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**Mapping United-States-Brazil technical cooperation in the
early Cold War years: the case of the Joint Brazil-United
States Economic Development Commission (1951-1953)**

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ABSTRACT

GOMES, Nathalia Candido Stutz. *Mapping United States-Brazil technical cooperation in the early Cold War years: the case of the Joint Brazil-United States Economic Development Commission (1951-1953)*. 2019. Master's Thesis (Master in International Relations) – Institute of International Relations of the University of São Paulo, São Paulo, 2019.

The purpose of this thesis is to analyze the Joint Brazil-United States Economic Development Commission (JBUSED) (1951-1953), a largely unexplored initiative in the literature. The JBUSED was an innovative undertaking established under Harry Truman's Point (1949-1953) Four Program, functioning during the Getúlio Vargas' Administration (1951-1954). In the aftermath of the Second World War, poor facilities of Brazilian railways, ports, power, and navigation were the main bottlenecks to the development of the country. In the JBUSED, Brazilian and American technicians elaborated studies and projects to tackle them. Based on both American and Brazilian primary sources, this research identifies essential features of JBUSED's activities in the country, namely its institutional organization, proceedings, main challenges, outcomes, and strategic interests involved. JBUSED's organization was broad and centralized all Point Four activities in the country. Expectations that the World Bank (IBRD) and, to a lesser extent, the U.S. Export-Import Bank (Eximbank) was going to provide the loans necessary to implement JBUSED's projects increased optimism. However, out of the 41 projects elaborated, only 14 received loans from either institution. This outcome nurtured frustrations among Brazilian policymakers on the prospects of economic cooperation with the U.S. The fact that the IBRD was the first instance lender to Brazilian development projects gave the Bank considerable intervention power. Indeed, the IBRD imposed many conditionalities to provide loans to Brazil. Among them were approving a free-market exchange bill, reforming the administration of State-owned railway system, besides tackling economic unbalances and commercial arrears. This study explores the political, economic, and geostrategic interests underlying the JBUSED. Given the escalation of tensions between the U.S. and the Soviet Union when the Korean War began, Washington made efforts to conciliate Brazil's infrastructure projects with the possibilities of expanding the supply of strategic raw materials in case the war became global. Besides filling gaps of the existing literature, these findings shed light on other research possibilities about overall Brazil-U.S. technical cooperation, other joint commissions installed throughout the world under the Point Four program and, finally, about relations of the so-called "Third World countries" with international financing institutions in the 1950s.

Keywords: Joint Brazil-United States Economic Development Commission, technical cooperation, economic cooperation, Point Four, Getúlio Vargas



RESUMO

GOMES, Nathalia Candido Stutz. *Mapeando a cooperação técnica Brasil-Estados Unidos nos anos iniciais da Guerra Fria: o caso da Comissão Mista Brasil-Estados Unidos para o Desenvolvimento Econômico (1951-1953)*. 2019. Dissertação (Mestrado em Relações Internacionais) - Instituto de Relações Internacionais da Universidade de São Paulo, São Paulo, 2019

O objetivo desta dissertação é analisar a Comissão Mista Brasil-Estados Unidos (CMBEU) (1951-1953), uma experiência de cooperação técnica bilateral pouco explorada pela literatura. A CMBEU foi uma iniciativa inovadora estabelecida no âmbito do programa “Ponto Quatro” do governo de Harry Truman (1949-1953), tendo realizado suas atividades durante a administração de Getúlio Vargas (1951-1954). No pós-Segunda Guerra Mundial, os sérios problemas de infraestrutura do Brasil nos setores de transportes ferroviários, energia, portos, navegação e armazenamento eram considerados os principais gargalos para o desenvolvimento do país. Na CMBEU, técnicos brasileiros e norte-americanos elaboraram projetos que visavam atacar essas limitações. Embasando-se em fontes primárias brasileiras e norte-americanas, esta pesquisa identifica os elementos essenciais das atividades da CMBEU: sua organização institucional, procedimentos, principais desafios, resultados e os interesses estratégicos envolvidos. A organização institucional da CMBEU era ampla, centralizando todos os projetos de cooperação do Ponto Quatro no Brasil. As expectativas de que o Banco Mundial (IBRD) e, em menor escala o Banco de Exportação e Importação dos Estados Unidos (*Eximbank*), forneceriam os empréstimos essenciais para que os projetos fossem implementados causaram otimismo. No entanto, dos 41 projetos elaborados pela CMBEU, apenas 14 receberam o financiamento necessário. Esse resultado deixou os brasileiros frustrados com as possibilidades de cooperação com os EUA no campo econômico. O fato de o IBRD ter sido definido o emprestador de primeira instância para projetos de desenvolvimento deu ao banco um grande poder de intervenção. O IBRD impôs diversas condicionalidades para a liberação de empréstimos: aprovação da lei do livre-mercado de câmbio, reforma administrativa das ferrovias de propriedade do governo, resolução de problemas macroeconômicos e desequilíbrio da balança de pagamentos brasileira. A partir dessas constatações, explora-se os interesses políticos, econômicos e geoestratégicos evidentes no estabelecimento da CMBEU. Tendo em vista o aumento das tensões americano-soviéticas com a eclosão da Guerra da Coreia, os Estados Unidos fizeram esforços para conciliar as prioridades de projetos de infraestrutura no Brasil com as possibilidades de o país aumentar a exportação de matérias primas estratégicas caso a conflagração se tornasse global. Esses achados são importantes pois, além de sanar diversas lacunas da literatura sobre a CMBEU, ilumina novas possibilidades de pesquisa sobre as cooperações técnicas entre Brasil e Estados Unidos, sobre outras comissões mistas instaladas em outros países no âmbito do Ponto Quatro, bem como aspectos das relações de países do chamado “Terceiro Mundo” com instituições de financiamento internacional nos anos de 1950.

Palavras-chave: Comissão Mista Brasil-Estados Unidos, cooperação técnica, cooperação econômica, Ponto Quatro, Getúlio Vargas

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LIST OF ACRONYMS

BNDE	National Bank for Economic Development (Banco Nacional de Desenvolvimento Econômico)
ECLAC	The United Nations Economic Commission for Latin America and the Caribbean (Comissão Econômica para a América Latina e o Caribe)
Eximbank	Export-Import Bank
FOA	Foreign Operations Administration
IBRD	International Bank for Reconstruction and Development
IIAA	Institute of Inter-American Affairs
JBUSTC	Joint Brazil-U.S. Technical Commission
JBUSEDC	Joint Brazil-United States Economic Development Commission (Comissão Mista Brasil-Estados Unidos)
NAC	National Advisory Council
TCA	Technical Cooperation Administration

LIST OF ABBREVIATIONS

AEAP	Arquivo Ernani do Amaral Peixoto
ALL	Arquivo Lucas Lopes
Amembassy	American Embassy in Rio de Janeiro
ARC	Arquivo Roberto Campos
CDF	Central Decimal File
CPDOC-FGV	Centro de Pesquisa e Documentação Histórica Contemporânea do Brasil – Escola de Ciências Sociais da Fundação Getúlio Vargas
Deptel	Telegram of the State Department
Embdes	U.S. Embassy dispatch
Embtel	U.S. Embassy telegram
ESP	O Estado de São Paulo
GRDS	General Records of the Department of State
IE	Intelligence Estimate
Intel	Incoming telegram
JB	Jornal do Brasil
Memo	Memorandum of conversation
NARA	National Archives and Records Administration
NDAB	National Development Advisory Board
NIE	National Intelligence Estimate

Offmemo	Office memorandum
Outtel	Outgoing telegram
RASSLA	Records of the Assistant Secretary of State for Latin American Affairs
RBIR	Records of the Bureau of Intelligence and Research
RFSP	Records of the Foreign Service Posts of the Department of State
RUSFAA	Records of U.S. Foreign Assistance Agencies
RG	Record Group
TPL	Truman Presidential Library

LIST OF POLITICAL ACTORS

(relevant position in the period)

BRAZIL

Ari Frederico Torres	President of Brazilian Section of the JBUSEDG, 1951-1953
Ernani do Amaral Peixoto	Ambassador, Embassy in Washington D.C., 1956-1959
Eurico Gaspar Dutra	President, 1946-1951
Eugênio Gudin	Representative of Brazil in the IMF and IBRD, 1951-1955
Getúlio Vargas	President, 1951-1954
Glycon de Paiva	Counselor of the JBUSEDG for Geological and Mining Issues
Horácio Lafer	Minister of Finance, 1951-1953
João Neves da Fontoura	Minister of Foreign Affairs, 1951-1953
José Sette Câmara Filho	Deputy Head, Getúlio Vargas' Presidential Civil Office Advisor to President Juscelino Kubitschek
Juscelino Kubitschek	President (1956-1959)
Lucas Lopes	Counselor of Technical Matters within the JBUSEDG, 1951-1953 President, BNDE; Executive-Secretary, Development Council (1956-Jul. 1958) Finance Minister (Jul. 1958 – 1959)

Oswaldo Aranha	Minister of Finance, 1953-1954
Otávio Gouveia de Bulhões	Chairman at the JBUSTC
Raul Fernandes	Minister of Foreign Affairs, 1946-1951, 1954-1955
Roberto O. Campos	Counselor of Economic Matters within the JBUSED, 1951-1953
	Director, BNDE (1956-Jun. 1959)
Valentim Bouças	Counselor of Financial Affairs of the Brazilian the Brazilian Section within the JBUSED

IBRD

Eugene Black	President of the World Bank, 1949-1962
J. Burke Knapp	Assistant director, economics department, IBRD, 1950-52,
	Director, Western Hemisphere department, IBRD 1952-56,
	Vice-president, IBRD, 1956.
Robert L. Garner	Vice President of the IBRD, 1947-1956

United States

Averell Harriman	Truman's special assistant
Bill Martin	Chairman (Board of Governors) of the United States Federal Reserve, 1951-1970
Dwight D. Eisenhower	President, 1953-1961



Dean Acheson	Secretary of State, 1949-1953
Edward G. Miller	Assistant Secretary of State for the American Republics Area, 1949-1952
Francis Truslow	Nominated President of U.S. Section of the JBUSEDC, deceased before taking office
Franklin Delano Roosevelt	President, 1933-1945
Harry Truman	President, 1945-1953
Hershel Johnson	Ambassador to Brazil, 1948-1953
Henry Garland Bennet	Administrator/Director, Technical Cooperation Administration, 1950-1951
Herbert Gaston	Chairman of the Eximbank, 1949-1953
Ivan B. White	Officer of Regional American Affairs, Bureau of Inter-American Affairs, Director, 1950-51
J. Burke Knapp	U.S. president of the JBUSEDC, 1951-52 Assistant director, economics department, IBRD, 1950-52, Director, Western Hemisphere department, IBRD 1952-56, Vice-president, IBRD, 1956.
James Webb	Undersecretary of State, 1949-1952
John Foster Dulles	Secretary of State, 1953-1959
Merwin Bohan	Inter-American Economic and Social Council, Ambassador, 1951-1955 Acting President of the U.S. Section at the JBUSEDC, July 1951-October, 1951 U.S. President of the U.S. Section of the JBUSEDC, 1952-1953



Randolph Kidder

State Department's Officer in Charge of
Brazilian Affairs, 1949-1952

Stanley Andrews

Administrator/Director, Technical Cooperation
Administration, 1951-1953

Thomas Mann

Deputy Assist Secretary of state for Inter-
American Affairs, 1950-51

Willard Thorp

Assistant Secretary of State for Economic
Affairs, 1946-1952



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Introduction

Roberto Campos, Economic Counselor within the Joint Brazil-United States Economic Development Commission (JBUSEDC) (1951-1953) highlighted that that “the most important contribution of the JBUSEDC lied at implementing technical methods, studies and profitability calculations” to elaborate development plans (Campos 1994, p. 162). José Sette Câmara Filho, who worked on Vargas’ Office and, later, became Advisor to President Juscelino Kubitschek (1956-1960) shared that “the National Bank of Economic Development (BNDE) was the heir of the JBUSEDC”. According to him, the JBUSEDC had done a fantastic job in planning Brazil’s development and, for the first time, development was systemically organized and based in the analysis of experts of each specific field”.¹ Lucas Lopes, also a former member of the Joint Brazil-U.S. Commission, suggested that the Joint Commission’s technical studies originated innovative macroeconomic plans, especially Kubitschek’s Targets’ Plan (Plano de Metas).² Indeed, besides developing specific infrastructure projects, the Joint Commission left a two-volume Final Report with an in-depth analysis of the country’s main economic challenges. Also, it elaborated a 15-volume report containing detailed information and justification as to why each proposed undertaking was fundamental in Brazil’s development prospects. The primary purpose of this study is to address the overall story of JBUSEDC.

The JBUSEDC was a bilateral technical cooperation initiative established under the provisions of U.S. President Harry Truman’s Point Four Program (1949). Composed of American and Brazilian technicians, the primary purpose of the JBUSEDC was to elaborate studies on key bottlenecks for Brazil’s economic development. It was expected to submit projects to U.S. and multilateral financial organizations, namely the Export-Import Bank (Eximbank) and International Bank for Reconstruction and Development (IBRD). Then, these institutions were supposed to evaluate and provide loans to implement Joint Commission’s projects. The JBUSEDC was in fact fundamental to Vargas’ Administration (1951-1954) development plans – the National Plan for Economic Re-equipment, most known as “Lafer Plan” (Plano Lafer). Vargas’ Minister of Finance,

¹ Interview José Sette Câmara Filho (1992)

² Interview Lucas Lopes IV (1992)

Horácio Lafer, counted on foreign loans to implement urgent infrastructure improvements in Brazil. Problems such as inadequate railway transportation facilities, power shortages, and old ports caused setbacks on Brazil's plans to foster development through rapid industrialization.

Despite the importance of the Joint Commission, few studies focus on the issue. The purpose of this master's thesis is to tackle this evident scholarly gap. Thus, we intend to map the history of JBUSEDC. This undertaking is ambitious and impossible to address completely. Nevertheless, through extensive archival research, we have identified many features of JBUSEDC activities in Brazil that remain unexplored to date. We tackle in further detail the context of the Joint Commission's activities, as well as the interests and expectations involved in both Brazil and U.S. sides. Besides, we lay out its institutional framework in Brazil, its main challenges, and project execution records. We also shed light on JBUSEDC's impacts on bilateral relations with the United States. As we delved into the primary documents, we also realized the Cold War played an essential role in Joint Commission's activities. We identified that U.S. policymakers tried to conciliate many of JBUSEDC projects with their geostrategic interests. The research encompasses mainly the period of 1951-1953, years of establishment and termination of the JBUSEDC.

The Joint Commission was an innovative initiative in U.S. foreign policy towards Brazil in the early Cold War years. It was in the aftermath of the Second World War (1939-1945) that the U.S. began to systematically implement economic aid and technical cooperation as a foreign policy strategy. As US-Soviet tensions escalated, both great powers increasingly focused on international economic assistance.³ The U.S. took a significant step towards the institutionalization of foreign aid policy when launched the European Recovery Program, the so-called "Marshall Plan" in 1947.⁴ This program channeled large quantities of dollars (roughly US\$ 13 billion between 1948 and 1951) to the reconstruction of Europe in the postwar period (Loureiro 2017, p. 13). In this context, Latin American authorities felt that the U.S. neglected their economic needs since no

³ In 1947, before establishing the Marshall Plan, U.S. President Harry Truman advocated for channeling resources to Greece and Turkey. The purpose was to provide help so that both countries could react to communist guerrilla groups and Soviet Union pressures. It was an important initiative on foreign aid as a strategic policy against the spread of Communism (Loureiro 2017, p. 39-40). Moreover, in the 1950s, as emancipation movements thrived against former European dominants, both U.S. and the Soviet Union wanted to guarantee their political influence in the so-called "Third World" countries. This struggle became an additional element of tension between both great powers. For an analysis of the Cold War and decolonization movements, see Bradley in Leffler and Westad (2010).

⁴ For further information on the Marshall Plan, see William I. Hitchcock (2010) in Leffler and Westad (2010).

foreign program, even comparable to the Marshall Plan, was established in the region. Brazil felt especially entitled to receive aid from Americans because of the country's participation in the Second World War. President Eurico Gaspar Dutra (1946-1951) had been claiming that the U.S. should channel resources to its "special ally"⁵ (Bandeira 1989, p. 23-43, Cervo 2011, p. 289-305, Hilton 1981, p. 599-624, Hirst 2013, p. 41-51, Loureiro 2017, p. 42-48). Brazilians' frustrations got evident when they refused to contribute with troops in the Korean War (1950-1953). Given the turbulent period in U.S.-Brazil bilateral relations, establishing the JBUSEDC in the early years of the decade was a valuable rapprochement initiative.

Indeed, Latin America did not rank among U.S. priorities. Even so, in Baily's (1976, p. 54) words, "the United States was very much interested in maintaining its influence in South America and did not in any sense neglect this task". Including the region under the Point Four program aimed at clearing the air with Latin Americans. However, the program was a modest initiative in terms of financial investment. The purpose was to provide U.S. technical know-how to Third World countries in a multitude of fields, ranging from agriculture techniques, public health and sanitation to training local technicians. Establishing joint economic commissions was one of the possibilities contemplated by the program. In these cases, the host country could develop more specific projects partnering with U.S. technicians. Brazil was the first country of the world to establish both a Point Four and an economic joint commission agreement with the United States. Besides Brazil, Paraguay, México and Liberia established economic joint commissions with the U.S.

Two other similar initiatives preceded the JBUSEDC. In 1942, following Brazil's request, the United States sent a technical mission to the country, the "Cooke Mission". Mainly, American experts suggested better practices to stimulate industrial investments, enhance already existing industry capabilities, and advise on transportation improvements. In this initiative, Brazilian technicians and prominent industrialists worked with American experts. Later in 1948, a second joint initiative, the Joint Brazil-United States Technical Commission (JBUSTC), the "Abbink Mission", took place. The JBUSTC

⁵ Throughout most of the 20th century, Brazil's foreign relations centered on bilateral relations with the United States. In his celebrated work, E. Bradford Burns (1966), coined the term "unwritten alliance" to describe the Brazil-U.S. informal alliance in the first years of the Brazilian Republic. While addressing Brazil's approach towards the United States between 1947-1977, Mônica Hirst (2013) says it was of an "automatic alignment".

presented a final report arguing Brazil should provide a favorable domestic environment to attract foreign private investments (Ioris 2017, p. 48-49, Ribeiro 2012, p. 70-84, Skaletsky 1988, Chapter 1). Nevertheless, the JBUSED C had more ambitious objectives. The perspective of receiving foreign loans to implement JBUSED C projects nurtured high expectations on Brazilian policymakers. Furthermore, the JBUSED C based its working methods on the “theory of points of germination” and “infrastructure bottlenecks” (Gumiero 2013, Weis 1986, p. 58). This theory entailed that investments to foster Brazilian development should focus on the most strategic sectors, which were those capable of having multiplying effects in the country’s economy. According to this perspective, overcoming key infrastructure bottlenecks would make private investments flourish, thereby “germinating” development.⁶

Literature has stated that the Joint Commission was paramount to both the history of bilateral technical cooperation initiatives with the United States and to Brazil’s pursuit in fostering economic development. Overall, the JBUSED C is only briefly mentioned in the context of Brazil-U.S. bilateral relations (Bandeira 1989, Chapter 1, 1978, p. 309-323, Cervo e Bueno 2011, p. 298-300, Hilton 1979, p. 609-617, Hirst 1990, 2013, p. 41 - 46). Other studies about Brazil’s economic history or, more specifically, the context of the country’s economy during Vargas Administration (1951-1954), have also addressed the issue concisely (Bastos 2012, p. 401-404, 415-419, Ianni 1971, p. 116-117, 122-123, Malan 2007, p. 79-98, Vianna 1987 p. 83-87, 1986). Specialists on the Juscelino Kubitschek’s Administration also usually mention the JBUSED C in their studies. In this case, they highlight JBUSED C’s impacts on Brazil’s institutional and technical development. According to this literature, the technical development included Joint Commission’s influence over Brazilian specialists and the development of new theoretical concepts on development. As for the institutional impact, they unanimously mention the establishment of the BNDE, the Brazilian National Economic Development Bank - which is still active to date (Ioris 2013 and 2017, p. 64-72, Faro e Silva 1991, p. 55, Lafer 1970, p. 57). This literature has also stressed that, throughout the 1950s, focused on rapid

⁶ Gumiero (2013) concludes that, throughout the 1950s, there were “two development projects on the go in direct dispute at the same time”, one within the JBUSED C and other within the Joint ECLAC-BNDE Group. Although both initiatives concurred on their overall diagnosis of Brazil’s economic shortcomings, they disagreed on the methodology. The Joint ECLAC-BNDE indicated the theory of balanced growth, while the JBUSED C invested in the “theory of germination points”. For a brief overview of these theoretical concepts, see Gumiero (2011 and 2013). Roberto Campos (1994, p. 155-167) also explains these different approaches.

industrialization and economic growth, Brazil adopted an ambitious approach towards development. According to Ioris (2013, p. 135), “this overarching goal was so important that a clear line of continuity between the Vargas (1951-1954) and the Kubitschek (1956-1961) administrations can be easily perceived”.

In the 1950s, there were contending intellectual and political discussions as to which path Brazil should pursue to overcome underdevelopment. The Joint Commission was not isolated from this debate. Indeed, scholars have also mentioned the JBUSEDC when they proposed schematic perspectives that summarized the contending views about development among Brazilian political actors. Overall, the JBUSEDC is associated with the perspective that foreign private investments should play a role in Brazilian development. Thus, this literature usually associates the JBUSEDC either to the “non-nationalists developmentalists” political actors (Bielchowsky 1988, p. 7, 34, 77), to “cosmopolitan technicians” (Sola 1982, p. 19) or to development-nationalists (Skidmore 1967, p. 87-90).

In all cases, scholars are unanimous in asserting that the technical and institutional developments promoted by the Joint Commission impacted development plans in subsequent governments, especially on Juscelino Kubitschek’s Targets Plan (1953-1961). Also, they have contended that the JBUSEDC was a crucial initiative in Brazil-U.S. bilateral relations in the early Cold War years. Lastly, they have all advocated that the Joint Commission held the perspective that Brazil should welcome foreign private capital should in the country’s development efforts. However, the studies mentioned above do not specifically focus on the Joint Brazil-U.S. Economic Development Commission. Among the few studies that delved into the issue are the works of Eduardo Skaletsky (1988), Thiago Ribeiro (2012), and Michael Weis (1986). There are also specific chapters in D’Araújo’s (1982) and Haines’ (1989) studies that have provided further insights into JBUSEDC’s activities.

D’Araújo (1982, 138-147) has argued that the Joint Commission championed the perspective that Brazil should welcome foreign private investments in its development plans. According to her, the JBUSEDC counterbalanced increasing nationalist pressures within Vargas’ Administration. The scholar provides insightful contributions as to the Joint Commission’s role in Brazil’s national politics. Haines (1989, Chapters 5 and 7) has not addressed the Joint Commission directly, but he analyzed U.S. cooperation with Brazil in infrastructure undertakings in the early 1950s, an issue directly linked with JBUSEDC’s

efforts. In sum, Haines argued that American policymakers made “consistent and continuing efforts to channel and direct Brazilian development activities into areas beneficial to the United States” (Haines 1989, pp. 17). Besides, the scholar argued that, despite U.S. and Brazil’s differing interests, they both concurred that investing in the Brazil’s fundamental infrastructure shortcomings was of common interest.

Another critical point this specific literature has exposed is that the JBUSEDC was at the same time a political failure and technical success. Weis (1986, p. 74-75) argued that although the JBUSEDC was established as a countermeasure against the crisis in Brazil-U.S. bilateral relations, the ending of the JBUSEDC in 1953 left bitter feelings. Since the financing of projects was below expectations, Brazilians increasingly questioned the prospects of economic cooperation with the United States (Weis 1986, p. 77). He reinforced, however, the overall joint work American and Brazilian technicians had done in elaborating technical-based projects and developing new concepts, such as the ‘the theory of germination’ points (Weis 1986).

