December, 1962, PP, NSF, RDF, Box 390, Folder ‘Brazil, Undated’, JFKL.
57Ibid.
The U.S. Ambassador recognised the risks of a direct confrontation. The Brazilian president could refuse to yield to U.S. demands and denounce Washington publicly. Risks would be greater, Gordon argued, if the prevailing situation continued. Moreover, if Goulart decided to denounce the United States, this would encourage local pro-U.S. forces ‘to attempt to depose him.’ Gordon thought the best candidate for confronting Goulart was Attorney General Robert Kennedy, president John F. Kennedy’s brother, accompanied by Walt W. Rostow – the latter with the mission ‘to paint (the) positive side (of U.S. demands) in (the) most attractive terms.’ If the confrontational card failed, said the Ambassador, ‘we must consider all possible means (for) promoting (a) change in regime, including careful estimate (of) dangers even worse to follow.’

Gordon went back to Washington for consultation with U.S. officials in early December 1962. After his return to Brazil, the case entered the agenda of the December 11 meeting of the U.S. National Security Council (NSC). There, high-level officials, including president Kennedy and secretary of State Dean Rusk, discussed what to do. The alternative chosen was identical to the one suggested by Gordon. The United States would seek to change the orientation of the Goulart government by conditioning financial assistance to Brazil’s political and economic performance. An authoritative presidential emissary (Attorney General Kennedy) would deliver this message to Goulart. However, the NSC decided that ‘the needs and possibilities of shifting’ U.S. policy, collaborating ‘with Brazilian elements hostile to Goulart with a view of bringing about his overthrow (…), must be kept under active and continuous consideration.’

Robert Kennedy presented the U.S. demands to Goulart during a five-hour meeting in Brasília on 18 December 1962. Political issues were clearly the most important ones, particularly the insistence that Goulart tackled ‘many signs of Communist or extreme left-wing nationalistic infiltration into civilian government positions, military appointments, the leadership of trade unions, and student group leadership.’ Economic matters, such as the implementation of a stabilisation plan, or the settlement of U.S. expropriated firms, were entangled in political discussions. As Gordon pointed out in his recommendations to the State Department in late November, ‘there is some prospect that economic stabilization performance would in any case entail substantial conflict between GOB and communist and pro-communist forces in Brazil,’ ripping their alliance apart.

Although Goulart accepted and implemented many of the U.S. demands after his meeting with Attorney General Kennedy, recent declassified material suggests that the Brazilian president became ‘furious’ with the U.S. confrontational approach. Goulart’s first impulse was to react strongly against it. According to a testimony made by a Santiago Dantas’ political advisor (Luis Alberto Bahia) to an unidentified CIA source in February 1963, Goulart was dissuaded by Dantas not to denounce it. Dantas argued that the meeting would have been a ‘turning point in (the) relations between the two countries’, and that if ‘the tough line had prevailed (in the United States), then the Brazilians would have (to) be tougher too.’
Dantas pondered, however, that time was needed to evaluate how things would develop. Alberto Bahia also remarked that Dantas considered the Cuban Missile Crisis a watershed for U.S.-Latin American relations. After the crisis, the ‘tough line’ gained upper hand in Washington, having Robert Kennedy as its clearest ‘personification’. Dantas expected that the ‘co-operative line’ would regain prominence, allowing him to ‘do business with’ the United States.\(^64\)

As expected, Brazil faced enormous difficulties to negotiate with Washington in early 1963 – although it was not as difficult as the members of the Draper mission would have liked.\(^65\) The economic and political demands the United States presented in exchange for financial assistance proved to be excessive, as some U.S. officials later recognised.\(^66\) By mid-1963, Goulart decided to abandon the ‘Three-Year Plan and follow a tougher stance towards Washington. The U.S. determination to take a hard line approach in late 1962 was a crucial factor in this regard. Evidence suggests that the United States pursued this policy based on two considerations: power conditions had changed in Latin America in Washington’s favour after the Cuban Missile Crisis (as Dantas had correctly perceived); and the importance to explore these new conditions to put more pressure on key recalcitrant countries, particularly Brazil.\(^67\) At this period, Goulart’s threats and Brazil’s political and economic conditions turned the country into the most important strategic issue in Latin America for the Kennedy administration.\(^68\) Besides, as Ambassador Gordon pointed out, ‘the continued deterioration of Brazil’s exchange position and its acute need for currency stabilisation assistance’ made Brasília even more amenable to U.S. pressures.\(^69\)