Skaletsky (1988) provides an in-depth analysis of the Joint Commission’s macroeconomic interpretations of Brazil’s economic shortcomings. His studies contended that the Abbink Mission, the JBUSEDC and the BNDE-ECLA (Economic Commission for Latin America) Joint Study Group represented different pathways to development. According to this perspective, the Abbink Mission was a ‘self-help’ approach while the JBUSEDC and the BNDE-ECLA Study Group held a national developmental perspective.

Nevertheless, based on primary sources, we argue the JBUSEDC was also a “self-help” undertaking. Based on the underlying concepts of the Point Four Program, through the JBUSEDC, the United States hoped to achieve consistent political results with humble financial investments. Indeed, most of the loans to implement the projects were supposed to be provided by the IBRD, not by the United States. Ribeiro’s Master’s Thesis (2012), the most recent work that focuses on the JBUSDEC specifically, reinforced these perspectives about the Joint Commission’s fundamental role in the development of Brazilian capitalism –, particularly the technical and institutional innovations.

Despite their contributions, these studies do not explain further issues on the history of the JBUSEDC, such as its organization, institutional framework in Brazil, and the process of elaborating projects, approving and submitting it for international loans. Also, how the Joint Commission mirrored Point Four objectives and proceedings remain

unclear. There are no studies further addressing the role of the Joint Brazil-U.S. Commission in U.S. foreign aid in the early years Cold War years. Neither do they address more specifically how and why the Joint Commission impacted on Brazil-U.S. bilateral relations. Although some scholars briefly mentioned that Americans were eager to guarantee supply of Brazil's raw materials as U.S-Soviet tensions escalated, the role of technical cooperation within the Joint Commission in this broader context is vague. The existing literature unanimously affirms that Brazilian authorities were frustrated with Joint Commission's concrete results. However, no study has evaluated which projects received loans from the IBRD or the Eximbank, and which remained pending. Finally, although many scholars have argued that JK's Targets' Plan (Plano de Metas) rekindled many JBUSEDC projects and expectations, we have not found a work that identified these specific projects.

When we say that the primary purpose of this Master's thesis is to explore the JBUSEDC "as a whole," we are aware that this is a challenging – and most likely impossible – undertaking to fulfill completely. However, after extensive archival research, we believe we have successfully identified prominent and fundamental features of the Joint Commission's activities in Brazil, thereby contributing to cover some of the scholarly gaps in the literature. We believe that this research sheds light on several issues that are worth investigating further. Among them, for instance, is the role of American and Brazilian private enterprise within the JBUSEDC. Moreover, another fertile field study might be addressing distinct joint commission's activities in other countries. We believe that identifying similarities, patterns, and differences is fundamental to comprehend Point Four activities in the period better. In sum, we acknowledge that although this study contributes to fill gaps in the literature, it opens many possibilities and new questions for further work on the issue.

I have consulted both Brazilian and American archives to develop this research. In Brazil, the most important primary documents on the issue were found at the Centro de Pesquisa e Documentação de História Contemporânea do Brasil (CPDOC) at the Fundação Getúlio Vargas, in Rio de Janeiro. At CPDOC, we collected documents from private collections, such as Roberto Campos and Lucas Lopes. I have also consulted oral history interviews with many policymakers that participated in or accompanied JBUSEDC activities. Throughout the personal perspectives of key actors and their working reports on JBUSEDC's activities, we aimed to grasp expectations surrounding the Joint

Commission in Brazil, while also and comprehending the functioning of its institutional framework.

Thanks to the research travel grant conceded by the Truman Presidential Library in Independence, Missouri, I had the opportunity to carry out archival research there. I consulted archives of Truman's Administration officers that dealt somehow with U.S. policy towards Latin America, the Point Four program and the Joint Brazil-U.S. Commission. I gathered documents from Merwin Bohan files, U.S. Chairman in the JBUSEDC, from Stanley Andrews and Henry Garland Bennet, Administrators in the Technical Cooperation Administration (the Point Four Agency), Dean Acheson (Truman's Secretary of State), Herschel Johnson (U.S. Ambassador to Brazil), Edward G. Miller (Assistant Secretary for the American Republics Area), besides U.S. President Harry Truman's collections, and others. Thus, I had access to many private materials and therefore delved into private perspectives, confidential and public staff reports, and official memoranda. At the National Archives Records Administration (NARA), in College Park, Maryland, I examined official records of the Department of State (Record Group 59) and the State Department Foreign Service Posts (RG 84). I also examined official records, public and confidential, of the U.S. Foreign Assistance Agencies (RG 469).

Despite the efforts to assess a multitude of primary sources, some loopholes remain. As we conducted archival research, we realized that most of the primary sources we found were originated from U.S. authorities and agencies. Indeed, although we also visited the Archive of the Brazilian Ministry of Foreign Affairs and the Ministry of Finance, both in Rio de Janeiro, we did not find materials that could help further with the purpose of this study. Indeed, it seems that U.S. authorities and agencies produced much more material about their daily activities. Thus, we assessed many of the perspectives of Brazilian authorities through correspondence and memoranda found in the U.S. archives. Also, after we analyzed U.S. primary documents, we realized that the IBRD played an important role in JBUSEDC prospects of success. However, we did not have the opportunity to proceed with archival research on World Bank's files. Regardless, we analyzed plenty of U.S. authorities Memos of meetings with IBRD's authorities and correspondences. Also, we tried to minimize this problem by assessing the literature concerning the World Bank in the 1950s and, also, by analyzing J. Burke Knapp's oral history interview. After acting as Chairman of the U.S. Section of the Joint Commission (1951-1952), J. Burke Knapp, became Assistant Director of the IBRD's economics

department and, afterward, Director of the Western Hemisphere Department in this institution. Thus, he participated in JBUSEDC's negotiations on both the U.S. Section and IBRD's sides.

While exploring the activities of the JBUSEDC, we shed light on broader issues on technical cooperation and economic aid in the early 1950s. To that regard, JBUSEDC's relevance is reinforced because it was developed under the prospects of Truman's Point Four program – the first institutionalized foreign aid program specifically focused on the so-called “Third World” countries. Also, some scholars have argued that Point Four activities in Latin America was a fundamental precedent to subsequent more intensive foreign aid programs in the region, such as the Kennedy's Alliance for Progress.⁷ Also, as international financial organizations, especially the IBRD, were key to implement JBUSEDC development projects, this study enlightens relations between less-developed countries and multilateral financial organizations. Since the JBUSEDC took place in the 1950s, it is interesting to observe how the Bank acted towards developing countries and U.S. policymakers – especially at the moment when the Bank was expanding its activities to the so-called Third World countries. This study also provides insights for those looking for more specific issues on Brazil-U.S. technical cooperation and how this undertaking fit in the broader Cold War security issues of the U.S. Finally, many of the infrastructure bottlenecks addressed by the Joint Commission remain in our days. Although the country has changed, infrastructure constraints in the fields of transportation and ports are still a very vivid part of Brazil's challenges.

This Masters' thesis comprises three chapters. The first chapter lays out essential elements of the JBUSEDC's organization, structure, and processes of elaborating and approving projects. It also assesses Brazil-U.S. bilateral relations in the context of Truman's Point Four program in the early Cold War years and explores negotiations to terminate the JBUSEDC in 1953. The second chapter focuses on the significant challenges to implement Joint Commission's projects. It argues that although the Joint Brazil-United States Commission was a bilateral cooperation project, it depended on a third party to implement their projects, namely the IBRD. As there was a jurisdiction conflict between the IBRD and the Eximbank, after arduous negotiations, the IBRD became the lender of first resource to development projects in Brazil. The chapter

⁷ For further information about the Alliance for Progress program, see Taffet (2007), and Loureiro (2014 and 2017, 2017a, 2017b)

demonstrates that the IBRD obtained considerable power over the prospects of implementing JBUSED C's projects. Also, it showcases examples of how the IBRD imposed conditionalities on loans. Lastly, the third chapter provides an outlook of Joint Commission's results by exposing and analyzing its records of implementation. It also discusses how Brazilians kept insisting on obtaining loans for JBUSED C pending projects even after its termination. Lastly, it provides insights on how the United States tried to conciliate Joint Commission's efforts with their main geostrategic interests in the early Cold War years.

Chapter one – The Joint Brazil-United States Economic Development Commission (JBUSEDC): “The Heart of the Point Four Program in Brazil”

The emergence of the Cold War characterized the aftermath of the Second World War (1939-1945). President Harry Truman (1945-1953) inaugurated the basis for U.S. Cold War policy. Indeed, as Soviet-U.S. tensions escalated, American foreign aid policy increasingly focused on the Marshall Plan in Europe and on containing communism worldwide, especially in the Middle East and Asia – areas of significant contention between the two great powers. Latin America did not rank among the United States' main priorities. This issue caused tensions with Brazil, which expected to count on American economic aid to foster the country's development. Not only Brazil always emphasized the critical role it had during the war as a U.S. ally, but it also regarded itself as having a 'special relationship' with the United States. Without having other options to finance its development projects in the context of the early Cold War years, Brazil kept insisting on American cooperation (Baily 1976, p. 132-13, Hilton 1981, p. 602-608, Hirst 2013, p. 41-51 Loureiro 2017, p. 42-44).

Even though Latin America, including Brazil, was not among American's priorities, one should not assume they ignored Latin America completely. United States foreign aid policy also was connected to Communist contention: providing financial help was a means to avoid the rise of communist ideas in underdeveloped countries. Indeed, negotiations to establish the Joint Brazil-United States Economic Development Commission (JBUSEDC) (1951-1953) involved both the context of growing instabilities in Brazil-U.S. bilateral relations and the escalation of Cold War tensions. When Truman launched the so-called Point Four Program in his inaugural speech of 1949, alongside the prospects of creating the JBUSEDC, new impetus for optimism as to the potential of economic cooperation with the United States arose in Brazil. The literature considers the experience within the Joint Commission paramount in both its political and economic features. Its political feature lay on the establishment of the JBUSEDC as a countermeasure to ease the worsening of bilateral relations with Brazil in the postwar period. As for the economic feature, it relates to the economic studies on Brazil's main challenges for development, to the advent of key strategic ideas of economic planning

and the potential medium and long terms impacts of this experience in subsequent governments.

Comprised by American and Brazilian members, and set up under the provisions of Truman's Point Four program, the JBUSED C main objective was to come up with elaborate studies on key bottlenecks for Brazil's economic development and to formulate projects to be submitted to U.S. and multilateral financial organizations, such as the Export-Import Bank (Eximbank) and the World Bank (IBRD). The perspective of receiving economic aid was not only an innovation but also made Brazilians nurture high expectations regarding the Joint Commission and the partnership with the United States in the following years (Bandeira 1973, Hilton 1981, Hirst 1990).

The Joint Commission is a mostly unexplored issue to date. Therefore, the purpose of this chapter is to lay out essential elements of the JBUSED C's organization and structure, as well as assess Brazil-U.S. bilateral relations in the context of Truman's Point Four program in the early Cold War years. The first topic addresses the negotiations that resulted in the establishment of the Joint Brazil United States Economic Development Commission. Thus, it contemplates the most pressing issues in Brazil-U.S. bilateral relations and highlights the basic premises of American foreign aid policy under the Point Four Program, while also shedding light on Cold War issues. The second topic focuses on the Joint Commission's institutional framework, objectives, operational dynamics, values, and expectations in further detail. Finally, the last section explores the termination of the Joint Commission in 1953, months after the U.S. President Dwight Eisenhower (1953-1961) took office.

1.1 Negotiating the JBUSED C on the Early Cold War Years: Brazil-U.S. Bilateral Relations and Truman's Point Four Program

The possibility of having a Joint Brazil-United States Economic Development Commission gave fresh impetus to Brazil-U.S. bilateral relations. Brazil's Eurico Gaspar Dutra Administration (1946-1951) insisted on obtaining financial support to foster the country's economic development. However, American President Harry Truman (1945-1953) foreign policy strategies and priorities aimed to contain the spread of communism. Nevertheless, it is inappropriate to assume that Americans neglected the region

completely (Baily, 1976). Empirical documents reinforce that American policymakers had shown their interest in Brazil's potential to contribute to Cold War-related conflicts during negotiations to establish the JBUSEDC. Indeed, the Point Four clearly "aligned aid to national security requirements" (Zeiler 2015, p. 39).

Brazil-U.S. bilateral relations had a long tradition of friendship since the nineteenth century. However, during World War II the relationship became much closer (Baily 1976, p. 133, Green 1970, Hilton 1981).⁸ In that context, not only Brazil contributed greatly in the war effort, but also U.S. President Franklin Delano Roosevelt (1933-1945) Good Neighbor Policy towards the region caused great optimism in Brazil. Nevertheless, after the conflict, Roosevelt advocated for the "self-help" approach towards the region. This approach meant that Latin Americans should work their ways to make their countries more attractive to private investors. According to this idea, private investment would fulfill many of the region's development needs (Green 1970, p. 157).

When Truman announced the premises of the Point Four Program in his 1949 inaugural address, he caused optimism in the so-called Third World countries. The Program not only meant a considerable change of U.S. approach towards underdeveloped countries (Erb 1985, Macekura 2015, Paterson 1973, Picard and Karazsia 2015).⁹ The Program's primary purpose was to provide technical cooperation and transfer America's know-how, technologies, and economic advancement to less-developed countries in a multitude of areas (Erb 1985, Paterson 1973, Picard and Karazsia 2015). However, Truman's Point Four was still a self-help undertaking: those countries which benefited from it were required to perform the labor themselves and to provide the impetus for development (Paterson 1973, p. 120; Macekura 2015). Indeed, according to empirical evidence, "technical assistance planning [should] be based on an integrated plan for each underdeveloped country or region." Also, "the foreign government [should] play the principal and most active role in proposing plans and in carrying out such programs for their development".¹⁰

⁸ During World War II, Brazil established joint defense committees with the United States, provided the United States with air bases in Northeast Brazil, hosted the Latin American Defense Conference in January 1942, and cooperated in eliminating German influence of the country's territory. Besides providing strategic raw materials to the U.S. during the war effort, Brazil was the only Latin American country to send troops to fight in Europe. For more information on Brazil's participation in World War II, see: Baily (1976, p. 133), Bandeira (1973, p. 275-290), Hirst (2013, Chapter 1), Hilton (1979) and MacCann (1995)

⁹ For further information on U.S. prior technical assistance programs in the region, see Staples (2006, Chapter 1) and Silva (2009, Chapters 1, 2 and 3).

¹⁰ Appendix "C" Technical Assistance Program (Point IV), Proposed Management of Point IV Operations Within the United States Government - Advisory Committee on Technical Assistance Nov. 1949, Harry S.

Furthermore, the proponents of the so-called Point Four explicitly contended that, besides (theoretically) encouraging the exchange of technical skills, the program aimed to promote the flow of private investment abroad. According to them, by sharing technical knowledge in several fields, the program would create more appropriate conditions for private investments (Macekura 2015). The International Development Advisory Board (IADB), established by President Truman in September 1950 to advise and consult policy matters on the Point Four Program, acknowledged that private enterprise should play a fundamental role in the program. They “put equal reliance upon technical cooperation and private capital investment to do the Point 4 job.”¹¹ The Board also remarked that “economic development, in the full sense of the term, require[d] an investment of capital resources far in excess of any amount now or likely in the future to be available from public funds.”¹²

Some have argued that the Point Four had limited developmental value without the large amounts of capital needed to translate technical aid into large-scale development projects (Green 1970, p. 180). Indeed, the Point Four program was a modest enterprise. Getting budgetary approval for the program was challenging since the beginning. Republican opposition in Congress was not sympathetic to the program’s ideas (Ekbladh 2015, p. 62-43, Paterson 1973, p. 121-122, Picard and Zachary 2015, p. 20, Sayward 2015, p. 43). President Truman had asked for Point Four legislation on June 24, 1949, requesting US\$ 45 million for the program’s first year. Roughly a year later after Truman announced the initiative in his inaugural address, Congress approved Point Four legislation in May 1950. The referring Legislation was Title IV of the Foreign Economic Assistance Act, also known as the Act for International Development (Paterson 1973, p. 123). With Title IV, Congress authorized US\$ 34,5 million to implement technical assistance that year, of which only US\$ 5 million directed to Brazil (Paterson 1973, p.

Truman Presidential Library in Independence, Missouri (hereafter TPL), Papers of Harry S. Truman.: President’s Secretary’s File, Box 115, Folder Point IV Program

¹¹ There is a conceptual difference between the terms “technical assistance” and “technical cooperation”. “Technical assistance” implies a top-down process, in which receptors of aid have a passive role when. In 1959, the United Nations replaced it for the concept of “technical cooperation”. Although this new designation did not deny that imbalances between donors and receptors remained, it was supposed to emphasize a more active role of the less-developed countries in this kind of undertaking. Despite this difference, throughout this study, the terms will be used as synonyms.

For further theoretical reflections on ‘foreign aid’ see Balwin (1985, Chapter 10) and Morgenthau (1962). For a critical perspective on development issues, see Escobar (1995).

¹² “Policies for Point Four: Guidelines for Administration of the Act for International Development”, Enclosure to President Harry S. Truman from Eric Johnston (Chairman of the IDAB), Jun. 5, 1952, TPL, Papers of Harry S. Truman.: President’s Secretary File, Folder Point Four Program, Box 115

122). Point Four “appropriations were insignificant compared with the \$2,25 billion for the Marshall Plan and \$342,450,000 for occupied Germany at that same time” (Paterson 1973, p. 122).

After the outbreak of the Korean War (1950-1953), Truman was more emphatic that Point Four was part of the struggle against communist imperialism (Paterson 1973, p. 120). The American president argued that U.S. foreign aid in the early 1950’s was also part of the American communism containment policy (Paterson 1973, Picard and Karazsia 2015. P. 19-21). Although there was not a consensus on the issue, as Cold War tensions escalated, American policymakers increasingly recognized they should not take Latin America for granted. As Brazil-U.S. negotiations to establish the JBUSED C evolved, U.S. security-related apprehension, mostly related to ensuring supply of strategic and raw materials, got increasingly evident.

The Point Four legislation included the possibility of establishing joint economic commissions. These joint commissions aimed at engaging American and local technicians to address more specific economic development challenges. Negotiations to establish the Joint Brazil-U.S. Economic Development Commission (JBUSED C) began during the Eurico Gaspar Dutra Administration (1946-1951). At that moment, American policymakers were eager to guarantee Brazil’s leading support in the Korean War security crisis. However, the coldness with which the U.S. had been receiving Dutra’s request for economic assistance caused tensions in bilateral relations. When Truman (1945-1949, 1949-1953) took office, Brazilians had been nurturing high expectations that the U.S. would provide economic aid to foster development (Hilton 1981, Loureiro 2017, chapter 1, Rabe 1978, p. 282). In March 1946, encouraged by the State Department’s reassurances of goodwill, Dutra’s Administration formally asked for US\$ 1 billion loan to finance long term development projects. However, this amount of loan never materialized.¹³ In 1948, Brazil did not receive any economic aid from Washington. Altogether, Brazil received a total of US\$ 105 million from the Eximbank from 1946-1949. Perón’s regime in Argentina received a US\$ 125 million loan in May 1950, almost the same amount Dutra had received during his entire administration (Hilton 1981, p. 606).¹⁴

¹³ “Brazil received only \$46 million in 1946 and \$90 million in the following year, a situation that generated perplexity and resentment in Brazil” (Hilton 1981, p. 602).

¹⁴ Among other issues that strained bilateral relations was that Brazilians argued that Marshal Plan aid to Western Europe encouraged African agricultural competition with Brazil. Also, Brazilians were extremely unhappy to see economic aid being provided for the country’s local foe, Argentina. Indeed, the fact that Brazil was the only Latin American country to participate in both world conflicts – having sent troops to fight

Hence, United States needed to rekindle its policy of rapprochement with Brazil, and the perspective of establishing a Joint Commission was supposed to fulfill this role (Hilton 1981, p. 612, Hirst 1990 and 2013, Weis 1986, p. 62). Indeed, U.S. authorities were alarmed when Brazil, U.S. traditional special ally in Latin America, refused to send troops to Korea (Weis 1986, D'Araújo 1982).

Brazilian and American authorities were negotiating the general terms of a bilateral cooperation even before the Foreign Economic Assistance Act of 1950 was enacted in the United States. By May of that same year, the American Ambassador to Brazil, Herschel Johnson, suggested to constitute an informal group with Brazilian and American authorities to discuss economic relations between the two countries. Raul Fernandes, the Brazilian Ministry of Foreign Affairs (1946-1951), praised the initiative and, according to Johnson, named two of “most competent [Brazilian] economists as the Brazilian conferees”, Eugênio Gudín and Otávio Gouveia de Bulhões.¹⁵ After U.S. Congress finally approved the Point Four law Point Four, this informal commission held its second meeting on August 31st, 1950. During these talks, U.S. authorities presented the possibility of establishing a joint commission for economic development under the prospects of the Point Four legislation. On this occasion, Brazilian and American policymakers already agreed that such initiative “should not duplicate the overall economic surveys already made, but rather concentrate on the preparation and realization of specific projects.”¹⁶

Indeed, previous joint commissions between Brazil and the U.S. had done surveys about Brazilian economic challenges. The Joint Brazil-U.S. Technical Commission (1948), known as the “Abbink Mission”, produced a final report that analyzed Brazilian economic situation and prescribed orthodox and restrictive policies to overcome inflation and balance of payments problems. However, this undertaking neither predicted foreign financial aid nor resulted in specific development projects. Instead, it argued that Brazilian policymakers should rely on the country’s domestic resources and potentialities to put the

in Europe – stimulated Brazil’s disappointment with the U.S. Hilton (1981) has compellingly argued that the “end of the special relationship” between Brazil and the U.S. began in the first decade of the Cold War.

¹⁵ Letter, Herschel V. Johnson to Charles F. Brannan (Secretary of Agriculture), Jan 15th, 1951, TPL, Herschel V. Johnson Papers, Box 2, Folder CORRESP. 1932-1953 “B” Folder 3

¹⁶ Enclosure N°1 Memorandum of Conversation (Hereafter Memo) to U.S. Embassy Dispatch (hereafter Embdes) N° 363, Sept. 6, 1950, National Archives and Records Administration at College Park, MD, United States (hereafter NARA), Record Group (hereafter RG) 59 General Records of the State Department (GRSD), Records of the Assistant Secretary of State for Latin American Affairs (hereafter RASSLAA) (Edward G. Miller) 1949-1953, Subject File 1949-53 Bolívia – Brazil, Box 2, Folder Brazil 1949-1950

recommendations in practice (Bastos 2001, Lanoue 1978, Ribeiro 2012, Skaletsky 1988). The Abbink Mission's premises had inspired many features of the JBUSED. However, the latter provided for potential loans from the International Bank for Reconstruction Development (IBRD) and from the Export-Import Bank (Eximbank). In fact, during a meeting of the aforementioned bilateral informal commission, American authorities informed that Eugene Black, the President of the World Bank, stated the IBRD was keenly interested in Brazil and thought the IBRD could do something significant in aiding Brazil's economic development."¹⁷

However, overcoming key financing entanglements was challenging to conclude the Joint Commission's negotiations. In the early 1950s, there was a jurisdiction conflict about the exact spheres of action of the Eximbank and the IBRD (Kappur, Lewis e Webb 1997, Priest 1999, Sayward 2015, Vianna 1986). The International Bank claimed that providing long-term loans to finance the development of less-developed countries was its core function. However, some American policymakers contended that maintaining Eximbank's activities in Brazil was a strategic feature in U.S. foreign relations. The IBRD-Eximbank jurisdiction conflict was paramount for negotiations to establish the JBUSED and to implement its projects in subsequent years. This rivalry was so pressing that is further explored in Chapter 2. For now, it is essential to comprehend that the Eximbank-IBRD jurisdiction issue delayed the announcement of the Joint Commission under the prospects of Point Four in Brazil.

Worried about the financing prospects of the JBUSED, Brazilians tried to include this issue on the Point Four agreement. While American authorities were trying to work out a deal with the IBRD to resolve contending issues with the Eximbank, Raul Fernandes proposed to add a statement to the Point Four general agreement. Fernandes proposed to include that "the full use [of] results [of] technical projects [should] depend upon [the] availability foreign capital."¹⁸ Randolph Kidder, State Department's Officer in Charge of Brazilian Affairs, reacted and remarked that Raul Fernandes' suggestion "seemed to be gratuitous, especially when [they] [were] trying to work out precisely this problem with the International Bank". Kidder emphasized that opposition in Congress made clear that U.S.

¹⁷ Ibid.

¹⁸ Embassy Telegram (hereafter Embtel) N° 698, from Rio to Secretary of State, Nov. 27, 1950, NARA, RG 59, GRDS, Microfilmed M1489 Records of the Department of State Relating to Internal Economic, Industrial, and Social Affairs of Brazil, 1950-1954 (hereafter M1489), Roll 1, Central Decimal Files (CDF) 832.00/11-2750

“participation in Point IV countries should not be construed as a promise that capital [would] be forthcoming.”¹⁹ Indeed, U.S. authorities frequently tried to avoid any explicit commitment to conceding loans.

Both governments were eager to announce the successful negotiations to establish a joint commission in Brazil and include an estimation of loans. However, as Dutra’s Presidential term was ending, announcing the JBUSEDC as soon as possible was imperative.²⁰ United States’ authorities agreed that if “the position of the banks ha[d] not yet been clarified and [was] likely to drag on, [they] [would] be willing to meet the Brazilian desires for announcing the agreement regarding the Joint Commission.”²¹ Thus, on December 19th, 1950, through an exchange of diplomatic notes, Brazil and United States formally concluded both the general Point Four agreement and the subsidiary agreement establishing the Joint Brazil-United States Economic Development Commission.²² The General Agreement established the framework of U.S. technical assistance within the Point Four program in Brazil. This agreement determined that all specific technical cooperation initiatives in the country should be centralized and authorized by Brazilian competent authorities and the Technical Cooperation Administration (TCA), the Point Four agency in the United States. It also established that both Governments would share the costs to implement technical cooperation.²³ This framework encompassed several technical cooperation projects in a multitude of fields, such as agricultural techniques, industrial education, among others. Brazil and the U.S. publicly announced the JBUSEDC on December 21st. U.S. authorities were satisfied that Brazil was the “first country of Latin America (indeed of the world) to conclude a Point

¹⁹ Ibid.

²⁰ Embtel N° 631, Herschel V. Johnson to Edward G. Miller, Nov.10, 1950, NARA, RG 59, GRDS, M1489, Roll 1, CDF 832.00/11-1050; Embtel N° 651, Johnson to Assistant Secretary Miller, Nov. 15, 1950, NARA, RG 59, GRDS, M1489, Roll 1, CDF 832.00/11-1550; Memo, Nov. 20, 1950, NARA, RG 59, GRDS, M1489, Roll1, CDF 832.00/11-2050

²¹ Letter, Herschel V. Johnson to ARA – Mr. Miller, Nov. 24, 1950, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolívia – Brazil, Box 2, Folder Brazil 1949-1950

²² COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 2º Tomo, Rio de Janeiro, 1954, p. 32; Embdes N° 1128, Rio de Janeiro to Department of State, “Annual Economic Report – 1950”, Jan.31, 1951, NARA, RG 59, GRDS, M1489, Roll 1, CDF 832.00/1-3151

²³ Outgoing Telegram [hereafter Outtel] H902, Rio de Janeiro to Department of State, “Technical Assistance Agreement with Brazil”, Enclosure No. 1 “Copy of Brazilian Ministry of Foreign Affairs Note DE/COI/DAI/652/550.(22) (42) of December 19, 1950, Dec. 21, 1950, NARA, RG 59, GRDS, M1489, CDF 832.00-TA/12-2150, The Point Four General Agreement between United States and Brazil is also available at the Final Report of the JBUSEDC, Tomo 2, p. 30.

Four general agreement and to set up a Joint Economic Development Commission”.²⁴ After Brazil, by March 1951, the United States established joint commissions with Paraguay, Liberia, and Mexico. A Mexican American Development Commission was also implemented.²⁵

When Getúlio Vargas (1951-1954) took office on January 31st, 1951, policymakers of both countries were optimistic about the prospects of bilateral cooperation. Edward G. Miller had stated, for instance, that he “[had] been convinced [...] that Vargas would be cooperative [and that] [...] with the departure from the scene from the negative-minded Fernandes, it would be possible to embark on [...] more effective cooperation in both directions.”²⁶ Although depicting Fernandes as “outstandingly pro-American”, State Department officials highlighted that Fernandes was “increasingly bitter towards the United States primarily in regard to the question of financial assistance”.²⁷

A second round of negotiations began during preparations for the Fourth Meeting of Foreign Ministers, which occurred in Washington, D.C, between March and April 1951. U.S. authorities were eager to guarantee Latin America’s cooperation by persuading them to “mobilize their economies for the Korean conflict” (Rabe 1978, p. 293). Johnson informally consulted Vargas before the latter took office and remarked that among the topics the U.S. wished to discuss during the Conference was the “production and allocation of strategic materials; [...]”²⁸.

In his response, Vargas laid down the basis of what he thought should be the premises of Brazil-U.S. cooperation, convening his American counterparts to discuss before the Washington Conference. Three points made by Vargas in his letter, which became known as “The President Memorandum”, are worth highlighting:

(...)

²⁴Letter, Herschel V. Johnson to Charles F. Brannan (Secretary of Agriculture), Jan 15th, 1951, TPL, Herschel V. Johnson Papers, Box 2, Folder CORRESP. 1932-1953 “B” Folder 3

²⁵ Report, “Partners in Progress – A Report to the President by the International Development Advisory Board”, TPL, Papers of John H. Ohly,, Box 183, Folder “Printed Materials File: Economic Assistance – 1948-1970”, pp. 63

²⁶ Letter, Edward G. Miller to Herschel V. Johnson, Subject File 1949-1953, Bolivia- Brazil, Box 2, Folder Brazil 1949-1950, RG 59, RASSLA,

²⁷ Memo, “Memo for the President – Appointment with Brazilian Ambassador”, Oct. 6, 1950, TPL, Student Research File (B File), Box 1, Folder 8 Containment in Latin America – Truman Administration’s Policies Toward Argentina, Brazil, Cuba and Mexico

²⁸ Outtel N° 423, Miller to Amembassy Rio de Janeiro, Dec. 16, 1950, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolivia – Brazil, Box 2, Folder Brazil; Incoming telegram (hereafter Intel) N° 854, Rio to Secretary of State, Dec. 30, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-1953, Bolivia- Brazil, Box 2, Folder Brazil

“2. Brazil expects to give to the US at the Washington conference – as in other pronouncements and programs – its cooperation, but considers it indispensable that the government of the U.S. understands that this cooperation, besides imposing all types of sacrifices, requires an effective understanding so that the economic life of the country which gives it will not be disturbed to the point of having its immediate and future possibilities of development and production substantially reduced.”

(...)

“5. The goodwill of the Brazilian Government towards contributing national raw materials for the emergency economy of the US should have its counterpart in the goodwill of the Government of North America towards conceding priority of manufacture and medium and long term bank credits for the immediate execution of a rational program of industrialization and public works to which the principle efforts of the Brazilian administration will be devoted.”

(...)

“6. The Brazilian Government wishes to conclude with the US a policy of economic reciprocity which will make available national raw materials of strategic value to the other country. It believes, however, that at the same time it is indispensable that the US adopt positive measures which will translate themselves into a policy of positive aid in the development of our economy for the rationalization of agriculture and industrialization.”²⁹

These statements laid down the ideas that underlay Vargas' Administration expectations as to the cooperation with the United States. In the same document, Vargas presented fourteen specific development projects that his government intended to invest and expected to count on U.S. cooperation. Among these specific projects were the construction of hydroelectric plants in the upper São Francisco, in Minas Gerais, and Rio Grande do Sul; works of sanitation, transportation, and urbanization in the São Francisco Valley; construction of petroleum refineries; expanding the Volta Redonda steel mill with Eximbank credits; constructing another steel mill in Minas Gerais; renovating the merchant fleets, constructing, and improving ports; acquiring equipment for the rational utilization of Brazilian coal, including the operations of mining, beneficiation, and transportation; financial and technical cooperation in the improvement and electrification of railways; establishment of industries for the treatment of raw materials (especially manganese); cooperation to explore and study the raw materials of the country (including exploration and exploitation of mineral deposits), construction of an alkalis producing factory in Cabo Frio, equipment and execution of a plan for storing, transporting and conserving foodstuffs including the construction of silos for cereals, warehouses, and refrigerated vessels.³⁰

²⁹ Embtel 915, Rio to Secretary of State, Jan. 15, 1951, NARA, RG 59, GRDS, M1489, Roll1, CDF 832.00/1-1551; Office Memorandum (hereafter Offmemo), Jan. 25, 1951, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolívia – Brazil, Box 2, Folder Brazil 1951

³⁰ Ibid.

Vargas' Memorandum caused immediate discussions in the American Government. Some contended that U.S. should reconcile whatever technical and economic cooperation with American strategic and security interests. Authorities also remarked that the "maintenance and [...] expansion of Brazilian power facilities [...], of transportation [...] and of food production and conservation [were] underlying factors which affect[ed] the production of strategic materials."³¹

Edward G. Miller emphasized that "the way in which [the U.S.] responded to this [Vargas'] proposal [...] would set the pattern for U.S.-Brazilian relations for years to come"³². The Assistant Secretary of State for Economic Affairs (1946–1952), Willard Thorp, on the other hand, reinforced that implementing NSC 68 meant "developing a comprehensive economic assistance program which reflected the political and strategic assumptions of this document" and that "the requirements for Brazil and the Americas as a whole must be placed in a proper setting in a global framework."³³ Thorp also argued that Vargas' proposal "rather than an outright offer of friendship and support to the United States, strike[d] him as being much more of a cold business proposition to the effect that his support and assistance can be purchased if we are willing to pay the price".³⁴

After Vargas took office in February 1951, Assistant Secretary Edward G. Miller visited Brazil. At that point, with the banks' jurisdiction conflict solved, Miller indicated to Vargas the estimative amount of loans that each bank was willing to provide for JBUSED C development projects. A Memorandum with guidelines to Miller's talk with the Brazilian president mentioned that the Joint Commission was the principal instrument to implement U.S. cooperation in the Brazilian development program. The document mentioned the JBUSED C was fundamental "in determining both the urgency and priority

³¹ Offmemo, ARA/E Mr. White. To ARA- Mr. Miller, "Brazil: Economic Cooperation suggested by President Vargas", Jan 31, 1951, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolivia – Brazil, Box 2, Folder Brazil 1951

³² Offmemo, "Brazil", Mr. Miller to The Secretary, January 24, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil

³³ Memo, "Brazil", E- Mr. Thorp to The Secretary, Jan. 26, 1951, NARA, RG 59, GRDS, CDF 1950-52, M1489, Roll 1, 832.00/1-2651

The National Security Council Paper NSC 68 was a Top-Secret report presented on April 1950. It was one of the most influential U.S. documents during the Cold War. Among its remarks, there was the idea that the Soviet Union was a threat to the U.S. and thus American policymakers should invest in the build-up of the military and armaments to counter-act potential Soviet hostilities. In this sense, regarding the possibilities of economic cooperation between Brazil and the United States, American authorities were discussing the limits and strategic interests that could be reconciled with the spirit of NSC-68 prerogatives. U.S. geostrategic interests and Brazil infrastructure projects will be addressed in Chapter 3.

³⁴ Memo, "Brazil", E- Mr. Thorp to The Secretary, Jan. 26, 1951, NARA, RG 59, GRDS, CDF 1950-52, Microfilmed M1489, Roll 1, 832.00/1-2651

of projects as related to the necessities of mutual defense.”³⁵ Moreover, among the comments that Miller should make to each one of Vargas’ points, the document stated that “the U.S. [was] making every effort to integrate its lending and materials policies so that may go hand in hand in the field of the economic development of Brazil”. According to the document, the principal problem was [...] deciding, within the framework of Brazil’s long-term requirements, which projects [were] of the most essential character and best adapted to meet the requirements of the joint defense effort”.³⁶

The Joint Brazil-States Economic Development Commission was ultimately installed in Rio de Janeiro on July 19th, 1951. Expectations were high on both sides. The JBUSEDC “was the heart of [...] Point IV program with Brazil and, should it prove successful it [held] promise of marking a major step forward in not only Brazilian economic development but in our [U.S.] relations with Brazil”. Besides, according to Miller, “any difficulties in our [U.S.] relations with Brazil [were] fundamentally economic.”³⁷ Indeed, following the initial optimism, frustrations mounted as the IBRD did not provide the number of loans expected (as it will be explored later).

1.2 JBUSEDC: Objectives, Organization, Procedures, Expectations

An exchange of diplomatic notes between Brazilian and American Governments concluded the Joint Brazil-United States Commission agreement. First, the parties had to conclude a General Technical Cooperation Agreement, which established that Brazil adhered to Truman’s Point Four. Then, a subsidiary agreement constituted the joint economic development commission, providing the juridical framework covering JBUSEDC’s activities. It was Brazilian authorities who claimed that the exchange of diplomatic notes was the best mechanism to conclude the agreement. According to them, otherwise, the issue would have to be analyzed by the “lame duck Brazilian Congress where endless debate would be engendered, and approval might be bogged down

³⁵ Offmemo, ARA/E Mr. White. To ARA- Mr. Miller, “Brazil: Economic Cooperation suggested by President Vargas”, Jan 31, 1951, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolivia – Brazil, Box 2, Folder Brazil 1951

³⁶ Offmemo, “Suggested Comments to be made in Mr. Miller’s Talk with President Vargas in Pursuance of Vargas’ communication of January 15, 1951”, Enclosure to Offmemo “Brazil: Economic Cooperation suggested by President Vargas,” Jan 31, 1951, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolivia – Brazil, Box 2, Folder Brazil 1951

³⁷ Letter, ARA – Mr. Miller to Mr. Kuir, “Lunch for Minister Ari Torres and Dr. Valentim Bouças”, June 7, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil 1951

because of domestic political jockeying.”³⁸ This was revealing of the complicated environment in Brazilian national politics. Opposition in Congress involved both nationalistic conservative and left-wing figures, as well as more liberal individuals. As time was pressing, Dutra’s Administration did not want to risk further delay with Congress discussions.³⁹

The purpose of the JBUSED C was to achieve practical results in the field of economic cooperation between the two countries. It was the instrument to elaborate economic and technically feasible studies focused on Brazil’s infrastructure constraints. These studies should then be appropriately submitted to financial organizations, such as the Eximbank and IBRD. Expectations were that technical cooperation would contribute to advancing the flow of loans to Brazilian development projects. On the other hand, the parties expected that enhancing Brazilian infrastructure capabilities would also stimulate private investment in the country.⁴⁰

The structure of the Joint Commission comprised a Brazilian and an American section, each one headed by an individual of the respective country. Francis Adams Truslow was nominated U.S. Chairman at the Joint Commission, but he deceased shortly before taking office. With the passing of Truslow, Merwin Bohan became Acting Chairman at the JBUSED C.⁴¹ J. Burke Knapp replaced Bohan as the head of the American Section on October 16th, 1951. Bohan was then designated as coordinator of matters relating to the Joint Commission in the Department of State, working with the Bureau of Inter-American Affairs, the Institute of Inter-American Affairs (which was then a regional office of the Technical Cooperation Administration in Latin America), and the Office of the Assistant Secretary for Economic Affairs.⁴² Merwin Bohan retook office as the Head of

³⁸ Embtel N° 659, Amembassy Rio to Secretary of State, Nov. 16, 1950, NARA, RG 59, GRDS, M1489, Roll 1, CDF 832.00/11-1650 IMG_5537; Embdes 1128, Rio de Janeiro to Department of State, “Annual Economic Report – 1950”, Jan. 31, 1950, NARA, RG 59, GRDS, M1489, Roll1, CDF 832.00/1-3151

³⁹ For more information on the context of Brazilian national politics in Dutra’s and Vargas’ years see D’Araújo (1982) and Bethel and Roxborough (1992, p. 33-65).

⁴⁰ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 1º Tomo, Rio de Janeiro, 1954, p. 20

⁴¹ Department of State for the Press N° 619, July 12, 1951, TPL, Merwin L. Bohan Papers, Box 7, Folder Correspondence File – Subject File - “The Development of Brazil” (report)

With the benefit of hindsight, Roberto Campos, a former JBUSED C commissioner, stated that with Truslow’s death, the Joint Commission lost an ally that was close to Eugene Black, the IBRD’s president. On the other side, however, it gained a president that did not share the IBRD conservative and orthodox economic views (Campos, 1994, p. 159).

⁴² The Technical Cooperation Administration (TCA), headed by the State Department, was established to be the Point Four bureaucratic machine worldwide. It was the backdrop organization of American technical assistance programs. As Cold War escalated, U.S. authorities decided that a single organization should administer foreign aid and foreign policy. Also, they established that the President, instead of the State

the U.S. Section within the JBUSED in Rio de Janeiro in 1952. He was, therefore, an essential figure in the Joint Commission's history, as he served in different capacities directly involved with the initiative.⁴³

The Brazilian chairman was Ari Frederico Torres, a renowned Brazilian engineer. He had previously worked as a member of the Executive Commission of the National Steel Plan ("Comissão Executiva do Plano de Siderurgia Nacional"). Among his previous activities, he was also a technical counselor of the CEXIM (Carteira de Exportação e Importação do Brasil) and chief of the Commission for the Studies of Industrial Development in the Postwar (Comissão de Estudos para o Desenvolvimento da Industrialização de Pós-Guerra). In 1951, he took office as the head of the Brazilian Section within the JBUSED, and, in July 1952, he became the first President of the recently created BNDE (National Bank for Economic Development).⁴⁴ Besides the Presidency, the Brazilian Section of the Joint Commission had a Board, a General Secretariat, and a regional office in the State of São Paulo. The Board comprised experts in economics (Roberto Campos), finance (Valentim Bouças), technical services (Lucas Lopes), and mineral industry (Glycon de Paiva). Roberto de Oliveira Campos was a diplomat that undertook several public functions during his career. Before becoming Economic Counselor within the JBUSED, he was a member of the Brazilian delegation on the United Nations' Bretton Woods Conference. After his job at the JBUSED, Campos presided the BNDE (1958-1959). Valentim Bouças had made his career as an influential Brazilian entrepreneur. However, it was mainly his capacity as coordinator and negotiator of Brazil's foreign debt since the 1930s that rendered him the position within the JBUSED. Lucas Lopes, while serving in the JBUSED, also played a fundamental role in developing the power program in the State of Minas Gerais. He subsequently

Department, should head all foreign aid efforts. Thus, in 1951, the Economic Cooperation Administration (ECA), responsible for the Marshall Plan, and the TCA, were joined together into a new institution, the Mutual Security Agency (MSA). The heads of the TCA, known as Administrators, were Henry Garland Bennet (1950-1951) and Stanley Andrews (1952-1953). Later in 1953, President Eisenhower's Reorganization Act put the functions of the TCA under the branch of the Foreign Operations Administration (FOA), a new organization (Packenham 1976, Picard and Karazsia 2015).

⁴³ Letter, Ary F. Torres to Merwin Bohan, Nov. 10, 1951, TPL, Merwin L. Bohan Papers Box 7, Folder Correspondence File – Subject File - "The Development of Brazil" (report); Departmental Announcement 229, "Departmental Coordination of Matters Relating to Brazil-United States Economic Development Commission", Nov., 29, 1951, Box 7, Folder Correspondence File – Subject File - "The Development of Brazil" (report); Department of State for the Press N° 660, Aug. 15, 1952, TPL, Merwin L. Bohan Papers Box 7, Folder Correspondence File – Subject File - "The Development of Brazil" (report)

⁴⁴ For more information on Ari Torres see the Dicionário Histórico-Biográfico Brasileiro (hereafter DHBB), available at <http://www.fgv.br/cpdoc/acervo/dicionarios/verbete-biografico/torres-ari>

became Minister of Transports (1954-1955 and 1955 -1956), President of the BNDE (1956-1958), and Kubitschek's Minister of Finance (1958-1959). Finally, Glycon de Paiva, had worked in several capacities in the geological field since the 1930s. He was director of the BNDE between 1952 and 1953, becoming president of the same institution between 1955-1956.⁴⁵ Besides the Board, another group composed of the Ministers of Finance, Foreign Relations, Agriculture, Transportation, and Public Construction was responsible for providing general guidelines to the Brazilian Section. The Brazilian Minister of Finance, Horácio Lafer (1951-1953), was in charge of specific economic and financial orientation.⁴⁶

The regulation act issued by the Brazilian Ministry of Foreign Relations summarized the general objectives and functions of the Brazilian Section within the Joint Commission. They were the following:

- a) promote the provision of bilateral technical assistance services with the primary objective of facilitating the elaboration of economic development programs and projects, particularly in the transport, energy, agriculture, mining and industry sectors;
- b) receive and study requests for technical assistance made by Federal Government's Administrative bodies and other entities, providing for their fulfillment;
- (...)
- e) elaborate or cooperate in economic development projects and programs;
- f) cooperate to obtain credit and financing to implement projects considered technically and economically sound.⁴⁷

Besides these functions, the regulation act also provided that the Joint Commission should ensure efficient use and dissemination of the technical assistance promoted and, finally, that it should examine Brazilian natural resources and the possibilities of applying advanced technical knowledge in mutually profitable endeavors. Also, the Joint Commission was responsible for assigning priorities to projects. In this

⁴⁵ Roberto Campos also acted as Brazilian Ambassador to the United States (1961-1964) and as Minister of Planning (1964-1967). For more information on Campos, Bouças, Lopes and Paiva, see DHBB: <http://www.fgv.br/cpdoc/acervo/dicionarios/verbete-biografico/roberto-de-oliveira-campos>; <http://www.fgv.br/cpdoc/acervo/dicionarios/verbete-biografico/valentim-fernandes-boucas>; <http://www.fgv.br/cpdoc/acervo/dicionarios/verbete-biografico/lopes-lucas>; <http://www.fgv.br/cpdoc/acervo/dicionarios/verbete-biografico/glycon-de-paiva-teixeira>

⁴⁶ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 2º Tomo, Rio de Janeiro, 1954; "Relatório Atividades da Comissão Mista Brasil-Estados Unidos entre 19 de julho de 1951 e 31 de dezembro de 1952", Centro de Pesquisa e Documentação Histórica Contemporânea do Brasil, Escola de Ciências Sociais da Fundação Getúlio Vargas (hereafter CPDOC – FGV), Arquivo Roberto Campos (hereafter ARC), Folder RC e/ae 51.06.06

⁴⁷ "Relatório Atividades da Comissão Mista Brasil-Estados Unidos entre 19 de julho de 1951 e 31 de dezembro de 1952", *Ibid.*

regard, private companies, states, and the federal government were allowed to submit projects for JBUSED C's evaluation.⁴⁸ According to Herschel Johnson, Brazilian authorities themselves felt that the responsibility to assign priorities to projects should be given to the JBUSED C. The justification was that "anyone who makes a selection and assigns priorities is vulnerable to attack from those to whom he has assigned lower priorities than they think their project merits."⁴⁹ Herschel Johnson also remarked that "one of the great advantages which both the Brazilians (...) and he hope[d] it [would] bring [them], was an orderliness to foreign borrowing." He also reported that "the American Section of the Commission, the Brazilians hope[d], [would] make it possible to withstand political pressure when they should be withstood".⁵⁰

The Joint Commission also comprised sub-commissions constituted by Brazilian and American technicians. Brazil and U.S. representatives also co-directed sub-commissions. Within the sub-commissions, technicians from both countries worked together to develop studies and elaborate projects on Brazil's main infrastructure bottlenecks – therefore fulfilling JBUSED C's primary purpose. In their reports, they should present recommendations to projects and submit them for the evaluation of both Governments. They had to include proposals and specific guidelines to be adopted in order to guarantee the feasibility of projects.⁵¹ The Joint Commission was supposed to give special attention to infrastructure projects that were already in an advanced stage, referring them to the specific sub-commission. If necessary, projects could additionally count with the consultancy of private firms.⁵²

Brazilians had indicated that the country's leading infrastructure constraints were transportation, power, and agriculture (including warehousing, production of fertilizers, and food).⁵³ Indeed, the Sub-commissions field activities corresponded to these sectors.