But if conditions did not seem adequate for Brazil to threaten Washington by pulling out the ‘red card’, why did Goulart follow this path? It seems that his move was influenced by the strategy pursued by former Brazilian president Getúlio Vargas (1930-45, 1951-54) during World War II.\(^70\) At that time, Vargas successfully bargained with Franklin D. Roosevelt’s United States for economic and military assistance, including the financing of Brazil’s first integrated steel plant in Volta Redonda. Vargas threatened to turn Brazil to the Nazis if Washington failed to provide assistance. In a famous public speech delivered on June 10, 1940, Vargas stated that Brazil had the ‘firm intention’ to industrialise and update its armed forces, even if it were necessary to look for the ‘organization of the strong peoples’ (e.g., the Nazi bloc) to fulfil such goals.\(^71\) After similar threats, Washington’s position changed, and substantial economic and military aid was disbursed. Brazil became the largest Latin American recipient of lend lease credits ($366 million), reaching almost 75% of the military

\(^{65}\)This is also true regarding some Latin American countries. For example, the Argentinean government argued it was not being fairly compensated in comparison to Brazil. See Dustin Walcher, ‘The Ordeal of Global Capitalism: U.S. Policy, Austerity, and Political Instability in Argentina, 1962-1963’ (paper presented at the annual international meeting of the Society for Historians of American Foreign Relations, Washington D.C., United States, June 25-27, 2015).
\(^{67}\)Report A-580, Rio de Janeiro to Secretary of State, November 23, 1962, JFKL.
\(^{69}\)Report A-580, Rio de Janeiro to Secretary of State, November 23, 1962, JFKL.
\(^{70}\)After Vargas’ suicide in 1954, Goulart succeed Vargas as the leader of the Brazilian Labour Party (PTB). For more information, see Skidmore, Politics in Brazil: chs 6-7.
funds channelled to Hispanic American countries combined. In exchange, Brazil developed close ties with the United States, supplying raw material to Washington, allowing U.S. military personnel to station troops and build air bases in its territory, and even joining the war effort in Europe.\(^72\)

There are several reasons to believe that Goulart was following Vargas’ example when he threatened the United States in late 1962. Firstly, Vargas was Goulart’s political role model. This fact is broadly acknowledged by those who developed a close relationship with him, even though it is also known that Goulart was not as politically able and astute as Vargas had been. To Samuel Wainer, the owner of the left-wing newspaper Última Hora, and a confidant of both Vargas and Goulart, ‘there were marked and enormous affinities between Jango (as Goulart was informally known) and Getúlio (Vargas), something that ‘inspired Goulart’s political career.’\(^73\) João José Fontella, Goulart’s brother-in-law, shared the same view: while Vargas had in Goulart the person he trusted most, Goulart saw Vargas with veneration and esteem.\(^74\) Wilson Fadul, one of Goulart’s closest political allies, went further, arguing that Goulart (who was ‘like a son’ to Vargas) learned almost everything about politics from his relationship with Vargas.\(^75\)

Although these broad references are not sufficient to indicate that Goulart took Vargas’ example as the guide for his decisions in late 1962, further evidence exist on this point. During the meeting with Ambassador Gordon when Goulart presented the threat to the United States, the Brazilian president referenced Vargas directly. After being informed about the impossibility to get U.S. assistance for general purposes related to the Three-Year Plan, Goulart acknowledged that ‘U.S. aid to big national projects would be most welcome and (a) great triumph (for the) Alliance for Progress’, quoting as example the ‘American financing (of) Volta Redonda (steel plant) as direct outcome (of the) Vargas-FDR (Franklin D. Roosevelt) agreement’ during World War II.\(^76\) The parallelism of both situations was not singled out only by the Brazilian president. Even Ambassador Gordon later compared the effort that Washington needed to make to get Goulart to move away from the Soviet bloc ‘with Vargas conversion in 1941 from pro-German to pro-Allied stand.’\(^77\)

More importantly, Goulart had already made clear that he was being inspired by the Vargas-Roosevelt agreement to approach JFK’s United States. In June 1962, Kennedy’s Press Secretary, Pierre Salinger, arrived to discuss issues related to the forthcoming U.S. President’s trip to Brazil, scheduled for November 1962. Salinger commented that Goulart strongly desired that Kennedy finished his four-day journey in the Brazilian city of Natal, the same place where Vargas and Roosevelt met during World War II, and where U.S. Air Force troops were stationed at the time. The idea was to complete Kennedy’s trip to Brazil by signing a joint communiqué in Natal, as well as a new aid agreement. Goulart went as far as to order that ‘the jeep that Roosevelt and Vargas rode in’ be ‘dug up’ (inside which a famous picture of the two was taken), so that he and Kennedy could do the same.\(^78\) When U.S. officials

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\(^{75}\)Ibid: 66.