⁴⁸ Ibid.

⁴⁹ Letter, Herschel V. Johnson to Charles F. Brannan (Secretary of Agriculture), Jan 15th, 1951, TPL, Herschel V. Johnson Papers, Box 2, Folder CORRESP. 1932-1953 "B" Folder 3 Opt. Cit., Truman Library – Herschel V. Johnson Papers

⁵⁰ Enclosure "Original of Letter addressed to Mr. Gaston of the Eximbank" of Letter Herschel V. Johnson to Edward G. Miller, July 23, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File, 1949- 53, Bolívia -Brazil, Box 2, Folder Brazil 1951

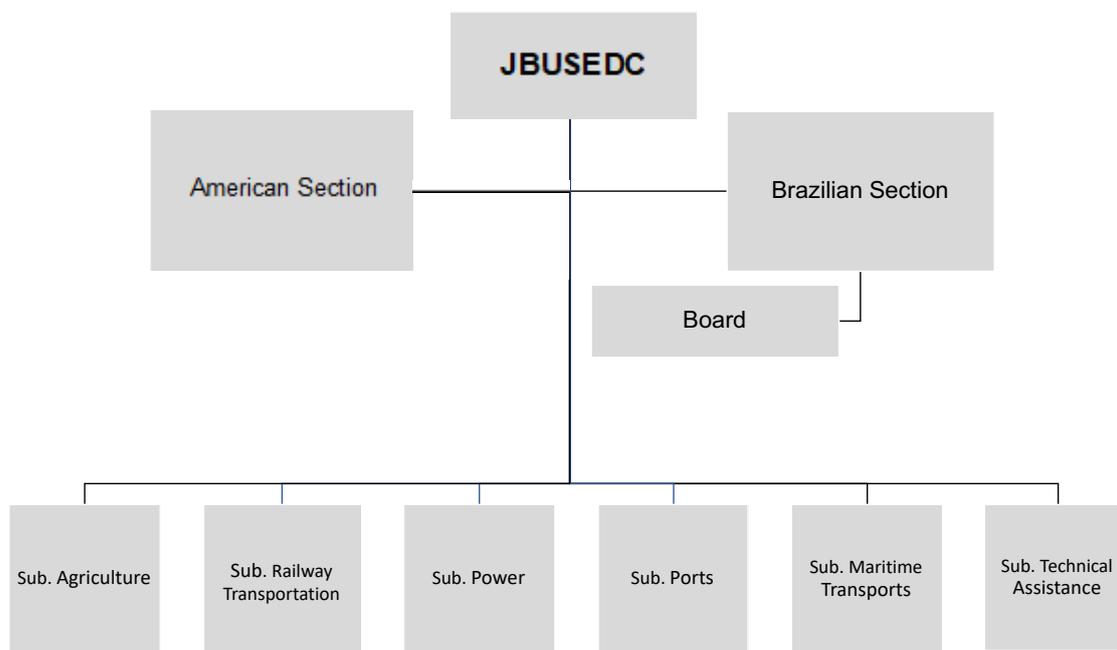
⁵¹ Memo, Documento N°1 "Nota verbal do Ministério das Relações Exteriores à Embaixada Americana", COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO Relatório Geral, 2º Tomo, pp. 19-30; "Relatório Atividades da Comissão Mista Brasil-Estados Unidos entre 19 de julho de 1951 e 31 de dezembro de 1952, CPDOC – FGV, ARC, Folder RC e/ae 51.06.06

⁵² Memo, Documento N°1, COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO, Relatório Geral, 2º Tomo Ibid.

⁵³ Letter, Herschel V. Johnson to Charles F. Brannan (Secretary of Agriculture), Jan 15th, 1951, TPL, Herschel V. Johnson Papers, Box 2, Folder CORRESP. 1932-1953 "B" Folder 3 Opt. Cit., Truman Library –

Hence, there were Sub-commissions of Railway Transportations, Maritime Transports, Ports, Electric power, Agriculture, and, finally, of Technical Assistance.⁵⁴ (See Figure 1.1)

Figure 0-1 - Structure of the JBUSEDC in Brazil



Elaborated by the author. Source: Documento Nº1 “Nota verbal do Ministério das Relações Exteriores à Embaixada Americana”, COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO Relatório Geral, 2º Tomo, pp. 19-30. “Relatório Atividades da Comissão Mista Brasil-Estados Unidos entre 19 de julho de 1951 e 31 de dezembro de 1952”, CPDOC – FGV, ARC, Folder RC e/ae 51.06.06

The IBRD and the Eximbank were supposed to provide loans in foreign currency to implement Joint Commission’s projects. Before submitting projects to these international institutions, the JBUSEDC would evaluate them individually. In principle, IBRD and Eximbank would evaluate these projects basing on their merits and soundness. As for the local costs involved, in *Cruzeiros*, Brazilian authorities had tried to negotiate with the IBRD the provision of loans covering them.⁵⁵ Once they did not succeed, Horácio

Herschel V. Johnson Papers; Memo, Enclosure 1 to Embdes 363, Sept. 6, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil 1949-1950

⁵⁴ Memo, Documento Nº1 “Nota verbal do Ministério das Relações Exteriores à Embaixada Americana”, COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO Relatório Geral, 2º Tomo, pp. 19-30. “Relatório Atividades da Comissão Mista Brasil-Estados Unidos entre 19 de julho de 1951 e 31 de dezembro de 1952, CPDOC – FGV, ARC, Folder RC e/ae 51.06.06

⁵⁵ Memo, “Meeting with Minister of Finance Horácio Lafer”, Feb. 19, 1951, Enclosure Nº1 to Letter Dated March 7, 1951, NARA, RG RG 59, GRDS, M1489, Roll 1, CDF 832.00/3-651

Lafer, Brazil's Minister of Finance (1951-1953), proposed a surcharge of the income tax. The purpose was to raise capital to establish a fund to finance the country's economic re-equipment (the "*Fundo de Reaparelhamento Econômico*"). This fund would provide capital to the National Bank for Economic Development (BNDE – Banco Nacional de Desenvolvimento Econômico) – became a pivotal institutional development of the JBUSEDC. Indeed, not only the BNDE played a fundamental role in subsequent governments, especially during the implementation of Juscelino Kubitschek's (1956-1961) Targets' Plan (Plano de Metas), but it is also still active in Brazil's economic development strategies. Scholars have remarked that the BNDE was a fundamental institution the Joint Commission generated (Malan 2007, Ribeiro 2012, Skaletsky 1988, Weis 1986).⁵⁶

As to the process of implementing JBUSEDC projects, it involved specific requirements, and different levels of evaluation. First, the institution or company interested in the project should present informative data and appropriate justifications as to why an undertaking was necessary. Then, the Sub-commission pertinent to the sector should analyze the proposition and, if necessary, complete it with additional data. In this stage, the Sub-commission directly involved also visited the installations that were supposed to be enhanced and the regions that would be affected by the project proposed. After this stage, the Sub-commission presented the resulting technical report, in English and Portuguese, to superior bodies within the Joint Commission. In the next step, Joint Commission's economists and accountants did the financial analysis, which afterward they also submitted to Joint Commission's superior instances. After finishing all deliberations, if approved, the JBUSEDC would elaborate the project with final recommendations, submitting it to Brazilian Government appreciation. If the Brazilian President approved the project, it would also indicate the BNDE's lending limits to the specific undertaking and approve the request for international financing to the banks. Following his approval, the Joint Commission sent the project to the American Government, which in turn directed it to the appropriate financial organization, the Eximbank, or the IBRD. Finally, the parties would have to wait for banks' responses on whether they would provide (or not) loans.⁵⁷

⁵⁶ For more information concerning the National Bank for Economic Development (BNDE), see TAVARES, M. C. *et alli* (2010).

⁵⁷ "Relatório Atividades da Comissão Mista Brasil-Estados Unidos entre 19 de julho de 1951 e 31 de dezembro de 1952, CPDOC – FGV, ARC, Folder RC e/ae 51.06.06

The Joint Brazil-U.S. Economic Development Commission framework connected to the Point Four program in two features: one was practical and operational, and the other was philosophical, discussed later. The former was that Point Four legislation provided the resources necessary to pay American officials and technicians within the JBUSED. ⁵⁸ Also, the Joint Commission was responsible for ranking priorities of Point Four cooperation projects in the country. Indeed, the General Technical Cooperation Agreement established that Brazil and the U.S. should coordinate all technical assistance activities in the country. For this reason, the U.S. Chairman was also Technical Cooperation Officer for Brazil so that he could coordinate Point Four program activities. Later, to reinforce this role, the State Department approved that U.S. Section's Chairman became the "Embassy TCA (Technical Cooperation Administration) officer in Brazil". ⁵⁹ Therefore, the Head of the United States side of the Joint Commission was assigned Country Technical Director for Brazil. ⁶⁰

While coordinating the multitude of Point Four activities in Brazil, the JBUSED consulted Brazilian institutions interested in developing technical cooperation with the United States, and then recommended these projects to the United States Government, which was supposed to approve them. In general, they successfully obtained this approval. ⁶¹ The Joint Commission's coordination of Point Four projects is evident in annual reports the U.S. Section used to send Washington. These reports encompassed not only specific JBUSED studies and financing perspectives but also notified the U.S. Administration about current stages of all technical cooperation activities in Brazil. ⁶² The importance of the Joint Commission's role in centralizing Point Four activities in Brazil

⁵⁸ *Jornal do Brasil* (hereafter JB), "Com a presença do Embaixador norte-americano – Como falou, nessa ocasião o embaixador Merwin Bohan, ao agradecer a homenagem que lhe foi prestada", Oct. 17, 1951, p. 10

⁵⁹ Embdes 562, Amembassy (Rio de Janeiro) Joint Brazil-U.S. Economic Development Commission to the Department of State, "Views of JBUSED in regard to Funds for Point IV Program in Brazil", Oct., 5, 1952, NARA, RG 59, GRDS, M1489, Roll 4, CDF 832.00-TA/10-551, pp. 3; Embtel 486, Rio de Janeiro to Secretary of State, Oct. 8, 1951, NARA, RG 59, GRDS, M1489, Roll 4, CDF 832.00 TA/10-851; Memo, "Joint Brazil-United States Economic Development Commission", Oct. 9, 1951, NARA, RG 59, GRDS, M1489, Roll 4, CDF 832.00-TA/10-951

⁶⁰ Memo, "Joint Brazil-United States Economic Development Commission" Ibid.

⁶¹ "Sugestões para a Continuação das Atividades de Assistência Técnica do lado Brasileiro após o término da Comissão Mista Brasil-Estados Unidos para o Desenvolvimento Econômico", June 24, 1953, CPDOC – FGV, ARC, Folder e/ae 51.06.06

⁶² Example of these reports are the following can be found at:

Embdes 445, Amembassy to The Department of State, "Point IV Budget for Brazil for Fiscal 1952", Sept. 17, 1952, NARA, RG 59, GRDS, M1489, Roll 3, CDF 832.00-TA/9-1751; Embdes 424, Joint Brazil-United States Economic Development Commission to The Department of State, "Point IV Program. Survey of Brazil's training needs", NARA, RG59, GRDS, M1489, Roll 3, 832.00-TA/9-1251

was also prominent in Brazilians discussions. In 1953, shortly before terminating the Joint Commission, Brazilian authorities concerned that the Institute of Inter-American Affairs (IIAA) would negotiate and coordinate technical cooperation activities directly with the Brazilian Ministry related to the specific field – meaning that they predicted no centralizing effort.⁶³

The Point Four program inherited existing technical cooperation projects between Brazil and the United States. The Institute of Inter-American Affairs (IIAA) was established around 1942 under the coordination of Nelson Rockefeller. The purpose of the IIAA was to provide technical cooperation, thereby stimulating hemispheric solidarity in the context of the Second World War.⁶⁴ It promoted a diversity of projects in Latin America, especially in the fields of health and sanitation, hospital and mass housing construction, and water system installations (Erb 1985, p. 251).⁶⁵ In Latin America, the IIAA became the Regional Office for the Technical Cooperation Administration and thus responsible for the supervision of all Point Four activities in the area. In Brazil, however, the Joint Commission was responsible for coordinating the program's activities. As for the relationship between the Technical Cooperation Administration (TCA), the Institute of Inter-American Affairs (IIAA), and the American Republics Area (ARA) within the Department of State, it was decided that "ARA would be the backstop for Joint Commission activities in Brazil". This specificity meant that "if action were not to be taken in ARA, ARA would be responsible for seeing that the matters referred to it were promptly channeled to proper action offices or agencies".⁶⁶ During the JBUSED's years, cooperation activities, which then was under the premises of the Point Four program, expanded and included agricultural educational programs, industrial productivity schools, public administration, geology, revamping teaching methods, revising trade school courses to meet local needs for workers and the training of Brazilian technicians abroad.⁶⁷ In preparation for JBUSED's termination, Brazil and the U.S. signed a "Special Services

⁶³ "Comentários Referentes ao Projeto de Acordo Sobre Serviços Técnicos Especiais entre os Governos Brasileiro e Americano", 1953, CPDOC – FGV, ARC, Folder e/ae 51.06.06

⁶⁴ Embdes 1188, Amembassy Rio de Janeiro to The Department of State, "TCA Point IV Budget Presentation, Fiscal 1954 Brazil", Feb. 12, 1953, NARA, RG 59, GRDS, M1489, Roll 5, 832.00-TA/2-1253

⁶⁵ For more information on the history of the Institute of Inter-American Affairs, see Claude C. Erb (1985). *Prelude to Point Four: The Institute of Inter-American Affairs*. *Diplomatic History*, Vol. 9 No. 3 Summer 1985, pp. 249-269).

⁶⁶ Memo, "Joint Brazil-United States Economic Development Commission", Oct. 9, 1951, NARA, RG 59, GRDS, RASSLAA 1949-53, Subject File 1949-53 Bolívia Brazil, Box 2, Folder Brazil 1951

⁶⁷ Article, "This is Point 4 in Latin America" by C. C. Rowe (Vice-President of the Institute of Inter-American Affairs) TPL, Stanley Andrews Papers, Gov't Service File 1953, Box 10, Folder 1 Point IV and Technical Coop. Adm.

Agreement” on May 30th, 1953.⁶⁸ This agreement granted that ongoing technical cooperation projects would not be interrupted and provided the framework to future ones. In sum, the accord, valid until 1960, determined that the Director of Technical Cooperation administrated bilateral cooperation activities in Brazil, alongside local authorities, and under Brazil’s Federal government approval.⁶⁹

The Joint Commission also shared of Point Four’s philosophical values. During his speech in the JBUSEDC opening ceremony, João Neves da Fontoura, the Brazilian Minister of Foreign Relations (1951-1953), remarked “the necessity of strengthening the democratic countries socially, by raising their standards of living and increasing their productivity, for the welfare and liberty of the peoples, and the stability of democratic institutions (...)”. According to him, those were the premises of U.S. economic cooperation with Brazil.⁷⁰ Merwin Bohan, Acting Chairman of the American Section of the JBUSEDC, in his speech said that such undertaking was a “challenging opportunity that ha[d] been presented to prove again that the underlying philosophy of the Point Four program [was] a philosophy of action and not of words.”⁷¹ When Dean Acheson, U.S. Secretary of State, visited the Joint Commission in July 1952, Roberto Campos also highlighted some of these values. He stated that the “Joint Commission [...] was a pioneering experiment [...] in breaking vicious circles. The first of these cycles [laid] in the field of planning. [...] The second vicious circle relate[d] to investment”.⁷² The former was that working alongside American experts, Brazilian technicians learned how to develop “thought-out plans and projects”, complying with IBRD and Eximbank requirements. The latter was that JBUSEDC methods included partnering with foreign private investment to foster development. Campos reinforced that the “Joint Commission had wisely decided to concentrate on breaking bottlenecks [...] on railroad transports, ports, and electric power [...]”. Thus, by improving key infrastructure shortcomings, private enterprise would be

⁶⁸ Embtel 1628, Rio de Janeiro to Secretary of State, May 30, 1953, NARA, RG 59, GRDS, M1489, CDF 832.00-TA/5-3053

⁶⁹ Embtel 1267, Amembassy Rio de Janeiro to The Department of State, Enclosure of the Original Agreement in “Special Services Program Agreement”, Jun. 5, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00 TA/6-553

⁷⁰ Embdes 134, “Inauguration of Joint Brazil-U.S. Economic Development Commission”, Amembassy Rio to State Department, July 24, 1951, Enclosure N°1 “Translation of speech by Minister João Neves da Fontoura”, NARA, RG 59, GRDS, M1489, Roll 3, CDF 832.00-TA/7-2451

⁷¹ Speech, July 23, 1951, TPL, Merwin L. Bohan Papers, Box 7, Folder Correspondence File Subject File – “The Development of Brazil” (report)

⁷² “Speech Delivered by Dr. Roberto Campos on the Occasion of Secretary of State Dean Acheson’s visit to the Joint Brazil-United States Commission for Economic Development, July 4th, 1952, CPDOC – FGV, ARC, Folder 57.06.06 e/al doc 1 a 7

stimulated. With the benefit of hindsight, Bohan wrote a personal letter to Edward G. Miller in 1965, which stated: “I do believe in making people work out their problems with blood, sweat, and tears and helping them to the hilt with hard (and hardboiled) loan”.⁷³

Implementation of JBUSEDC, however, fell short of expectations. The JBUSEDC had difficulties in obtaining the foreign loans necessary to pay for the foreign currency costs of development projects. Great difficulties involved dealings with the World Bank, which became increasingly demanding as to conditionalities towards Brazil. This issue had decisive impacts on the possibilities of developing infrastructure projects. When the Joint Commission terminated, it had elaborated 41 projects, with a total cost of 21,9 billion *Cruzeiros* (including local expensed and foreign loans). Up until December 1953, Brazil obtained 181,1 million loans in foreign currency (47% of the total required).⁷⁴ The Vargas’ Administration could not implement its development plan, the National Plan of Economic Re-equipment (also known as Plano Lafer), without the foreign loans necessary to implement JBUSEDC’s projects. The concrete results of JBUSEDC implementation records are further addressed in Chapter 3. Many have contended that the termination of the Joint Commission was somewhat puzzling. In general, however, the literature has stated that the Eisenhower Administration (1953-1961) unilaterally decided to terminate the Commission’s activities. The topic below sheds light on this issue.

1.3 The Termination of the JBUSEDC

The literature has remarked that the end of the Joint Brazil-United States Economic Development was a unilateral action taken by Dwight Eisenhower’s Administration (1953-61) (Hirst 1990 and 2012, Malan 2007, Skaletsky 1988, Weis 1986). Indeed, Eisenhower’s approach towards Latin America involved a tougher stance as to the provision of economic aid. Like Truman’s administration, Eisenhower was unwilling to provide long-term loans to foster development in the region (Haines 1989, Hilton 1981,

⁷³ Letter, Merwin L. Bohan to Edward G. Miller, Jr., Jan. 8, 1965, TPL, Merwin L. Bohan Papers, Box 9, Folder Correspondence File - Subject File – Joint Brazil-United States Economic Development Commission

⁷⁴ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO (CMBEU). *Relatório Geral*, vol.1. Rio de Janeiro, 1954, p. 9-11

Hirst 2013, Rabe 1978). Therefore, uncertainty about JBUSEDC's prospects mounted. The position of American policymakers during the Eisenhower administration was to deny that any formal commitment to the financing of Joint Commission's projects existed (Hirst 1990 and 2013, Hilton 1981). A letter sent by Bohan in January 1953, reinforce these ideas. In this document, he ventilated that he was "deeply disturbed [...] by the attitude in Washington towards the Joint Commission". Still referring to the Joint Commission, he also affirmed that there was "no one [in the State Department] with any marked feeling of responsibility with respect to the fate of what [was] certainly the most important and imaginative project in the field of economic cooperation in Latin America".⁷⁵ However, there is empirical evidence that one should not assume constraints caused by the Eisenhower administration should justify the termination of the Joint Commission entirely. Although Eisenhower was eager to finish JBUSEDC activities, other important elements should be highlighted.

Implementing JBUSEDC's projects was complicated from the outset. As it will be argued in Chapter 2, the IBRD was the lender of first instance for Brazil's development projects, but the Bank's approach towards Brazil's loan requests was harsh. However, Merwin Bohan, who was involved with JBUSEDC activities since the beginning, had put forward (also since the very beginning) that the Joint Commission should not exist for long. An example of his argument lies in a Memorandum he wrote to J. Burke Knapp, who was about to take office as the Chairman of the American Section. In this document, dated October 1951, he stated the Joint Commission experience in Brazil could be used only for a limited experience of time. He argued that:

"in some of the backward areas of the world, a Joint Commission might function indefinitely, but in a proud and nationalistic country, such as Brazil, the United States cannot too long play the intimate role of an economic doctor without unfortunate repercussions".⁷⁶

Also, according to him, the JBUSEDC initiative would only succeed as foreign loans to the projects recommended were being obtained. He closed the issue by affirming that he thought "the Joint Commission [could] disappear in a blaze of glory within a period of

⁷⁵ Letter, Merwin Bohan to Mr. Mann, "Brazil – Joint Commission", Jan. 21, 1953, TPL, Merwin L. Bohan Papers, Box 7, Folder Correspondence File – Subject File "The Development of Brazil" (report)

⁷⁶ Embdes 596, Amembassy Rio de Janeiro - Joint Economic Development Commission to The Department of State, "Resumé of activities and programs of the Joint Commission", Oct. 11, 1951, NARA, RG59, GRDS, M1489, Rol 4, CDF 832.00-TA/10-1151

eighteen to twenty-four months.”⁷⁷ Therefore, even though prospects for Joint Commission continuation were doubtful once Eisenhower took office, Merwin Bohan, one of the key figures in the history of the JBUSEDC who favored loans to Brazil, predicted that such undertaking should not live long in the country.

As foreign financing got increasingly complicated and Brazilian tensions with the IBRD escalated, Bohan insisted that the Joint Commission should be terminated. During negotiations with IBRD authorities to guarantee at least a sizeable loan package for first JBUSEDC projects, in May 1952, Merwin Bohan mentioned to Herschel Johnson, the U.S. Ambassador to Brazil, that, given the situation, he “felt that the Joint Commission should be liquidated as soon as appropriately possible [...] by the end of that year.”⁷⁸ In sum, empirical evidence reveals that, even before Eisenhower took office, American authorities decided that “anything that [would] get [the] running fight between Brazil and the IBRD out of [their] hair [would] be more than welcome.”⁷⁹ Edward G. Miller reinforced this was a “definitive argument for winding up the Commission early next year [1953].”⁸⁰

When the Eisenhower Administration began, Merwin kept his position that the Joint Commission’s activities should end. His main argument was that loans would not be forthcoming. He remarked that “either rightly or wrongly, the Commission had become indelibly linked in the public mind with the investment program.” Thus, “once it can no longer consider new projects or obtain further credits, it is to the interest of both countries to terminate it, since it will [...] become a liability rather than an asset in [...] Brazilian-American relations.”⁸¹ He reinforced that the BNDE would be appropriately installed by then, thereby being able to carry the planning functions of the Commission properly. Besides, the JBUSEDC had already finished most of its infrastructure studies. Up until then, the Joint Commission had already secured US\$ 119 million in loans, “all but US\$ 35,7 from the Export-Import-Bank.”⁸²

⁷⁷ Ibid.

⁷⁸ Letter, Merwin L. Bohan to Herschel Johnson, May 29, 1952, NARA, RG 59, GRDS, RASSLAA (Edward G. Miller) 1949-1953, Subject File 1949-1953 Brazil-Chile, Box 3, Folder Brazil 1952

⁷⁹ Letter, Edward G. Miller to Merwin Bohan, Sept. 19, 1952, NARA, RG 59, GRDS, RAASLAA (Edward G. Miller) 1949-1953, Subject File 1949-53 Brazil-Chile, Box 3, Folder Brazil 1952

⁸⁰ Ibid.

⁸¹ Letter, Merwin Bohan to Mr. Mann, “Brazil – Joint Commission”, Jan. 21, 1953, TPL, Merwin L. Bohan Papers, Box 7, Folder Correspondence File – Subject File “The Development of Brazil” (report)

⁸² Ibid.

On April 2nd, 1953, Washington formally instructed the American Embassy in Rio de Janeiro to terminate JBUSED C activities by May 30th.⁸³ The U.S. Ambassador to Brazil, Herschel Johnson, worried about repercussions in Brazilian domestic politics. His Brazilian counterparts wanted to keep the Joint Commission until the end of 1953. Johnson recommended Washington that “if a satisfactory basis of understanding for extended life [of] the commission could be found, [...] it would be in our [the U.S.] interest to meet Brazilian view[...]”.⁸⁴ By that time, the American Section was already working out a financial plan that should provide for an agreement on foreign financing of pending JBUSED C projects. The financial plan was considered Brazil’s foreign indebtedness limits, thereby focusing on an “orderly and systematic implementation [of] [the] joint commission program.” According to him, this negotiation strategy would “permit Brazilian conception of U.S. commitment, relieving U.S. from joint responsibility in implementing the program.”⁸⁵

Eisenhower’s Minister of Foreign Relations, John Foster Dulles, argued that continuing Joint Commission’s efforts “would not improve prospects [of] financing projects.” American policymakers were aware that Brazilians “believed [the] existence of [the] Joint Commission [would] help obtain commitments from [the] banks or shift balance program financing to Eximbank or Treasury.” Washington made clear that neither possibility existed. They stressed that Brazilian development projects financing had to respect the limits of healthy Brazilian indebtedness. The instruction also recommended that the IBRD and the BNDE worked together to establish the limits of Brazilian indebtedness properly. In this case, the IBRD was willing to establish a representative in Brazil to develop the work with BNDE officials.⁸⁶

However, Brazilians insisted that “financing [should] be assure[d] in advance for the projects recommended by the Joint Commission and processed in those banks following with their respective statutory provisions”.⁸⁷ They argued that because they expected that foreign financing was assured, Brazilian Minister of Finance, Horácio Lafer,

⁸³ Instruction (hereafter Instr.) N° 77, The Secretary of State to Herschel Johnson, April 2, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/4-253

⁸⁴ Embtel 1538, Herschel Johnson to ARA, May 6, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/5-653

⁸⁵ Embtel 1534, Bohan to Atwood, May 5, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/5-553

⁸⁶ Deptel 1197, Dulles to Amembassy Rio de Janeiro, May 8, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/5-653

⁸⁷ Embtel 1623, Rio de Janeiro to Secretary of State, May 29th, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/5-2953

had “established the National Economic Development Bank (BNDE) as the organization charged with disbursing the funds and administrating the economic development program”, thereby putting considerable burden upon Brazilian taxpayers.⁸⁸

This argument convinced some American authorities to keep the JBUSDC functioning until September, as Brazilians had required. Also, U.S. policymakers concerned that ending the Commission’s activities could jeopardize bilateral relations with Brazil. Ultimately, the United States agreed on postponing the termination of the Joint Commission to September 1953. However, Americans argued, Brazilians had to relinquish insisting on the “allegedly financial commitments”, which [the] U.S. did not consider “relevant Commission terms of reference.”⁸⁹

Although Brazilians were more comfortable with the new termination date, they postponed on formalizing their agreement. The Department of State was annoyed with Brazil’s procrastination. They even wrote to the U.S. Embassy in Rio de Janeiro, claiming that: “Brazilian insistence [to] hold Commission open pending financing understanding will not serve Brazilian purpose [of] extract any more favorable consideration [in] financial aspects”. In the same document, U.S. officials argued that Brazil’s “attitudes were considered unreasonable [...] despite acknowledging Brazilian internal political crisis”. They also stated that “holding Commission hostage [would] create a poor climate for examination of the financial problem.” State Department also recommended that discussions referring to alleged financial commitments should be discrete to avoid distortion by the press.⁹⁰

When Oswaldo Aranha, the new Brazilian Minister of Finance (1953-1954), took office in June, possibilities increased that Joint Commission would end without reference to financial aspects. Indeed, Brazil formalized the Joint Commission termination after the change in Cabinet.⁹¹ Oswaldo Aranha suggested they formalized termination date through a simple announcement and “did not impose difficulties to close Joint Commission, neither considered there [could] exist financing commitments”.⁹² The

⁸⁸ Ibid.

⁸⁹ Deptel 1271, Dulles to Amembassy Rio de Janeiro, May 30, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/5-2953

⁹⁰ Deptel 1310, Dulles to Amembassy Rio de Janeiro, June 6, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/6-553

⁹¹ Embtel 1342, Cabot to Bohan, June, 17, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF CDF 832.00-TA/6-1753; Embtel 1738, Bohan to Cabot, June 19, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/6-1953; Embtel 1751 June 22, 1953 CDF 832.00-TA/6-2253

⁹² Embtel 1739, Walmsley to Cabot, June 19, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/6-1953

JBUSESC substantive work terminated in September 1953. However, the parties agreed to maintain some of its work until December 31st, 1953, only to finish reports, including an English version summarizing Commission's activities and conclusions, entitled "*The Development of Brazil.*"⁹³

Empirical evidence demonstrated that Eisenhower's administration was eager to finish the Joint Commission's activities. However, even Joint Commission's enthusiasts, such as Merwin Bohan, contended that such undertaking in Brazil could not last much longer than it did. Besides, problems to obtain substantial foreign loans from the IBRD reinforced this perspective. Although the literature has remarked that ending the JBUSEDC was a unilateral decision taken by Eisenhower's administration, primary sources reinforce that one should question this position. U.S. authorities were keen to end the Joint Commission unilaterally in case they did not reach an agreement with Brazil. John Cabot, U.S. Assistant Secretary of State for Inter-American Affairs (1953-1954), clearly contemplated this possibility as a last resort.⁹⁴ When Aranha took office as Finance Minister, he did not offer difficulties and finally set the date to finishing Joint Commission's activities in Brazil. Either way, the Brazilian press portrayed such a result as frustrating.⁹⁵ Indeed, a bitter feeling remained among many of Brazil's policymakers as to the prospects of bilateral economic cooperation with the U.S.

1.4 Concluding Remarks

The Joint Brazil-United States Economic Development Commission was established in 1951 in the context of the early Cold War years under the prospects of the so-called Point Four program. Since the IBRD and the Eximbank were supposed to provide loans to implement Joint Commission's projects, it was an innovative technical and economic cooperation program. Thus, Brazilians hoped this was a remarkable

⁹³ Deptel 258, Department of State to Amembassy Rio de Janeiro, Sept. 24, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/9-2453 IMG_1350 NARA DIA 7, Deptel 69, Groves to Figgie, Sept. 11, 1953, NARA, RG 59, GRDS, M1489, Roll 5, Desp. 441. Amembassy Rio de Janeiro to The Department of State, Sept. 28, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00TA/9-2853

⁹⁴ Embtel 1342 Opt. Cit.

⁹⁵ O Estado de São Paulo (hereafter ESP), "O fim melancólico da Comissão Mista Brasil-Estados Unidos", Dec. 31, 1953, 1^o caderno, p. 3

opportunity to address many of the country's infrastructural bottlenecks - however, the Joint Commission based on the premises of "self-help" ideas. Also, one should have in mind that negotiations to create the JBUSED C were contingent to U.S. Cold war priorities.

The Joint Commission's institutional framework in Brazil was very relevant. Its structure comprised a Brazilian and an American section, and each one had specific Sub-commissions on each priority field (power, railway transportations, agriculture, ports, maritime transports). There was also a sub-commission focused on Technical Assistance. Both Brazil and the U.S. had assumed co-responsibility for elaborating specific projects addressing Brazil's most urgent infrastructure bottlenecks. Both Brazil and the U.S. had assumed co-responsibility for elaborating specific projects addressing Brazil's most pressing infrastructure bottlenecks. Also, the JBUSED C had to previously approve loans before submitting them to either the Eximbank or the IBRD. The specific sub-commission would develop field studies, specific cost-benefits analysis, and elaborate a project, recommending a certain amount of foreign loans and Cruzeiros to pay for the undertaking. Then, the Brazilian president should approve the project and the costs concerned before the Joint Commission submitted them to the banks. The documents show that it seems the Joint Commission became a joint Brazilian-American team. Another interesting finding that had not been addressed in scholarly works is that the JBUSED C centralized and coordinated all Point Four activities in the country. In other Latin American countries, the Institute of Inter-American Affairs (IIAA) held this function. Hence, the JBUSED C activities involved not only dealing with the country's most pressing infrastructure constraints but also contemplated technical cooperation within the Point Four program in a multitude of sectors. These activities included actions in the fields of health and sanitation, housing, agriculture techniques, and the training of Brazilian technicians abroad, among many others.

It is widespread in the literature that closing the Joint Commission was a unilateral decision taken by Eisenhower's administration. However, although it was U.S. initiative to propose its end in 1953, even those more enthusiastic with the JBUSED C undertaking, such as Merwin Bohan, foresaw that it should not last longer than it did. By 1952, obtaining IBRD's loans got increasingly complicated, thereby hampering prospects of implementing many of the development projects envisaged. Since then, American authorities agreed that ending the Commission would be the wisest decision. Brazilian authorities at first tried to keep the Joint Commission working and argued that there were

pending financial commitments. Although Eisenhower's administration was willing to, if necessary, unilaterally close the JBUSED, it did not need to come to this dramatic end. Anyway, a bitter feeling remained. Records of loans necessary to implement most projects fell below expectations. Indeed, several were the challenges to implement the Joint Commission's projects. The following chapter addresses them.

Chapter two – “Shooting in the Dark”: The JBUSED, the Eximbank and the IBRD

In the immediate post-Second World War period, economic development and infrastructure deficiencies were central to political discussions in Brazil. The Brazilian Finance Minister, Horácio Lafer (1951-1953) developed the National Economic Re-equipment Plan, also known as Lafer Plan. Besides focusing on economic stabilization, the Lafer Plan intended to pursue projects that reflected urgent infrastructural needs considered key bottlenecks for Brazil’s development. Therefore, the Vargas Administration development plan counted significantly with the Joint Commission’s success (IBRD) (Ribeiro 2012, Skaletsky 1988, Vianna 1986, Weis 1986). However, in addition to domestic financing, which was to be provided by the recently created National Bank of Economic Development (BNDE), the Lafer Plan depended on foreign financing. Notwithstanding, obtaining loans from both the IBRD - and from the Export-Import Bank (*Eximbank*) to a lesser extent - became a challenging endeavor.⁹⁶

Although U. S. authorities avoided formally assuring loans to JBUSED, they stated they would side with Brazil so that the Eximbank or the IBRD provided loans to “sound” projects developed by the JBUSED (Bastos 2012, p. 416; Haines 1989, Hilton 1981, Weis 1986). However, evidence shows that position within the U.S. Government about loans to Brazil was far from unanimous. There were differences between the Departments of State and Treasury on how to address U.S. loan policy to Brazil. Hence, U.S. authorities more involved with the JBUSED had to press U.S. high-ranking officials for a final position on American economic aid policy to Brazil (Haines 1989, p. 67-68).

The literature has exposed that conditionalities were frequently imposed in loan negotiations with Brazil. IBRD officials threatened to withhold loans to JBUSED projects on many occasions. Among these conditionalities were matters such as demanding changes in the management of the Brazilian state-owned railway system and national macroeconomic policies. For instance, the Bank pressed Brazil to approve a free-exchange market bill. Indeed, loosening the Brazilian foreign exchange-market regime was supposed to make Brazilian exports more competitive and alleviate problems in the

⁹⁶ For more information concerning the National Bank for Economic Development (NBED), see: TAVARES, M. C. *et alli* (2010).

country's balance of payments and trade. Also, this measure would facilitate the remittance of profits from Brazil (Bastos 2012, p. 417, D'Araújo 1982, p. 146-148, Haines 1989, Malan et. al 1980, pp. 113-177, Priest 1999). Besides, Brazil was going through a foreign-exchange crisis (known as the "dollar gap" problem) in this period (Bastos 2012, pp. 427, Malan et. al. 1980. p. 113-177). Thus, this context is crucial to comprehend the difficulties in implementing JBUSEDC projects.

Another pressing issue was the Eximbank-IBRD jurisdiction conflict (Haines 1989, Vianna 1986, Priest 1999, Malan 2007).⁹⁷ American and IBRD authorities only began to effectively address this problem when Vargas took office in early 1951. After negotiations, they concurred the IBRD would be the primary lender to Brazilian development projects. However, as the Bank's position got tougher towards Brazil, many in the country considered its conditionalities an attack on Vargas' financial and economic policies (Haines 1989, pp. 74). In this chapter, we identify that difficulties in obtaining loans from the IBRD were the main problem in implementing Joint Commission's projects.

Although scholars have addressed the problems of loan negotiations for economic development between Brazil, the U.S., and the IBRD in this period, these studies have not focused on the challenges and specific implications involved in implementing JBUSEDC projects. Neither have they focused on the specific dynamics of the three-party arrangement between Brazil, IBRD, and U.S. authorities to implement Joint Commission's projects. Analyzing this negotiation process is then crucial to assess U.S. bilateral cooperation program with Brazil and its limitations.

This chapter argues that, although the Joint Commission was a bilateral technical cooperation project between Brazil and the United States, it depended mostly on a third party – the IBRD - to execute its projects. The chapter analyzes the difficulties in implementing JBUSEDC projects while also addressing policymaking issues between the actors involved. It argues that the IBRD approach to Brazil's development projects did not coincide with that of U.S. authorities directly involved with the JBUSEDC. This issue imposed additional challenges on the prospects of implementing JBUSEDC undertakings. While the Joint Commission was an innovative bilateral initiative between Brazil and the U.S., the IBRD adopted a 'get tough' policy towards Brazil by threatening to withhold loans to its projects.

⁹⁷ For further information on the historical development of the IBRD (the World Bank), see Staples (2006, Chapter 3 "The World Bank and Development, 1945-1963").

This chapter aims to shed light on challenges faced by Joint Commission's, United States' and IBRD officials while working together in this three-party dynamic. This study acknowledges that the United States had a significant influence on the IBRD (Woods 2006, Chapter 1). Indeed, frequently the Bank's lending decisions were influenced by the political priorities of its major shareholders ⁹⁸ (Kapur, Lewis and Webb 1997, p. 101). However, contending positions within U.S. policymakers as to which role the IBRD should take in fostering development existed (Woods 2006, Chapter 1). Besides, other issues played an important part in the lending decision-making process. Overall, IBRD dependence on world capital markets, its regard for creditworthiness, and the jurisdiction conflict with the Eximbank were also pressing issues that influenced lending prospects. Brazil's case with the Joint Commission encompassed all these features (Kapur, Lewis and Webb 1997, p. 105-108).

The chapter comprises two sections. Section one explores how the three-party arrangement was challenging since the Joint Commission's very outset. Thus, it first analyzes the processes that led the IBRD to become the lender of first instance to Brazil's development projects and the initial difficulties to get IBRD authorities to express at least some commitment to Brazil. Section two discusses the difficulties in the dealings of both U.S. and Brazil authorities with the IBRD following the establishment of the JBUSED. In sum, it exposes examples of the IBRD tough approach towards Brazil, addressing the events of 1952 in which strenuous negotiations were necessary to guarantee initial and significant foreign loans to Joint Commission's projects. This topic analyzes IBRD's interventionist posture not only regarding Brazilian macroeconomic policies but also regarding specific technical issues on JBUSED projects. These issues reinforce that JBUSED problems with the IBRD jeopardized Brazil-U.S. bilateral relations in the period.

⁹⁸ For instance, Nicaragua, a nation that had roughly one million inhabitants, became one of the largest IBRD borrowers among the developing countries. Indeed, the U.S. maintained a close relationship with the Somoza regime. After Tito's Yugoslavia broke out with the Soviet Union, the IBRD also provided loans. In that case, American authorities had reinforced that Yugoslavia "needed to succeed." Evidence suggests that oil issues came into play on the approval of a loan to Iraq – because it was of U.S. and British interest. For a broader discussion on the issue of the independence of the IBRD and the U.S. political influence capacities in the 1950s, see Kapur 1997, Chapter 3.

2.1 The JBUSEDC and the three-party endeavor: IBRD-Eximbank jurisdiction conflict and challenges from the outset

Implementing JBUSEDC projects turned out to be a complicated issue. The Joint Commission was a bilateral technical cooperation project. However, the IBRD was supposed to finance most of its projects. Negotiations on these loans were troubled from the very outset of the dealings to establish the Joint Commission. Two problems impacted the prospects of implementation of the JBUSEDC: the jurisdiction conflict between the *Eximbank* and the IBRD - a problem that led the IBRD to become the lender of first instance to JBUSEDC undertakings - and the IBRD's resistance to officially announce the number of loans that it could provide to Brazil's development projects.

The jurisdiction issue between both banks was not limited to Brazil. IBRD authorities feared that if the Eximbank provided funds with preferential terms, it could undermine IBRD capacity to provide loans for development through multilateral means (Priest 1999, p. 299; Kapur, Lewis and Webb 1997, p.106-107). Some American authorities advocated that, until the IBRD became an international lender and investment capital grew, the Eximbank should provide alternatives to reach this goal (Priest 1999, p. 300). Nonetheless, IBRD officials, U.S. Treasury Department authorities, and Republican leadership in Congress frowned on this possibility, even though it was supposed to be a temporary measure (Priest 199, pp. 299, Vianna 1986).

In 1945, when Congress approved the Bretton Woods Agreement Act, the U.S. government established a National Advisory Council on International Monetary and Financial Problems (NAC). This cabinet-level body encompassed the secretaries of treasury, state and commerce, the chairman of the board of governors of the Federal Reserve System, and the chairman of the board of the Eximbank. Later, the Administrators of U.S. foreign aid agencies were also included (Priest 1999, p. 301). The purpose of the NAC was to establish the U.S. policy regarding the Eximbank and the newly created financial organizations, such as the IBRD (Priest 1999, p. 301). Its decisions then reflected different opinions and interests in the U.S. concerning American economic aid policy and interests. Hence, the NAC had to settle the resolution of the IBRD-Eximbank jurisdiction problem – a critical condition to start up Brazil-U.S. cooperation within the Joint Commission.

In October 1950, the Brazilian Ambassador to the United States, Maurício Nabuco, expressed to the U.S. President Harry Truman the Brazilian difficulties in obtaining financial assistance from the United States. Nabuco voiced that the problem already involved the “exact spheres of operation of the Export-Import Bank and the International Bank.” According to Edward G. Miller, the Assistant Secretary for Latin American Affairs, President Truman told Nabuco that “he would take a personal interest in Brazil’s problems.” At that moment, negotiations to establish the JBUSEDC under the provisions of Section 410 of the “Act for International Development” (the “Point Four” Law) were already in place. Also, at that moment, IBRD officials had already pointed out the inadequacies of Brazilian projects already submitted to the Bank. Indeed, one of the main purposes of the JBUSEDC was to remedy Brazil’s inability to prepare projects following the criteria of the banks.⁹⁹

Shortly after the aforementioned Nabuco-Truman meeting, Miller remarked that among the main difficulties involved was that Brazil felt that it was “shooting in the dark” because it had received no definite estimation of borrowing possibilities with the Eximbank or the World Bank. He emphasized that organizing financial and economic cooperation with Brazil was virtually impossible until “the jurisdiction conflict arising from the uncertainty as to the exact spheres of operation of the Eximbank and the International Bank was unresolved.” Miller insisted that the Joint Commission, once created, “would need to know something of the available range and source of assistance.” According to him, therefore, an understanding between the banks was urgent. He suggested that the Eximbank should limit its new development loan activities in Brazil for the 1951-54 period to approximately US\$ 100 million dollars and focus on projects involving U.S. national interests and institutions that were already Eximbank’s clients. As for the IBRD, he advised it should announce, as soon as possible, the intention to provide a total of US\$ 250 million in loans to Brazil.¹⁰⁰ However, not only the IBRD would not come even close to this target amount of loans (as shown in further details in Chapter 3), but also, this was not a substantial value when compared to the Bank’s disbursements to other countries in the period.¹⁰¹

⁹⁹ Offmemo, “Brazil – Operating Spheres of Export-Import Bank and International Bank”, ARA – Asst. Secretary Miller to The Secretary, Oct. 26, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil 1949-1950

¹⁰⁰ Ibid

¹⁰¹ Between 1948-61, the IBRD gross commitments to less developed countries totaled US\$ 2,9 billion. Of this amount, US\$ 2,4 was directed for power and transportation specific projects, and 0,1 billion to

Department of State and World Bank authorities discussed the jurisdiction regarding the IBRD and Eximbank's activities in Brazil a few days later, on October 30th, 1950. They proposed a tentative agreement, which Miller considered "the most encouraging thing that had ever come out of the International Bank concerning Latin America." The general tentative understanding put the World Bank as the chief investment banker of Brazil. Hence, the IBRD stated that it was able and willing to provide loans for sound development projects in Brazil, within the limits of the country's healthy indebtedness. As for the target amount, although it made clear that it did not mean a firm commitment, the Bank informed it was prepared to provide about US\$ 250 million in loans in the following five years. The President of the World Bank, Eugene Black, also informed that subject to the approval of the Executive Directors, he was willing to make an official public statement to Brazil informing this decision.¹⁰² On the other hand, the State Department should recognize the position of the World Bank as the first instance source of loans to Brazilian development projects. Accordingly, the State Department should seek a decision from the NAC in which U.S. agencies loans to Brazil would be limited to "projects which were such integral parts of projects previously financed by loans from them, being clearly inappropriate for the International Bank to undertake, and projects which the United States Government attached special strategic importance." The tentative agreement also considered that the maximum number of projects to be financed by American agencies – i.e., the Eximbank - should be "moderate", and "self-liquidating".¹⁰³

Agriculture and irrigation undertakings. Among the borrowers were, besides Brazil, Burma (Myanmar), Ceylon, Chile (Sri Lanka), Colombia, Costa Rica, Ecuador, El Salvador, Ethiopia, Guatemala, Haiti, Honduras, India, Iran, Iraq, Lebanon, Malaya (Malaysia), Mexico, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Sudan (after independence in 1956), Thailand, Turkey, United Arab Republic (Egypt), Uruguay and Yugoslavia (Kapur, Lewis and Webb 1997, p. 86). For comparison purposes, IBRD's economic assistance to Europe reached US\$ 18 billion over four years (Kapur, Lewis and Webb 1997, p. 90). It is also important to highlight that, in the 1950s, out of the US\$ 5,1 billion in total lending commitment for development purposes, one third (US\$ 1,7 billion) went to Europe or other more developed countries. For instance, Australia received US\$ 317 million, and Japan received US\$ 447 million. In 1951, the IBRD disbursed a total of US\$ 57 million to less developed countries. In 1952, the total was US\$ 89, in 1953 US\$102 and 1954, US\$ 117 million. Indeed, the lending amount was modest when compared to what was needed for fostering development. In 1951, for example, the UN had informed that "the world needed about US\$10 billion a year in external capital to sustain a 2% annual growth in per capita national income". For further information on IBRD's disbursements in the 1950s, see Kapur, Lewis and Webb 1997, Chapter 3.