\(^{76}\)Telegram 1001, Rio de Janeiro to Secretary of State, November 23, 1962, JFKL.

\(^{77}\)Telegram 977, Rio de Janeiro to Secretary of State, November 19, 1962, JFKL.

\(^{78}\)Memorandum for the President, July 17 1962, RRB, folder ‘Mis. 5.c. (9), Presidential Visit 1962, Postponed July Visit’, RG 59, NARA.
travelled to Brazil in October 1962 to discuss final arrangements for the trip, they showed interest in replacing Natal for Recife, as Washington’s participation in the latter city in terms of aid projects was greater. Goulart insisted that the trip should finish in Natal and re-enact the historical meeting between Vargas and Roosevelt. Although Kennedy ultimately called off his trip to Brazil, alleging difficulties due to the tensions accrued from the Cuban missile crisis, Goulart’s symbolic interest in the trip clearly shows that he constantly had Vargas’ example in mind when dealing with JFK’s United States.79

If Goulart’s threat to the United States was based on Vargas’ approach during WW2, as evidence indicates, then he made a grave miscalculation. Although there were similarities between both periods, such as the fact that U.S. hegemony in the Western hemisphere was being contested by a non-Western power (Soviet Union and Germany, respectively), providing room for Latin American countries to pursue a more independent foreign policy, differences were also specifically pronounced. First, Vargas’ threatening strategy was undertaken when Germany was on the rise in the European war (1939-1940), making Brazil’s economic and military assistance to the United States a fundamental asset for the security of the Western hemisphere. Goulart’s move, in contrast, was carried out immediately after the USSR setback in the Cuban Missile Crisis, i.e. when the relative power of the United States vis-à-vis the Soviet Union had just been strengthened in the Americas. As the U.S. Embassy pointed out, ‘the decisiveness of the recent U.S. action with regard to Cuba and the demonstration of the superiority of U.S. military power relative to Soviet military power, at least in the Western hemisphere’ put in discredit ‘Brazil’s ever present, tacitly threatened, alternative to United States assistance, i.e., Soviet-bloc assistance’.80

Second, although Vargas was openly courting Germany and other Fascist states, he did not depend on the support of local fascist groups for the stability of his regime. On the contrary, the most important Brazilian fascist-inspired group (the so-called Integralistas) had attempted in April 1938 to stage a coup against Vargas’ recently instituted authoritarian regime, and had failed dramatically, ultimately being extricated from Brazilian politics. Goulart was in a very different situation. His political base traditionally rested upon labour groups. Communists assumed leadership positions in strategic local unions in the early 1960s, such as the railway, dock, and maritime workers’ unions.81 Therefore, had Goulart chosen to close ranks with the United States, as Vargas did during World War II, he would have seriously undermined his domestic political support and, thus, the stability of his presidency.

Finally, preferences and positions of military officers were different. During the Vargas period many officers sympathised with Nazi Germany. This meant Washington could not have local members of the Armed Forces as allies to bring about Vargas’ overthrow if the Brazilian president decided to join ranks with the Nazis. A direct U.S. intervention in Brazil would be necessary to topple Vargas, enhancing the credibility of his threats. Again, Goulart faced a different scenario. A significant proportion of the Brazilian military was anti-Communist and pro-U.S. – an outcome of World War II. These anti-Communist officers would probably resist militarily if Goulart pursued a widespread socialisation of the country, or aligned Brazil with the Soviet bloc. In this sense, Goulart’s threats were weaker and much less plausible than Vargas.’

80 Report A-580, Rio de Janeiro to Secretary of State, November 23, 1962, JFKL.
No wonder the U.S. Embassy concluded in late November 1962 that the moment was ripe for Washington to challenge Goulart’s threats, as ‘anti-American and pro-communist forces’ in Brazil ‘have gotten ahead of the game and (have been) overextended’. In fact, the United States resisted Goulart’s manoeuvres, putting serious obstacles for the implementation of the Three-Year Plan.

Conclusions

John F. Kennedy’s Alliance for Progress attempted to contain communism in Latin America by providing substantial aid to countries committed to democracy, social reforms, and economic growth. Although the Brazilian Three-Year Plan (1963-1965) fit those broad principles, it did not count on Washington’s full support. The United States conditioned financial assistance to countless economic and political demands, many of them difficult (if not impossible) to reconcile with the programme’s original targets, particularly when it comes to the maintenance of economic growth rates, and the implementation of a gradual process of inflation control. Evidence gathered here suggests that the U.S. tough position was politically motivated. Aid was employed as an enticement to change the political orientation of the Goulart government, breaking off its alliance with radical leftist groups (including communists), and converting Brazil’s de facto neutralist international approach into a clear-cut pro-U.S. and anti-communist foreign policy.

However, things were not settled from the start. In fact, when the formulation of the Three-Year Plan began in September 1962, some Kennedy’s officials, particularly those at the U.S. Embassy in Rio de Janeiro, showed strong interest in sorting out Brazil’s grave economic problems, providing substantial assistance for specific projects and general balance of payment purposes, as Brazilian officials longed for. Even though this was far from a consensus in Washington, as conclusions and support for the Draper Commission clearly indicate, the Kennedy administration embraced a middle ground approach in mid-November 1962: the Three-Year Plan would receive the Alliance’s support but less resources than those Ambassador Lincoln Gordon wished for. Some weeks later this moderate position was replaced by a tougher approach ushered by the visit of Attorney General Robert Kennedy to Goulart in December 1962. The U.S. official brought along with him a large list of political complains and conditions in exchange for U.S. support. This confrontational approach led to the abandonment of the Three-Year Plan in six months, contributing to further macro-economic disequilibria and social instability, which ultimately led to Goulart’s downfall in March 1964. Why did Washington change its position towards Goulart so dramatically?

The paper argued that the change came in mid-November 1962 when Goulart threatened Washington with turning Brazil to the Soviet bloc in case the Three-Year Plan did not count on U.S. aid. Kennedy’s officials who had been advocating a hard line approach saw in Goulart’s attitudes a confirmation of their worst fears. Those who had spoken in favour of a softer tactic changed their minds, defending tougher measures. With the benefit of hindsight, Goulart’s decision to threaten the United States was ill conceived. Washington became relatively stronger in the Western hemisphere after the Soviets backed out from the Cuban missile crisis, providing conditions for the Kennedy administration to resist Latin American overtures to the Eastern bloc. Moreover, Brazil’s dependence on U.S. supplies

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82 Report A-580, Rio de Janeiro to Secretary of State, November 23, 1962, JFKL.
of goods was substantial, and could not be replaced by Soviet supplies in the short term. Goulart also faced serious challenges to maintain his power base domestically. While many military officers would not accept a turn to the Soviets or a widespread socialisation of Brazil's economy. On the other hand, leftist groups that had long supported Goulart, and had backed the anticipation of the 1963 Presidential plebiscite, would certainly oppose him if he followed an anti-communist line in domestic and international politics. Therefore, Goulart's choices were difficult either way. Aware of this strategic advantage, Washington hardened its attitude towards Brazil.

The paper's conclusion points to two possible contributions to the literature. First, while it reinforces most scholarly work on the reasons behind the deterioration of U.S.-Brazilian relations during Goulart's Brazil, due to the critical role played by political issues, it also shows that Washington's obsession with a potential Brazilian turn to the Soviet bloc cannot simply be understood as overreaction. Regardless of how little credibility Goulart's threats inspired, the fact remains that they decisively influenced Washington's calculus. Moreover, the initial split dividing officials in the Kennedy administration as to what to do regarding Goulart's Three-Year Plan indicates that there was a real dispute in Washington about the meaning and purposes of the Alliance for Progress. Even though specific cases, such as Paz Estenssoro's Bolivia, point to a long-standing lack of commitment to the Alliance's stated principles, the strong debates that followed the Draper report suggest that the programme went through important changes in late 1962, particularly considering the centrality that Kennedy's officials attached to Brazil for the ultimate success of the Alliance.

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