¹⁰² Letter, Edward Miller to The Secretary, Oct. 30, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil – 1949-1950; Offmemo, Messrs. Black, Garner and Anderson to Edward Miller, Enclosure to letter from Miller to the Secretary of State, Oct. 30, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil – 1949-1950

¹⁰³ Ibid

The U.S. Secretary of Treasury, John Wesley Snyder, should discuss the proposal with the NAC. Finally, the latter should communicate its decision on the issue to instruct the U.S. Executive Director of the World Bank in case Eugene Black proceeded by presenting the proposal to the Bank's Board. Another positive outcome was that Eugene Black mentioned that he was willing to send a full-time officer to Brazil to accompany the Joint Commission's activities.¹⁰⁴

The Secretary of State, Dean Acheson, and the Secretary of Treasury Snyder positively reacted to the proposal.¹⁰⁵ On the other hand, State Department authorities, such as Ivan B. White, Director of the Office of Regional American Affairs within the Bureau of Inter-American Affairs, raised concerns. For him, it was "unduly restrictive on Eximbank's activities." He claimed that because Black's loan amount estimation was not a firm commitment, "the U.S. Government is justified in giving the Eximbank enough elasticity to make its active participation in Brazilian development an attractive proposition." He and Leroy Stinebower, from the Office of Financial and Development Policy (1949-1952), also pointed out that if the "International Bank obtain[ed] a monopolistic position in Brazil, it would be very slow in getting the job done." White also argued that "Black's sights on Brazil's financial requirements were on the low side", claiming that "this country [Brazil] [was] going by leaps and bounds and with the right kind of financial support [could] become the southern counterpart of Canada as a source of hemispheric economic strength." In sum, he advocated that there was room for both banks to act in Brazil.¹⁰⁶ As IBRD's instance in Brazil got tougher throughout the following years, these worries were proven right.

However, the NAC did not conclude the jurisdiction matter soon enough. Dutra wanted to officially disclose the successful negotiations to establish the JBUSED before Vargas took office on January 31st, 1951.¹⁰⁷ However, the jurisdiction IBRD-Eximbank jurisdiction issue on Brazil became a pending matter for President-elected Getúlio Vargas (1951-1954). Despite the discussions it caused, the IBRD's proposal of announcing a

¹⁰⁴ Ibid

¹⁰⁵ Letter, Mr. Stinebower (Office of Foreign Affairs) to Mr. Miller (ARA), Nov. 3, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil-1949-1950

¹⁰⁶ Letter, Ivan B. White to Edward G. Miller, Nov. 8, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brasil, Box 2, Folder Brazil-1949-1950

¹⁰⁷ Letter, Edward G. Miller to Herschel Johnson, Nov. 10, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil-1949-1950; Memorandum of Conversation (Memo), Nov. 20, 1950, NARA, RG 59, GRDS, CDF 1950-1952, Microfilmed M1489, Roll 1, 832.00/11-2050; Letter, Herschel V. Johnson to Edward G. Miller, November 24th, 1950, NARA, RG 59, GRDS, RASSLA, Subject File 1949-1953 Bolívia-Brazil, Folder Brazil – 1949-1950

“\$250,000,000 investment program in Brazil, provided that there be a limitation of the Export-Import Bank’s lending activities in Brazil” did not have significant consequences until Vargas took office. The U.S. government had failed to resolve the jurisdictional issue between the two Banks and also there was a feeling in Treasury that the U.S. “should make no long-term commitments about development because of actual or pending shortages of materials in the U.S.”¹⁰⁸ Indeed, as Cold War tensions escalated and developments of the Korean War were unclear, the United States worried about supplies of strategic materials.

When Vargas took office in early 1951, the Banks’ jurisdiction problem gained new importance because “of the desire of President Vargas to work out broad programs of political and economic cooperation between Brazil and the United States.” Miller emphasized that “the way in which we [the U.S.] responded to [Vargas’] proposal in the next few weeks [would] set the pattern for U.S.-Brazilian relations for years to come.”¹⁰⁹ Indeed, Getúlio Vargas, Brazilian President-elect, had already approached U.S. authorities to reinforce his perspective of cooperation between the two countries. “*The [Brazilian] President Memorandum,*” encompassed fourteen development projects, some of which the JBUSEDC would evaluate in the following years.¹¹⁰ In sum, Vargas claimed that his Administration was unquestionably a U.S. ally and had high expectations on the Joint Commission. However, he expected to negotiate Brazil’s political, economic, and technical cooperation with the United States considering Brazil’s urgent economic development needs. These negotiations, according to him, should take place before the upcoming Washington Conference in March, in which the U.S. intended to obtain Latin American republics’ support due to the Korean War emergency security.¹¹¹

¹⁰⁸ Offmemo, “Brazil”, Mr. Miller to The Secretary, January 24th, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil

¹⁰⁹ Ibid

¹¹⁰ This Memorandum is further addressed in Chapter 3, which includes a list and a description of the fourteen development projects suggested by Vargas.

¹¹¹ U.S. Embassy telegram (hereafter Embtel) 915, Herschel V. Johnson to Secretary of State, Jan. 15, 1951, NARA, RG 59, GRDS, CDF 1950-52, Microfilmed M1489, Roll 1, 832.00/1-1551; Offmemo, Jan. 25, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil

At that point, the U.S. situation in the Korean War was far from comfortable. They feared that the conflict could lead to a third world war, especially after China got directly involved in it. The United States was engaging in a warfare economy. Indeed, they expected Brazilians to contribute by providing strategic raw materials and sending troops to the conflict. Brazil only provided strategic raw materials. For more information on this matter, see D’Araújo (1982) and Bandeira (1973).

The Bureau of Inter-American Affairs answered that Edward Miller intended to go to Brazil to negotiate details of Brazil-U.S. cooperation by mid-February.¹¹² Therefore, Miller appealed to the Secretary of State, Dean Acheson, to resolve the IBRD-Eximbank jurisdiction conflict by involving President Harry Truman directly. He argued that both the difficulties in establishing the Banks' spheres of activities and the uncertainty about the impact of the U.S. rearmament program on international development activities were the main challenges to negotiations with Brazil. At that point, U.S. geostrategic interests were also becoming increasingly evident. Miller claimed the President should intervene by establishing the U.S. Government position concerning "the maximum possible implementation of the Vargas program within the limitations imposed by the emergency" and decide "which of the two lending institutions should deal with given projects."¹¹³

However, there were conflicting views within the U.S. Government itself. Willard Thorp opposed Miller's recommendation. Thorp stated that "the Department [could] not make repeated demands of the President for this personal intervention on individual country programs." He highlighted that U.S. economic assistance programs should take into consideration the broader context of the Cold War, especially U.S. strategic needs. Lastly, Thorp claimed Vargas' approach resembled more a business proposal than a friendly partnership.¹¹⁴

A specific Brazilian program in response to Vargas should be formulated by a Departmental Group, in which Thorp's remarks had to be taken in consideration. Based on this premise, the Bureau of Inter-American Affairs and the Department of Economic Affairs should work on an agreement. In case this was not possible, a meeting between the Undersecretary of State, James Webb, Miller, and Thorp should be organized, in which both the Bureau of Inter-American Affairs and the Department of Economic Affairs

¹¹² Telegram of the State Department (hereafter Deptel) 494, ARA to American Embassy in Rio de Janeiro (hereafter Amembassy), Jan. 20, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil

¹¹³ Offmemo, "Brazil", Mr. Miller to The Secretary, Jan. 25, 1951, NARA, RG 59, GRDS, CDF 1950-52, Microfilmed M1489, Roll 1, 832.00/1-2551

¹¹⁴ Memo, "Brazil", E- Mr. Thorp to The Secretary, Jan. 26, 1951, NARA, RG 59, GRDS, CDF 1950-52, Microfilmed M1489, Roll 1, 832.00/1-2651

The National Security Council Paper NSC 68 was a Top-Secret report presented on April 1950. It was one of the most influential U.S. documents during the Cold War. Among its remarks, there was the idea that the Soviet Union was a threat to the U.S. and thus American policymakers should invest in the build-up of the military and its armaments to counter-act potential Soviet hostilities. Regarding the possibilities of economic cooperation between Brazil and the United States, American authorities were discussing the limits and strategic interests that could be reconciled with the spirit of NSC-68 prerogatives.

would point out specific problems and propose recommendations.¹¹⁵ The impact of Thorp's arguments made clear that any final resolution proposed by the Department of State should be drafted very carefully.¹¹⁶

The Bureau of Interamerican Affairs presented a formal proposition to respond to Vargas' memorandum. The proposition commented on each one of Vargas' fourteen development projects and considered their priorities according to their essentiality to the U.S. defense production. It also recommended a division of projects between both banks. The proposal was that an ad hoc arrangement should establish which Bank would be involved in a specific project in Brazil. According to it, the allocation of projects between the two banks would be arbitrary, based on historical relationships of them on the four fundamental fields of lending activities – transportation, power, agricultural development and mineral production.¹¹⁷ For instance,

“in view of its long history of credit operations in Brazilian railroad and shipping activities, it is believed that the Eximbank would [...] undertake active working [...] in essential projects dealing with railroad rehabilitation and development, coast-wise shipping, port works, aviation and any other essential transportation investment.”¹¹⁸

As for the IBRD, “should be approached with a view to obtaining its active cooperation [...] in the development and execution of the essential projects in the field of agricultural production and energy production”.¹¹⁹ Willard Thorp and his staff agreed with the proposal.

Nevertheless, documents show the IBRD was not supportive of such a project-by-project approach by sectors. Also, Brazil's infrastructure needs were so great that the U.S. indeed would probably have difficulties in complying with extensive commitments. Therefore, the final solution significantly corresponded to the IBRD's first tentative proposal. This is to say that the World Bank would be the lender of first instance to Brazilian development projects. However, projects that were a continuation of financing

¹¹⁵Offmemo, “Discussion with McWilliams on Brazil Memoranda”, Jan. 29, 1951, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil

¹¹⁶ Ibid

¹¹⁷ Letter, Edward G. Miller Jr. to W. Averill Harriman (Special Assistant to the President for Foreign Affairs), Feb. 6, 1951, NARA, RG 59, GRDS, RASSLA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil

¹¹⁸ Ibid; Memo, “Suggested Comments to be made in Mr. Miller's Talk with President Vargas in Pursuance of Vargas' communication of January 15th, 1951.”, ARA/E – Mr. White to ARA- Mr. Miller, January 31st, 1951, NARA, RG 59, GRDS, ASSLA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil

¹¹⁹ Ibid

operations already initiated by the Eximbank should rest under its sphere of action.¹²⁰ Also, the “Export-Import Bank should act on loans for projects in which the United States Government might have a particular interest”. Besides, Eximbanks’ loans to Brazil development projects should be limited to US\$ 100 million. It was also reinforced that the general American policy of not providing public loans to projects to which private capital was available would continue.¹²¹ On February 19th, 1951, Miller personally informed the news to Horácio Lafer, the Brazilian Finance Minister.

However, another matter remained unsolved: Brazilian and American authorities expected an announcement from the IBRD about the loans it was able to provide to JBUSEDC projects. An officer of the American Embassy in Rio de Janeiro mentioned, in 1951, that “Brazilians have been led [...] to expect [...] the IBRD [would] make an announcement regarding the sum it is ready to earmark for projects which may be recommended to the two Governments by the Joint Commission”.¹²² A public statement by the IBRD was critical to Brazilians’ trust in the effectiveness of the Joint Commission. Also, it was fundamental to raise domestic support to pay for the Cruzeiros costs of JBUSEDC projects, since Brazil did not have funds to cover for local costs of development projects.

Indeed, Vargas inherited an economic scenario of increasing inflation and unbalanced public accounts. The government of President Eurico Gaspar Dutra (1946-1951) had successfully balanced the public accounts by 1948 through a combination of severely conservative economic policies and quantitative imports restriction. However, with the upcoming elections in mid-1949, this policy was drastically reversed. Public credit expanded, public sector accumulated deficits, and inflation increased again, reaching 10% in 1950 (Vianna 1987, Vianna and Vilella 2011, Abreu 2013).¹²³ Besides the

¹²⁰ Memo, Enclosure No 1 of Letter dated March 7th, 1951, Sheldon T. Mills to Randolph A. Kidder (Brazilian Affairs -Bureau of Inter-American Affairs), “Meeting with Minister of Finance Horácio Lafer”, Feb. 19,1951, NARA, RG 59, GRDS, CDF, 1950-52, Microfilmed M1489, Roll1, 832.00/3-651

¹²¹ Ibid; Memo, Enclosure No. 2 of Letter dated March 6th, 1951, “Meeting of Assistant Secretary Miller and Mr. Truslow with Members of the Special Committee on United States-Brazil Economic Relations”, Feb. 19, 1951, NARA, RG 59, GRDS, CDF 1950-52, Microfilmed M1489, Roll1, 832.00/3-651; Memo, “Suggestions for negotiation with the Export-Import Bank”, Dr. Roberto de Oliveira Campos to Ary Frederico Torres and Valentim F. Bouças, FGV- CPDOC, ARC, Folder 57.06.06 e/al doc 1 a 7

¹²² Embdes 1736, Amembassy, Rio de Janeiro (JBUSEDC) to the Department of State, “Commitments Covering Financing Joint Commission Program”, JBUSEDC (Merwin Bohan) to the Department of State, May 20, 1953, Enclosure 8 Extracts from Letters and memos, January-March, 1951, “Extracts from letter dated January 12, 1951, Mr. Mills to Mr. Kidder”, p. 1, NARA, RG 58, GRDS, CDF, 1950-52, Microfilmed M1489, Roll1, 832.00-TA/5-2053

¹²³ During Dutra’s government, especially when Correa e Castro was the Finance Minister (1946-1949) the economic policy main target was to reduce inflation. This was also the main justification to keep Brazilian

unbalanced public accounts, the growth of urban demand (mostly handicapped by poor transportation infrastructure), the increase in the prices of agricultural goods, and the foreign-exchange crisis also stimulated inflation during Vargas' term (Vianna and Vilella 2011, Bastos 2012). The foreign-exchange crisis, the 'dollar gap' issue, became a chronic economic problem and it worsened as Brazilian difficulties in the balance of payments deteriorated (Malan et. al. 1980, Chapters 3 and 4).

Given this situation, besides loans to fulfill foreign costs, Horácio Lafer unsuccessfully tried to guarantee international loans to finance Joint Commission's local expenses, in *Cruzeiros*. After the IBRD denied additional funds to this end, Horácio Lafer proposed a national surtax on income, aiming to raise capital to the National Fund for Economic Re-equipment (Fundo Nacional de Reaparelhamento Econômico). This Fund would provide capital to establish the National Bank of Economic Development (BNDE – Banco Nacional de Desenvolvimento Econômico)¹²⁴, which was going to be responsible for paying for local expenses in *Cruzeiros* for JBUSDC projects. This solution aimed at paying for Joint Commission's local costs through non-inflationary methods. However, The Brazilian Congress had to approve Lafer's proposal. Therefore, the official statement by the IBRD was crucial for approving Lafer's bill and, thus, establish the BNDE. In sum, the uncertainty about IBRD's loan target amount was jeopardizing local capital participation and initiative in developing projects.¹²⁵ Since then, this matter was mentioned in most meetings, memoranda and documents involving negotiations between Department of State's, Brazil's and IBRD authorities.¹²⁶ Announcing that the IBRD was willing to become Brazil's investment banker, being prepared to offer, over the next five

Cruzeiro overvalued. Indeed, deficits in public accounts were reversed and credit was reduced. In 1948, the cost of living in Rio de Janeiro was of 3,4%, the smallest since 1940. Overall results of Dutra's economic policy were satisfactory: the average annual rate of GDP was 7,6% and industrial sector expanded to more than 11,4% (Abreu 2013, p. 205). For more information regarding Dutra's economic policies, see Vianna (1987, Chapter 1) and Vianna and Villela 2011, Chapter 1).

¹²⁴ Embtel 1577, Rio de Janeiro (Herschel Johnson) to the Secretary of State (Miller), June 4, 1951, NARA RG 59, GRDS, 832.00-TA/6-451; Outtel 970, Department of State (Acheson) to Amembassy Rio, Jun. 15, 1951, NARA, RG 59, GRDS, CDF 832.00-TA/6-1551

¹²⁵ Memo, "Brazil – Operating Spheres of Export-Import Bank and International Bank", Oct. 26 1950, NARA, RG 59, GRDS, RASSLA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil

¹²⁶ Memo, Enclosure to letter from ARA Miller to the Secretary of State, Oct 30, 1950, NARA, RG 59, GRDS, ASSLAA, Subject File, 1949-53, Box 2, Folder Brazil – 1949-1950; Embdes 1736, Amembassy Rio de Janeiro (JBUSEDC) to The Department of State, "Commitments Covering Financing Joint Commission Program", May 20 1953, JBUSEDC to The Department of State, Enclosure No. 2 "Memorandum Covering Message Conveyed Orally to Drs. Gudin and Bulhões by Sheldon T. Mills on September 25, 1950", RG 59, GRDS, CDF, 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053; Letter, ARA – Mr. Miller to The Secretary, Oct. 30th 1950, Enclosure Memo by Messrs. Black, Garner and Anderson (International Bank) to Edward Miller, Oct 30, 1950, RG 59, GRDS, ASSLAA, Subject File 1949-53 Bolívia-Brazil, Box 2, Folder Brazil 1949-1950

or seven years, approximately US\$ 250 million was part of the deal since the World Bank had issued its first proposition to solve the jurisdiction conflict in 1950.¹²⁷

In a meeting with IBRD's authorities, Brazilian representatives highlighted that the main objective of the Vargas' Administration was to promote adequate fiscal policies, combat inflationary pressures and raise the necessary Cruzeiro funds by non-inflationary methods. They also claimed that they trusted that the Joint Commission's work would help them frame a "balanced and comprehensive long-term investment program through an effective working arrangement [...] established between the Commission and the International Bank."¹²⁸ Brazilians reinforced their need to "pursue an effective developmental policy, since the lack of certain basic facilities, particularly concerning energy and transport, was holding up the development of the country."¹²⁹ Therefore, counting with "an indication, as firm and objective as possible, of the amount of financial assistance it might expect from the International Bank, over specified period" was crucial to reach Vargas' Administration economic objectives: preparing a balanced-long term development program and raising of funds by non-inflationary methods for investment purposes.¹³⁰

IBRD authorities argued that the Bank's statutory procedures prohibited any forward lending commitments. Indeed, the Bank's official policy was to provide loans to individual development projects. Nevertheless, when Brazilian authorities estimated that approximately US\$ 300 million were necessary to implement Brazil's economic development program over the following five to seven years, IBRD representatives signaled that "such a figure [was] as reasonable basis in which the Bank would be prepared to work with the Brazilian Government and with the Brazil-United States Economic Development Commission", provided that no unforeseeable changes in the balance of payments or in the credit-worthiness of the country occurred. The IBRD indication of US\$ 300 million, instead of the previously US\$ 250 million, increased

¹²⁷ Letter, Edward Miller to The Secretary, Oct. 30, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil – 1949-1950; Offmemo, Messrs. Black, Garner and Anderson to Edward Miller, Enclosure to letter from Miller to the Secretary of State, Oct. 30, 1950, NARA, RG 59, GRDS, RASSLAA, Subject File 1949-53 Bolivia-Brazil, Box 2, Folder Brazil – 1949-1950

¹²⁸ Emdes 1736, Amembassy Rio de Janeiro (JBUSED) to The Department of State, "Commitments Covering Financing Joint Commission Program", May 20th 1953, JBUSED to The Department of State, Enclosure No. 9 "A Memorandum on Conversations with the International Bank for Reconstruction and Development", April 12th, 1951, RG 59, GRDS, CDF, 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053, 832.00-TA/5-2053, p. 1

¹²⁹ Ibid, p. 1

¹³⁰ Ibid, p. 1

Brazilian authorities' optimism.¹³¹ However, when American authorities pressed the issue, IBRD representatives reacted by stating that the "IBRD was unwilling to make an announcement at that time, that [the IBRD] [was] a UN an not a US agency".¹³²

The issue was only successfully solved during Horácio Lafer's trip to Washington to attend the IMF meeting in September 1951. By then, the JBUSED C was already officially installed in Rio de Janeiro. However, American and Brazilian technicians were working with no definition of how Brazilians would finance local costs of JBUSED C projects and no clear perspective as to the target amount of loans from the IBRD. Lafer pressed the Department of State, asking for the announcement of US\$ 300 million International Bank loan and demanding US\$ 100 million to be set aside for ports and railways.¹³³ The main argument Lafer posed was that Brazil "was not asking for the money, but for an announcement which could carry conviction to the Brazilian masses that the Joint Commission [was] doing something which [would] be of real and direct benefit for the people."¹³⁴ Lafer insisted Brazilians knew the money was not going to be available until specific and sound projects were submitted for the Bank's evaluation.¹³⁵ Nevertheless, the "International Bank and Mr. [Robert] Garner, the Vice President of the IBRD, were adamant."¹³⁶ Robert L. Garner, for instance, said that the "Bank already had very heavy commitments in Brazil" and stated that he "was not willing to proceed on a political basis, preferring to make loans on a banking basis."¹³⁷ Again, the IBRD answer to Lafer's demand was that the "Bank could not commit itself to a general line of credit for

¹³¹ Embdes 1736, Amembassy Rio de Janeiro (JBUSED C) to The Department of State, "Commitments Covering Financing Joint Commission Program", May 20th 1953, Enclosure No. 10 "Extract from letter from Mr. Kidder to Ambassador Johnson dated April 24, 1951 – Financing by International Bank", April 24th, 1951, RG 59, GRDS, CDF, 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053

¹³² Embdes 1736, Enclosure No. 9, Opt. Cit., p. 1; Embdes 1736, Amembassy Rio de Janeiro (JBUSED C) to The Department of State, "Commitments Covering Financing Joint Commission Program", May 20 1953, Enclosure No. 8 "Extract from letter dated January 12, 1951 from Mr. Mills to Kidder, January 12th, 1951, RG 59, GRDS, CDF, 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053

¹³³ Letter, Herschel V. Johnson to Edward Miller, August 31st 1951, RG 59, GRDS, ASSLAA, Subject File 1949-53, Bolívia-Brazil, Box 2, Folder Brazil 1951; Embdes 1736, Amembassy Rio de Janeiro (JBUSED C) to The Department of State, "Commitments Covering Financing Joint Commission Program", May 20 1953, JBUSED C to The Department of State, Enclosure No. 11 "Extract from Memorandum of Telephone Conversation, August 28, 1951, between Thomas C. Mann, Acting Assistant Secretary of State, Bureau of Inter-American Affairs, and Sheldon T. Mills, Minister Counselor, Rio de Janeiro", dated January 12, 1951 from Mr. Mills to Kidder, January 12, 1951, RG 59, GRDS, CDF, 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053

¹³⁴ Ibid

¹³⁵ Letter, Herschel V. Johnson to Edward Miller, August 31st, 1951, Op. cit., p. 2

¹³⁶ Embdes 1736, "Commitments Covering Financing Joint Commission Program", May 20, 1953, Amembassy Rio de Janeiro (JBUSED C) to The Department of State, Enclosure No. 11 Op. Cit.

¹³⁷ Embdes 1736, Enclosure No. 11 Ibid.

railway and port development in Brazil before the Bank had the opportunity of considering properly worked out projects.”¹³⁸

The American Ambassador to Brazil, Herschel Johnson, argued that the issue was not supposed to be that complicated, once the Bank had already told Brazilians it considered US\$ 300 million a reasonable amount for implementing economic development projects over the next five years. He suggested the Bank to say publicly that it considered “US\$ 100 million a reasonable figure for the Joint Commission to use as its target in preparing projects in the fields of railway and port, [...] if the Brazilian Government [was] ready to take action to provide adequate funds in *Cruzeiros* to cover local costs of the projects.”¹³⁹ Johnson appealed to his counterparts in the Department of State to act on behalf of Brazil’s request and insisted with the BRD to elaborate a note that would not necessarily thwart its statutory policy. Likewise, the U.S. Acting Chairman of the American Section in the Joint Commission, Merwin Bohan, reinforced that the JBUSEDC “was striving to use the general line of credit approach to limit rather than inflate the general program.”¹⁴⁰

After these delicate negotiations, Lafer’s visit to Washington, D.C., paid off. The IBRD, however, demanded from the Department of State repeated and written reassurances that they agreed with the main principles concerning development loans to Brazil, namely that the IBRD was the institution of first resource for financing development projects in Brazil, that the Eximbank would only act in exceptional cases upon consultation with the World Bank and, finally, that “any proposals for development financing in Brazil, either by the International Bank or U.S. agencies, should be undertaken only after consultation with the Joint American-Brazilian Economic Commission.”¹⁴¹ Thus, Eugene Black signed the public statement so that Lafer could report it in Brazil as a precise result of his conversations in Washington.¹⁴² Lafer’s visit to Washington was very successful once it accomplished, with the help of the Department of State, the crucial public statement from the IBRD.

¹³⁸ Embdes 1736, “Commitments Covering Financing Joint Commission Program”, May 20, 1953, Amembassy Rio de Janeiro (JBUSEDC) to The Department of State, Enclosure No. 12, “Extract from letter dated August 31, 1951 from Merwin L. Bohan to Assistant Secretary of State Edward G. Miller, Jr.”, RG 59, GRDS, CDF, 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053

¹³⁹ Ibid. p. 3

¹⁴⁰ Embdes 1736, Enclosure No. 12, Op. cit., p.1-2

¹⁴¹ Memo, Eugene Black to Edward G. Miller, September 14th, 1951, RG 59, GRDS, ASSLAA 1949-53, Subject File 1949-53 Bolívia – Brazil, Box 2, Folder Brazil 1951

¹⁴² Ibid; Statement issued after Horácio Lafer’s visit in Washington, D.C., Sept. 14, 1951, RG 59, GRDS, ASSLAA 1949-53, Subject File 1949-53 Bolívia – Brazil, Box 2, Folder Brazil 1951

The difficulties in overcoming these two critical issues – the IBRD-Eximbank jurisdiction conflict and the Banks’ refusal to make a public statement - reinforce that negotiations to put the JBUSEDC into place were complicated from the outset. The solution to the first problem led to establishing the IBRD as the lender of first instance to Brazil’s development projects. Whereas the prospects of Eximbank loans were limited to US\$ 100 million, the IBRD was supposedly ready to finance loans within the limit of US\$ 300 million, provided each project was approved and recommended by the Joint Commission and, lastly, considered economic sound according to the Bank’s principles. The solution to the latter – obtaining the IBRD’s public announcement on the estimated amount of loans that could provide to Brazil -, showcased the difficulties in dealing with the World Bank. Indeed, the proposed announcement happened only months after the JBUSEDC was already installed.¹⁴³ Not only the IBRD obtained a strong political and economic power in Brazil in the following years, but it also became a “third-party” upon which both Brazilian and American authorities and the JBUSEDC itself needed to rely on to implement most of the projects.

2.2 “Getting tough” with Brazil: IBRD conditionalities and implications to the JBUSEDC

The IBRD general policy of loans required that borrowing countries followed orthodox fiscal and monetary policies; and that the projects financed satisfied strict criteria of ‘credit-worthiness’ (Priest 1999, p. 299). Evidence shows that the IBRD used its position as lender of first instance to Brazil’s development projects to impose several conditionalities. Obtaining the very first loans from the IBRD to implement JBUSEDC projects was indeed a challenge. By 1952 no loans had been granted by either of the banks. Thus far, the JBUSEDC had already submitted eleven projects to both international financing organizations, seven to the IBRD and four to the Eximbank. Also,

¹⁴³ The Joint Brazil-United States Economic Development Commission was officially installed in Rio de Janeiro on July 19th, 1951. The IBRD’s announcement regarding the prospects for loans only occurred later that year on September 14th

another eleven projects were nearing completion by each specific Sub-Commission.¹⁴⁴ Initial loans were conceded only at the end of June that year.

Brazil's deficits in the balance of payments were strongly related to the shortfall in hard currencies (Vianna and Vilella 2011, Bastos 2012, Abreu 2013). In the postwar period, the dollar gap problem was global. Technically, this meant that there was a general scarcity of hard currency in the world – mainly dollar, the world's only convertible currency (Priest 1999, p. 298). Also, Brazil had been applying a liberal policy of foreign remittances since the Dutra Administration. Brazilian policy makers hoped that a liberal policy of foreign remittances would attract dollars to the country. However, the overvalued *Cruzeiro* and the resulting expectation that Brazil would devalue its currency in any moment had made remittances of profits grow steadily (Abreu 2013, Baer 1983, p. 42-44, Bastos 2012, Malan 1980, Malan 2007, Vianna and Villela 2011).¹⁴⁵ Fearing the Korean War could become global - leading to difficulties in obtaining foreign supplies, the Vargas Administration liberalized excessively imports controls in the first year of his term. Besides, since coffee beans remained Brazil's main export product, the country's scarcity of dollars got increasingly critical as the international prices of commodities declined (Vianna 1987, Malan 1980, Malan 2007, p. 90, Vianna and Villela 2011, Bastos 2012, Abreu 2013). Indeed, the worsening of the foreign exchange crisis that took place during 1952, and the mounting commercial backlog put the country in a delicate situation.

As the foreign-exchange crisis worsened, Getúlio Vargas took action against the mounting remittance of profits.¹⁴⁶ Without consulting its American counterparts, in early 1952, Vargas issued a decree that limited foreign remittances. Indeed, Brazil's overvalued exchange-rate stimulated the increasing remittance of capital (Malan 1980, p. 34). Vargas' Decree established that foreign companies' annual profit remittances should not surpass 8% of their registered capital (Bastos 2012, p. 436, D'Araújo 1982,

¹⁴⁴ Source (Reproduction of table): Embes 56, "IIAA Monthly Operations Report – June", Amembassy Rio de Janeiro to The Department of State, July 18, 1952, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00 TA/7-1452

¹⁴⁵ The Bretton Woods accords established a new international monetary system demanding that member-countries pegged their currencies to the U.S. dollar. The U.S., on the other hand, should peg the dollar to gold (Abreu, 2013). In 1946, Brazilian authorities declared 18 Cruzeiros the parity to the U.S. dollar - this was an overvaluation of the Brazilian currency. Brazilian policymakers took this decision not only because they overestimated the situation of the country's international reserves but also because they wanted to address inflation problems by facilitating imports of raw materials and capital goods to re-equip industries (Vianna e Villela 2011, Abreu 2013). For further information on Brazilian economic constraints in the period from 1939 to 1952, see Malan (1980).

¹⁴⁶ Throughout 1949 to 1952, remittance of profits reached US\$ 173 million. On the other side, Brazil registered only US\$ 13 million in direct-foreign investment in the period (Baer 1983, p. 44).

p.146-147, Malan 1980, p. 34 and 2007 p. 92-93, Vianna 1987, p. 64). The issue became part of Vargas' political agenda, who proclaimed speeches in a nationalistic tone to support its decision. However, it caused great concern among foreign investors, U.S authorities, and IBRD representatives. It was in this context, that both IBRD and U.S. authorities pressed Brazil to approve the free market exchange legislation. Besides providing greater flexibility to the country's foreign exchange system, this measure would facilitate the remittance of profits despite Vargas' decree.¹⁴⁷ Indeed, the free-exchange market proposed that free exchange rates for financial transactions and the majority part of Brazilian exports should be applied. As for the country's imports, it would continue to be based on the official fixed exchange rate (Malan 1980, p. 142). The free-market bill became central in negotiations involving IBRD loans to Joint Commission's projects that year. IBRD demands would also include managerial reform on the country's state-owned railway system, solutions to Brazilian commercial backlog and problems in the balance of payments.

Initial loans for JBUSEDC's projects did not come until June 1952, shortly before Dean Acheson's visit to Brazil. Although the Joint Commission had been working hard to develop, analyze and approve urgent infrastructure projects, the delay in obtaining loans was troubling. Brazilians were pessimists; Vargas' administration was under pressure. The country desperately needed to announce progress regarding the JBUSEDC, which at that point meant obtaining considerable loans for at least some of the main projects already submitted to the banks. However, the Vargas' decree limiting profit remittances sparked strong reactions.

Both American and IBRD's authorities were uneasy about the decree issued in Brazil. Elements of the American private sector were pressing for a 'get tough' policy towards Brazil as the ideal response for Vargas' decree, which could have substantial impacts on both IBRD and Eximbank policies towards Brazil. The U.S. Assistant Secretary of State for the American Republics Area (ARA), Edward Miller, along with the President of the U.S. Section within the Joint Commission at the time, J. Burke Knapp, made efforts to convince members of American business groups that the policy of not

¹⁴⁷ This free-exchange market bill had already been submitted for the Brazilian Congress since May 1951. However, the Brazilian Congress only approved it in December 1952 (Malan 1980, p. 8).

“rocking the boat” with Brazil was the best approach at that time.¹⁴⁸ They advocated that the banks process the agreed projects forward. According to them, the U.S. had “nothing to lose by supporting [their] friends in this [Brazilian] government.”¹⁴⁹ Herschel Johnson strongly agreed with this approach. He often stated that if “they were patient and could convince President [Vargas] of their sincere intent to assist economic development of Brazil, [...] they shall work out [a] solution to remittance decree problems which they could accept.”¹⁵⁰ Although U.S. authorities concurred with IBRD recommendations on Brazil’s macroeconomic policies, the American representatives most concerned with the JBUSED and long-term political objectives in the country did not agree with IBRD’s ‘get tough’ approach towards Brazil.

Although they had successfully convinced prominent private sector figures, echoes of a more conservative mindset remained. This perspective held that Miller’s handling of the problem was “wishy-washy and amounted for appeasement.”¹⁵¹ Indeed, Miller and Herschel Johnson were aware that “as time went on if and there was no clarification of the situation created by the decree, there would be increased pressure [...] to adopt a ‘get tough’ policy in Brazil”.¹⁵² This could impose the problem of having these business groups pressing both the International Bank and the Export-Import Bank not to make loans to Brazil.¹⁵³

Thus far, Miller and Johnson’s policy counted with the vital support of Willard Thorp, the Assistant Secretary of State for Economic Affairs, and Bill Martin, Chairman of the United States Federal Reserve. However, their agreement had a time limitation. According to Miller and Johnson the referred policy in dealing with Brazil was temporary. Miller, was in fact, predicting future problems regarding the Brazilian decree and the dealings with both the IBRD and even State Department members within the U.S. Government.¹⁵⁴ Accordingly, pressures over Eugene Black to withhold loans to Brazil until the remittance decree matter was solved soon became stronger.

¹⁴⁸ Letter, Edward G. Miller, Jr. To Herschel Johnson, March 4, 1952, GRDS, ASSLA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁴⁹ Embtel 1112, Herschel Johnson (Rio de Janeiro) to Secretary of State Miller, March, 12, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/3-1152

¹⁵⁰ Incoming Telegram (hereafter Intel) 1370, Herschel Johnson to Secretary of State (Miller), May 8, 1952, GRDS, ASSLA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁵¹ Letter, Edward G. Miller Jr. to Herschel Johnson, March 4, 1952, Op. Cit. p. 1

¹⁵² Ibid, p. 2

¹⁵³ Ibid, p. 2

¹⁵⁴ Ibid

American authorities' approach to Brazil's decree problem had much to do with recognizing the dilemma it set to Horácio Lafer. According to Miller and Herschel Johnson, Lafer was a remarkable pro-American friend that favored Brazil-U.S. cooperation. Therefore, caution to resolve the decree problem was crucial to keep his position in the Brazilian Government. Also, they were concerned that "if an agreement to negotiate at least the first few loans [was] not obtained, Lafer would probably be forced out of office or [...] must resign."¹⁵⁵ At the same time, however, they knew the IBRD could not avoid taking a tougher stance on Brazil for longer. On many occasions, American authorities claimed their Brazilian counterparts that they "sincerely hoped for [...] progress soon on the decree problem, because the International Bank [...] [would] be sticky on all loan negotiations". They highlighted that urgency of the issue was because that "[the IBRD] [had to] go into New York capital market in the near future, and they were extremely worried."¹⁵⁶ Indeed, the World Bank was subject to the private financial sector to obtain its capital resources (Priest 1999, Vianna 1986; Kappur, Lewis and Webb 1997). The reactions to Vargas' decree showcased IBRD 'tough' policy and the challenges of the three-party dynamic to implement JBUSEDC projects in Brazil. In this specific case, it actually involved U.S. authorities acting as mediators between Brazil and the IBRD, while also carefully working to influence the approval of the free exchange market legislation proposal by the Brazilian Government.¹⁵⁷

Meanwhile, Brazilian authorities were "extremely disappointed the banks did not announce more concrete action on Joint Commission's projects." The Brazilian Foreign Minister, João Neves da Fontoura, claimed that "conditions [were being] attached to collaboration through Joint Commission and Point IV program, and urged that renewed efforts be made to induce banks to announce initial loans [...]". He also indicated that this was paramount to "strengthen Lafer's hand with the President in obtaining revision [of the] foreign exchange decree."¹⁵⁸ In this occasion, Washington informed Fontoura that

¹⁵⁵ Ibid; Letter, A. Oakley Brooks (JBUSEDC) to Edward G. Miller, March 7, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952; Embtel 1112, Herschel Johnson (Rio de Janeiro) to Secretary of State Miller, March 12, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/3-1152

¹⁵⁶ Letter, A. Oakley Brooks (JBUSEDC) to Edward G. Miller, March 7, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952;

¹⁵⁷ Ibid

¹⁵⁸ Embtel 1109, From Rio de Janeiro (Johnson) to Secretary of State, March 10, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/3-1052; Embtel 1112, Herschel Johnson (Rio de Janeiro) to Secretary of State Miller, March 12, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/3-1152

the banks had not yet reached a final decision as to whether to withhold loans until the decree was satisfactorily amended, “but that they greatly hoped necessity for such difficult decision would be avoided through Brazil taking remedial action on decree [...]”¹⁵⁹ Indeed, American authorities urged Brazilians on several occasions to “facilitate Americans’ task of trying to help Brazil by speeding up as much as possible action on foreign exchange decree”. American representatives emphasized that despite the difficulties the Brazilian Minister of Finance faced in obtaining foreign resources, their “own government likewise had difficulties in maintaining its position without public evidence of corresponding understanding and action from the Brazilian side.”¹⁶⁰

Banks were unwilling to approve loans “without including some reservation [referring] to action on decree”.¹⁶¹ Lafer understood the difficulties with the banks and seemed confident that “revision [of the] decree could be obtained without prior action by banks on initial loans”. However, time was pressing. If Brazil did not succeed in obtaining initial loans for JBUSDC projects, “the Lafer Plan (the National Economic Re-equipment Plan) would go by default and [...] [would] mean [the] end of Joint Commission activities.” Fontoura then urged that “action be taken on loan applications [that were] already in Washington”. Not obtaining them would be devastating for Brazilian national politics and U.S.-Brazil bilateral relations. “Commies and all anti-American elements throughout South America would welcome this outcome”, Fontoura argued. It was then of “vital importance to save Lafer plan and Joint Commission no matter how slowly remittance problems may move toward a solution.” Herschel Johnson, Merwin Bohan and J. Burke Knapp concurred with the Brazilian Foreign Minister’s considerations. Such was the urgency of the matter that Bohan and Knapp suggested that U.S. authorities should consider taking some loans out of the IBRD and putting them into the Eximbank.¹⁶² (See Table 2.1)

¹⁵⁹ Ibid

¹⁶⁰ Embtel 1112, Herschel Johnson (Rio de Janeiro) to Secretary of State Miller, March 12, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/3-1152

¹⁶¹ Embtel 1109, opt. cit.

¹⁶² Intel 1359, from Rio de Janeiro (Johnson) to Secretary of State Miller, May 6, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952; Intel 1370, Herschel Johnson to Secretary of State, May 8, 1952, RG 59, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952; Letter, Edward G. Miller to Hershel Johnson, May, 31, 1952, RG 59, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

Table 2-1 - Loan Projects Approved by the JBUSEDC and the Brazilian Government, but still under study of Banks by early June 1952

Project Number	Enterprise	Foreign Loans* (US\$)	Local Currency * (Cruzeiros)	Total*	Bank Responsible
1	Estrada de Ferro Santos-Jundiaí (Santos-Jundiaí Railway)	8,5	4,3	12,8	Eximbank
2	Companhia Paulista de Estrada de Ferro (Paulista Railway Co.)	6,8	2,6	9,4	Eximbank
3	Estrada de Ferro Central do Brasil (Central do Brazil Railway)	12,5	53,7	66,2	IBRD
4	Rede Viação Paraná Sta. Catarina (Paraná Sta. Catarina Railway)	16,9	26,6	43,5	IBRD
5	Comissão Estadual de Energia Elétrica do Rio Grande do Sul (Rio Grande do Sul State Commission for Electric Energy)	25,0	31,4	56,4	IBRD
6	Usina Hidro-elétrica de Salto Grande (Hydro-Electric Power Plan Salto Grande)	7,7	31,4	39,1	IBRD
7	Cia Nacional de Álcalis (National Alkali Co) Acsquisition of Imported Equipment	15,0	10,0	25,0	IBRD
8	Cia Metalúrgica Barbará (Barbará Metallurgical Co.) Acquisition of Important Equipment	1,9	0,6	2,5	Eximbank
9	American and Foreign Power Subsidiaries in Brazil	41,1	65,2	106,3	Eximbank
10	Departamento Estadual de Estradas de Rodagem do Rio de Janeiro (State of RJ Highway Department)	3,0	-	3,0	IBRD
11	Cia de Eletricidade do Alto Rio Grande de Itutinga (Itutinga, Alto Rio Grande Electric Co.)	5,3	10,5	15,8	IBRD
Total		143,7	231,3	380,2	

*All expenditures values in millions of dollars

Source: Embes 56, "IAA Monthly Operations Report – June", Amembassy Rio de Janeiro to The Department of State, July 18, 1952, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00 TA/7-1452, p. 21-23

In early May 1952, Fontoura informed U.S. authorities that Vargas had decided to “give immediate support to the free market legislation.” Immediately, Johnson claimed that it “seemed more important than ever [that the U.S.] made [an] announcement [the] soonest regarding project loan to finance Central Railway.”¹⁶³ Poor railway conditions were one of Brazil’s chief infrastructure shortcomings at that time. The situation was critical because, “[...] for 20 years, since 1930, practically no replacement or expansion material needed to take care of the wear of equipment and the growth of population [had] been received.”¹⁶⁴ Besides, the Central Railway was probably the most strategic railway of the country because it was the “artery of Brazilian economic system”. It ran through the cities of Belo Horizonte (center to the mining area), Rio de Janeiro (Volta Redonda Steel Mill) and lastly, São Paulo (terminal of all Brazilian railway system, which served the country’s greatest agriculture and industrial region).¹⁶⁵ However, American authorities still had to consult the IBRD to know if Vargas’ formal support to the free market bill was enough to concede initial loans.¹⁶⁶ Edward G. Miller cautioned the U.S. could not promise Vargas loans regardless of any definite solution on the remittance decree. Once more, the main reason was that financial sectors had strong feelings towards the Decree, and the IBRD could not ignore them. Also, he remarked that transferring loans from IBRD to Eximbank was almost impossible.¹⁶⁷

American authorities concluded that conceding US\$ 10 million dollars to the Brazilian Central railway was not going to weaken the American bargaining position. After all, Brazilians were well aware that additional loans would not be forthcoming if they did not find a solution for Vargas’ decree. On the other hand, U.S. officials pondered, if the Central railway loan did not come through, the Brazilian political crisis would worsen and finding a solution for the decree would be more difficult. Also, Herschel Johnson argued the Lafer Plan provided internal financing of US\$ 500 million, resulting partially from the U.S. insistence that Brazil should finance its Cruzeiros’ needs through non-inflationary methods. Therefore, “it seemed to them that an international institution as IBRD [could

¹⁶³ Intel 1360, Johnson (Rio de Janeiro) to Secretary of State, May 7, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁶⁴ Embdes 550, Rio de Janeiro to Department of State, “Transmitting First Brazilian Request Under Technical Assistance Program (Point IV)”, Oct. 24, 1950 Annex N°1 to Enclosure 2, NARA, RG 59, GRDS, CDF 1950-1954, M1489, Roll 3, 832.00-TA/10-2450

¹⁶⁵ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO Relatório Gera, 1º Tomo, p 150.

¹⁶⁶ Outgoing telegram (hereafter Outtel) 998, State Department to Amembassy Rio De Janeiro, May 7, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil-1952

¹⁶⁷ Ibid

not] take upon itself the responsibility for causing this internal financing plan to become inoperative".¹⁶⁸

Eager to assure loans to implement JBUSEDC initial projects, Vargas also bargained. Brazilian authorities conditioned the Government support for the free-exchange market bill to the approval of initial and sizeable loans to Joint Commission's projects. Horácio Lafer had clearly stated that if Banks failed to announce a sizable number of loans shortly, the Government's stance on the free market proposal in Congress would have to be reviewed.¹⁶⁹ Indeed, Brazilians played the cards they had. According to formal procedures, the JBUSEDC could not submit any project to either of the international financial institutions without Vargas' previous approval. For instance, American representatives wanted to guarantee that Vargas approved the American Foreign and Power project – a private U.S. power subsidiary in Brazil. Vargas decided to delay his approval "until assurance[s] [were] received regarding [the] announcement of loans for other projects". Lafer had spoken firstly of specific projects such as that of the Rio Grande and Salto Grande hydroelectric projects, but ultimately had agreed with Johnson's suggestion that "Paulista and Central Railway loans might provide adequate leavening for the announcement of the American and Foreign Power Loan."¹⁷⁰

The field of power was also a major infrastructure constraint in Brazil. Constant power shortages in several states, such as Rio Grande do Sul, São Paulo, and Minas Gerais reinforced the urgent need for power improvements. Indeed, not only electric energy consumption had grown swiftly in the country since 1946, thus not being sufficient to supply the demand, but also power shortcomings deterred projects for the electrification of railroads. The American Foreign Power would receive the largest Eximbank loan to any JBUSEDC project. The Salto Grande Hydroelectric plant project, in the State of São Paulo, was administered by a merged company created by the State Government. The project corresponded to the first stage of the State of São Paulo

¹⁶⁸ Intel 1370, Herschel Johnson to Secretary of State, May 8, 1952, RG 59, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁶⁹ Intel 1393, Rio de Janeiro (Johnson) to Assistant Secretary Miller, May 10, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952; Letter, Edward Miller, May 26, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952;

¹⁷⁰ Embtel 1409, Amembassy to Secretary of State, May 14, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/5-1452; Embtel 1451, Amembassy Rio de Janeiro (Johnson) to Secretary of State, May 22, 1952, Amembassy to Secretary of State, May 14, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/5-2252

Private companies could also present projects for receiving loans from IBRD or from the Eximbank. However, they had to submit it to Joint Commission's evaluation, which, in case of approval, would also have to be approved by Vargas' before the JBUSEDC having it sent to the respective financial organization.

electrification plan.¹⁷¹ The State of Rio Grande do Sul, Vargas' home state, had great possibilities of enhancing its economy, but that was impossible until they overcome power bottlenecks. Hence, Vargas stimulated that the Rio Grande project was included on the first loans. The Paulista Railway, a privately-owned enterprise, "was the backbone of railway transportation in the State of São Paulo." Not only it served the richest and most dynamic area of the country, but it was also interconnected to other railways in the State, such as Araraquara, Sorocabana, Noroeste, and Mogiana. The latter, in turn, connected the region to the Goiás Railway.¹⁷²

Finally, both countries agreed that the best solution for the decree impasse was that "Capanema, the Government leader in the Brazilian Chamber of Deputies, would request, in the name of the Government urgent consideration for [...] the free market bill". Brazilian and American representatives also concurred that the original bill "would be modified to provide clearly for the repeal of Decree-Law 9025; and that no quantitative restrictions in the free market were contemplated."¹⁷³ In turn, initial sizeable loans for Joint Commission's projects had to be announced by both the Eximbank and the IBRD. Negotiations with the Eximbank were much easier in comparison with the IBRD. The former was willing to guarantee as soon as possible both the American and Foreign Power (US\$41,141 million) and Paulista Railway loans (US\$ 7 million).¹⁷⁴

However, the firm loan assurances obtained "fell tragically short of the package required to restore confidence in US-Brazilian economic collaboration." The package of loans so far contemplated US\$ 41 million to American and Foreign Power project, US\$ 7 million to Paulista Railway, US\$ 10 million to Central Railway, and the IBRD assurance of US\$ 15 million additional on railroads other than Santos-Jundiaí, totaling US\$ 73 million. Johnson recommended the inclusion of Rio Grande do Sul power project as indispensable, "bringing total to US\$ 107 million [...]". Also, Johnson advocated that Eximbank should consider US\$ 15 million in credit for agricultural equipment, which would then bring the total package to US\$ 122 million, roughly half of the figure Lafer

¹⁷¹ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO Relatório Gera, TOMO 1, p. 263

¹⁷² Ibid, p. 190.

¹⁷³ Letter, Merwin L. Bohan to Herschel Johnson, May 22, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952; Letter [Draft], From Edward G. Miller, Jr., May, 26, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁷⁴ Letter, Merwin L. Bohan to Herschel Johnson, May 22, 1952, Opt. Cit.

expected.¹⁷⁵ A solution to grant sizeable loans from the banks to Brazil was finally advancing. American authorities wanted to clear the air before Dean Acheson's visit to Brazil in early July. In May 31st, Lafer informed Vargas' would announce his formal support to the free market proposal in the following week. Still, Miller cautioned that if negotiations went well, after the "announcement in June of the US\$ 100-US\$120 million loans by the two banks, it [would] be hard to expect anything more until the free market bill [was] actually passed".¹⁷⁶

Meanwhile, IBRD authorities presented new conditionalities to Brazilians. During direct negotiations with Valentim Bouças, the Counselor for Financial Matters within the Brazilian Section of the JBUSEDC, IBRD insisted on railway management reform. Besides, Indeed, American authorities were shocked that the World Bank claimed that assurances of US\$ 15 million in addition to the US\$10 million Central Railway project "constituted a credit ceiling [...] for all railways other than Santos-Jundiaí prior to passage of the railway management reorganization legislation". For them, these were "disastrous" news to inform their Brazilian counterparts, because Brazilians expected to obtain emergency rehabilitation loans to other railways during the next few months.¹⁷⁷ Besides, Eugene Black seemed to feel that until the free market bill was passed, he should not put into Brazil much more than US\$ 40 million. When Black argued that in case the World Bank followed through with the Rio Grande hydroelectric loan, they would cut down funds to Central do Brasil railway by US\$ 15 million, Bouças accused him of "breaking a commitment". Indeed, "Bouças was on the verge of walking out of Black's office and threatening to recommend to Lafer that they suspend all dealings with the International Bank". According to Miller, Black was not being particularly helpful: "while he sees the point of view of the business community with all too perceptive eyes, he seems to have blinkers on when it comes to trying to understand Brazilians". Edward Miller strongly protested against Black's conditionalities. He argued that "from the very beginning they

¹⁷⁵ Embtel 1451, Amembassy Rio de Janeiro (Johnson) to Secretary of State, May 22, 1952, Amembassy to Secretary of State, May 14, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 4, 832.00-TA/5-2252

¹⁷⁶ Ibid

¹⁷⁷ Ibid Embtel 1451; Letter, Edward G. Miller to Herschel Johnson, May 22, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

Both the IBRD and Joint Commission's experts considered that Brazilian railway administrative system was inefficient and subject to constant political influence. Thus, Brazilian and American technicians within the Joint Commission advocated that a managerial reorganization was crucial to better utilization of the forthcoming loans for railway improvement, reequipment and modernization. Indeed, at that moment, the required legislation proposal concerning railway administrative reform needed to be approved by the President and be sent for Congressional approval.

[U.S. and Brazilian authorities] had anticipated financing some preliminary railway loans prior to and coincident with the carrying out of managerial reforms [...].¹⁷⁸ American authorities argued that Black “talked to a person like Bouças just as if he was talking to a prospective borrower in the Chase National Bank, everything being in a take-it-or-leave-it basis”.¹⁷⁹

Indeed, IBRD authorities were well aware of their bargaining power. When referring to negotiations about the Rio Grande do Sul hydroelectric project, Eugene Black also mentioned the need for pursuing changes in the local legislation. In response, Merwin Bohan claimed that there was “considerable feeling [...] in Brazil concerning [...] unreasonable interference in the internal legislative affairs of the State of Rio Grande”. Black replied that “the Bank was in an excellent ‘trading’ position”.¹⁸⁰ Black also mentioned to Bohan that he favored a loan to Santos-Jundiaí Railway project but remarked he “felt essential to get some sort of a statement from the Brazilians concerning the Belgian claims”. He was referring to residual claims of foreign investors resulting from the nationalization of certain properties during the Second World War. Indeed, Roberto Campos resented this interference and, during Milton Eisenhower’s visit to Brazil in 1953, claimed that the World Bank was intervening in a Brazilian bilateral relation matter. Even so, Campos affirmed that Brazil took steps to solve the problem and, by 1953, “out of twenty-five claims, only four were still subject to judicial debate”.¹⁸¹

After difficult negotiations, the IBRD considered that, at that moment, the pending free exchange market legislation was not going to be an obstacle to provide the initial loans. This is to say that Vargas’ public support for the bill in Congress would be enough for the time being. Thus, the initial loan package to Brazil reflected greatly what American representatives had discussed during negotiations. It encompassed American Foreign Power (Eximbank), São Paulo Railway (Eximbank), Santos-Jundiaí Railway (Eximbank), Central Railway (IBRD), Rio Grande do Sul State Commission Power Project (IBRD) and credit for two projects of acquisition of agricultural equipment, one by the State of Minas Gerais and another by the Ministry of Agriculture. (See Table 2-2). The Eximbank Board,

¹⁷⁸ Letter, Merwin L. Bohan to Herschel Johnson, May 22, 1952. Op. Cit.

¹⁷⁹ Ibid

¹⁸⁰ Letter, Merwin L. Bohan to Herschel Johnson, May 22, 1952. Op. Cit.

¹⁸¹ Letter, Merwin L. Bohan to Herschel Johnson, May 22, 1952. Op. Cit.; Letter, Walter E. Walmsley, Jr. to Mr. W. Tapley Bennet Jr. (Office of South American Affairs) Aug 19, 1953, Enclosure 2, Op. Cit.; “Stenographic noted on the Speech of Dr. Roberto Campos at a Meeting of the Joint Commission on July 27th, 1953”. CPDOC – FGV, ARC, Folder RC d-md- 53-07-27

however, withheld the announcement until Vargas had approved the American and Foreign Power Projects, on June 6th.¹⁸² Indeed, in tandem with the general purpose of the Point Four, investments of private American companies should be stimulated. After these developments, Vargas gave Horácio Lafer free hand to proceed with the free-market legislation.

Table 2-2 - Loan Projects Approved by the JBUSED, Brazilian Government and Banks on the first round of negotiations in mid-1952

Project Number	Enterprise	Foreign Loans* (US\$)	Local Currency * (Cruzeiros)	Total*	Remarks
1	Estrada de Ferro Santos-Jundiaí (Santos-Jundiaí Railway)	8,5	4,3	12,8	Loan Granted by Eximbank June 6, 1952
2	Companhia Paulista de Estrada de Ferro (Paulista Railway Co.)	6,8	2,6	9,4	Loan granted by Eximbank June 6, 1952
3	Estrada de Ferro Central do Brasil (Central do Brazil Railway)	12,5	53,7	66,2	Loan Granted by International Bank 27, 1952
5	Comissão Estadual de Energia Elétrica do Rio Grande do Sul (Rio Grande do Sul State Commission for Electric Energy)	25,0	31,4	56,4	Loan granted by International Bank June 27, 1952
9	American and Foreign Power Subsidiaries in Brazil	41,1	65,2	106,3	Loan Granted by Eximbank June 11, 1952
13	Acquisition of Agriculture Equipment (State of Minas Gerais)	5,0	-	5,0	Loan Granted by Eximbank July, 1952
Total		98,9	157,2	256,1	

* All expenditures values in millions of dollars

Source: Table available at Embes 56, "IAA Monthly Operations Report – June", Amembassy Rio de Janeiro to The Department of State, July 18, 1952, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00 TA/7-1452; COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO, Relatório Geral, Tomo 2, p. 56 e 63

¹⁸² Deptel 1112, Department of State (Acheson) to Amembassy Rio de Janeiro, June 6, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/6-652 ; Embtel 1561, Rio de Janeiro (Johnson) to Assistant Secretary of State (Miller), June 6, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/6-652; Embdes 2055, Amembassy, Rio de Janeiro (JBUSED) to the Department of State, "President Vargas' Approval of JBUSED Project No. 9 – American and Foreign Power Company", June 6, 1952, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/6-652

Thus far, Brazil had fulfilled its commitment. The Government leader in the Chamber of Deputies formally informed the Economic Commission within the Chamber that “Brazilian government [asked] for rapid approval of the project of [free exchange market]. It emphasized that such a regime [would] facilitate entry of foreign capital [...]”¹⁸³ American authorities then considered the “crisis resolved”. Hershel Johnson reported that the “situation had eased [in Brazil] immensely.”¹⁸⁴ According to João Neves da Fontoura, “the situation had improved ‘100 percent.”¹⁸⁵ However, after this first round of credits, IBRD authorities withheld loans until the Brazilian Congress approved the free exchange market legislation on December 15th. During Horácio Lafer’s unsuccessful visit to the U.S. later in 1952, Eugene Black insisted that the Bank would not provide any additional loans until Brazil finally approved the free-market exchange bill.¹⁸⁶ Indeed, the IBRD provided the next loan to Brazil only in April 1953, which amounted to US\$ 3 million (Project Number 10 for the acquisition of imported highway maintenance equipment for the State of Rio de Janeiro).¹⁸⁷

Indeed, implementation was slow, and, in the end, loans were below expectations. By the end of 1952, only 8 Joint Commission projects had received either IBRD or Eximbank loans, totaling US\$ 119 million (plus Cr\$ 3.3 billion in local financing). Only two additional projects received loans that year: Acquisition of Agriculture Equipment by the Ministry of Agriculture (project No. 15) and Cia Metalúrgica Barbará (project No. 8). Both of them were conceded by the Eximbank in October. As of December 1st, thirteen additional projects had been submitted by the JBUSDC to the banks in Washington.¹⁸⁸ (See Table 2-3)

¹⁸³ Intel 1582, Rio de Janeiro (Johnson) to Secretary of State (Asst Secy Miller), June 12, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁸⁴ Embtel 1536, Opt. Cit.

¹⁸⁵ Letter, Hershel Johnson to Edward G. Miller, June 10, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁸⁶ Embdes 1104, Amembassy Rio de Janeiro to The Department of State, “IIAA Monthly Operations Report for Brazil – December 1952”, Jan. 29, 1953, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/1-2953; Letter, Edward Miller to Merwin Bohan, Oct. 11, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952, Letter, Edward Miller to Merwin Bohan, Oct. 13, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁸⁷ Embdes 71, “TCA-IIAA Monthly Program Summary – Brazil, April-May 1953”, Amembassy Rio de Janeiro to The Department of State, July 16, 1953, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/7-1653

¹⁸⁸ Embdes 1104, Amembassy Rio to the Department of State Washington, “IIAA Monthly Operations Report for Brazil – December 1952”, Jan. 23, 1953, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/1-2953

Table 2-3 - Status of JBUSED C projects by October 1952 (when second round of loans was conceded)

Project Number	Enterprise	Bank Concerned	Status
4	Rede Viação Paraná Santa Catarina (Paraná Santa Catarina Railway)	IBRD	Waiting for response
6	Usina Hidroelétrica de Salto Grande (Salto Grande Hydro-Electric Power Co., State of São Paulo)	IBRD	Waiting for response
8	Cia Metalúrgica Barbará (Barbará Methalurgical Co.)	Eximbank	Loan Granted in October, 1952
10	Dept. Estadual de Estradas de Rodagem do Rio (State of Rio de Janeiro Highway Department)	IBRD	Waiting for response
11	Cia de Eletricidade do Alto do Rio Grande de Itutinga (Itutinga, Alto Rio Grande Electric Co.)	IBRD	Waiting for response
12	Cia Hidro-Elétrica de São Francisco (São Francisco Hydro-Electric Co.)	IBRD	Waiting for response
14	Cia. Nacional de Energia Elétrica (National Electric Co.)	IBRD	Waiting for response
15	Ministério da Agricultura (Federal Ministry of Agriculture) – Agricultural equipment for resale	Eximbank	Loan Granted in October, 1952
16	Secretaria de Agricultura do Estado do Rio Grande do Sul (Rio Grande do Sul State Agricultural Department)	IBRD	Waiting for response
17	Dept. Nacional de Portos, Rios e Canais (Federal Department of Ports, Rivers and Canals) – Dregers for ports	IBRD	Waiting for response
18	Cia. Docas de Santos (Santos Dock Co.)	IBRD	Waiting for response

Source: Embdes 593, "IAA Monthly Operations Report for Brazil – September 1952", Amembassy Rio de Janeiro to The Department of Stat, Oct. 23, 1952, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/10-2352; Embdes 761, "IAA Monthly Operations Report for Brazil – October 1952", Amembassy Rio de Janeiro to The Department of State, Nov., 25, NARA, RG 59, GRDS, M1489, Roll 5, CDF 832.00-TA/11-2552

IBRD 'get tough' policy towards Brazil continued. The IBRD meddled in specific issues regarding JBUSEDC's Transports Sub-Commission, demanding that technicians indicated by the Bank evaluated specific Joint Commission railway projects.¹⁸⁹ In other occasion, when Valentim Bouças, the Financial Counselor of the Brazilian Section within JBUSEDC, was working out a deal with the National City Bank for a substantial loan to Brazil to pay the country's commercial arrears, Eugene Black told Bouças that Brazil had to wait for IBRD consent before entering into this operation. This infuriated Bouças. Black ultimately decided not to complicate the operation.¹⁹⁰

Throughout the period, the World Bank also constantly mentioned Brazil's commercial arrears and macroeconomic imbalances as urgent matters that impaired potential for providing loans for the country. In fact, because of Brazil's worsening credit position, even the Eximbank was beginning to face troubles in approving loans to Brazil at the NAC meetings. Acheson had to intervene personally in Brazil's favor on several occasions.¹⁹¹ Indeed, Brazil's macroeconomic condition was crucial to guarantee the country would be able to pay for loans.

By the end of 1953, the decision to terminate the JBUSEDC encompassed negotiations about the future financing of the Joint Commission's development projects.¹⁹² American authorities were trying to secure Brazilians that, despite the formal termination of the Joint Commission, projects could be submitted to the Banks through a 7-9 years program, according to Brazil's indebtedness limitations. During these negotiations, however, the IBRD insisted that Brazilian macroeconomic imbalances and commercial arrears were critical problems to obtaining further World Bank loans.

The interventionist approach of the World Bank towards Brazil imposed additional challenges to implementing JBUSEDC infrastructure projects. A Brazilian JBUSEDC representative resented that the IBRD behaved more like a commercial bank than as a development bank, once it imposed several conditionalities to negotiate loans.¹⁹³ Indeed, Miller remarked that establishing the World Bank as the institution of first resource for

¹⁸⁹ Letters, Merwin Bohan to Edward G. Miller, Oct. 6 and 7, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁹⁰ Letter, Edward G. Miller Jr. to Herschel Johnson, May 31, 1952, GRDS, RASSLAA 1949-53, Subject File 1949-53 Brazil-Chile Box 3, Folder Brazil- 1952

¹⁹¹ Letter, Edward Miller to Merwin Bohan, Oct. 13, Op. Cit.

¹⁹² Although the Joint Commission was coming to an end by 1953, numerous projects were pending financing from the both e IBRD and the Export-Import Bank.

¹⁹³ Letter, Walter E. Walmsley, Jr. to Mr. W. Tapley Bennet Jr. (Office of South American Affairs) Aug 19, 1953, Enclosure 2 "Stenographic Notes on the Speech of Dr. Roberto de Oliveira Campos at the Joint Commission on July 27th, 1953, Op. Cit.

Brazilian development loans was a strategic mistake.¹⁹⁴ Throughout its functioning period, the Joint Brazil-United States Economic Development Commission approved a total of 41 projects, which required a total of US\$ 392 million in foreign financing, Brazil obtained only US\$ 186 million. As lender of first instance to Brazil, the IBRD received the majority of requests of loans for projects resulting from JBUSED C studies, and Eximbank loans were under the previously agreed limit of US\$100 million.

Indeed, American authorities recognized that IBRD tough approach towards Brazil harmed U.S. bilateral relations with the country. Bohan on several occasions emphatically exposed that an American important foreign policy project was greatly jeopardized because the IBRD policy did not coincide with that of the United States.¹⁹⁵ Bohan stated that “the apparent lack of appreciation of the dangers inherent in the Brazilian situation [made him] wonder if it [was] wise for the important decisions regarding the U.S.-Brazil bilateral program to be made by an international organization”.¹⁹⁶ According to him,

“the true nature of the Joint Commission began to be lost sight of, for the Commission was the heart of a political, not an economic program. It was designed to play a major role in an effort to recapture the spirit of mutual confidence that characterized Brazilian-American relations.”

According to Miller, he added, selecting the IBRD as the primary source of financing meant that, in the end, the U.S. “delegate[d] authority over [the] implementation of a bilateral political program to an international banking institution [...]”.¹⁹⁷ Because of the low record of effective implementation of JBUSED C projects, the end of the Joint Commission in 1953 left a bitter feeling among Brazilians, including those who were emphatically optimistic with the prospects of Brazil-U.S. cooperation.

¹⁹⁴ Letter, Edward G. Miller to Herschel Johnson, May 31, 1952, Op. Cit.

¹⁹⁵ Letter, Merwin L. Bohan to Herschel Johnson, May 22, 1952. Op. Cit.

¹⁹⁶ Ibid

¹⁹⁷ Embdes 1735, Amembassy Rio de Janeiro (JBUSED C) to the Department of State, “Termination of Joint Commission”, May 20, 1953, NARA, RG 59, GRDS, CDF 1950-54, Microfilmed M1489, Roll 5, 832.00-TA/5-2053

2.3 Concluding remarks

The implementation process of the Joint Commission was a three-party endeavor. Although Brazilian and American technicians were responsible for the studies and justifications to foster specific and sound development projects to overcome key infrastructures bottlenecks in the country, the IBRD received requests for the majority of loans to implement them. This three-party endeavor can be considered one of the most challenging issues in the JBUSEDC implementation process. Not only all parties involved had to deal with Brazilian growing economic constraints, but also there was no definition of the exact spheres of action of the Eximbank and the IBRD in the country.

By analyzing the problematic negotiation process between American, Brazilian and IBRD authorities throughout the years of Joint Commission's activities (1951-1953), it is clear that the three-party implementation system was complicated from the outset. The resolution of the jurisdiction matter involved strenuous difficult negotiations that led the IBRD to become the lender of first instance to Brazil's development projects. Since then, Eximbank activities in Brazil were limited. Therefore, the World Bank obtained great bargaining power to impose conditionalities on the loans expected to implement most of the Joint Commission's projects. The IBRD 'get tough' policy towards Brazil involved harsh reactions to Vargas' macroeconomic policies, especially the 1952 decree limiting the remittance of profits. From that moment onwards, negotiations to provide loans to Joint Commission's projects encompassed not only the criteria of soundness and economic viability but also the demand that the Brazilian government should approve the free market legislation (the bill would ultimately facilitate the remittance of profits, thereby suppressing the issues of Varga's decree). IBRD conditionalities also involved the demands of managerial reform in Brazil's state-owned railway system and even the indication of specific technicians to evaluate the work of the JBUSEDC Transports Sub-Commission on railway improvements. Also, Brazil's growing commercial backlog and even the country's negotiation with other banks – including private ones- were subject to IBRD interference.

The three-party dynamic gave the IBRD an important role in JBUSEDC bilateral cooperation project. At the time, some American policymakers predicted that heavy involvement of the IBRD could harm U.S. political and economic objectives with the Joint

Commission and, thus, with Brazil-U.S. bilateral relations. Indeed, although the Joint Commission had initially rekindled the prospects of fostering development in Brazil and bilateral rapprochement, implementation was below expectations. This outcome not only harmed Brazil-U.S. relations but also left a bitter feeling among Brazilians who were once enthusiastic about cooperation with the United States. The next chapter will explore which projects were actually done by the JBUSEDC and will also highlight which of the banks provided funds for them. Based on this information and the U.S authorities' concern with the Korean War emergency, the next chapter exposes evidence that the U.S. made great efforts to reconcile JBUSEDC project priorities with its Cold War geostrategic interests.

Chapter three – A final outlook: the implementation records of the JBUSED and Insights on U.S. Geostrategic Interests

Even though implementation records of the JBUSED were below expectations, the literature has remarked that it had pivotal impacts in Brazil. The Joint Brazil-United States Economic Development Commission was successful in training Brazilian technicians and establishing national institutions dedicated to the country's development, such as the BNDE (Banco Nacional de Desenvolvimento Econômico) – which is still active to date (Ribeiro 2012, Skaletsky 1988, Weis 1986). In that period, Brazilian intellectuals disputed different perspectives as to how the country should pursue its economic development. The JBUSED was not isolated from this debate. On the contrary, it held a prominent position on which way should be followed to foster development in Brazil. Indeed, the Joint Commission was crucial to gather mind-linked Brazilian technicians who shared the perspective that Brazilian economic development should partner with private enterprise (D'Araújo 1982, Ribeiro 2012, Skaletsky 1988).

Scholars have also stressed that besides protecting interests of private American companies, the need to import Brazilian strategic materials was among the main motivations of the United States to establish the JBUSED (Bastos 2012 p. 417-419, D'Araújo 1982, pp 142 – 145). Haines (1989), while studying the U.S. early Cold War years diplomacy in Brazil, has also argued that there had been a “continuing effort on the part of American policymakers to channel and direct Brazilian development activities into areas beneficial to the United States (...)” (Haines 1989, p. 11).

The literature has also acknowledged all 41 projects the Joint Commission elaborated had positive technical outcomes. According to these perspectives, managerial scientific advancements provided by the joint work of American and Brazilian technicians within the JBUSED impacted subsequent governments, especially that of Brazilian President Juscelino Kubitschek (JK) (1956-61) (Weis 1986, Ribeiro 2012, Skaletsky 1988). Indeed, it is widespread in the literature that JK's Targets' Plan stemmed considerably from JBUSED activities and projects (Weis 1986, Ribeiro 2012, Skaletsky 1988).

Although those are important insights on the Joint Commission's role in Brazilian economic history, there is a scholarly gap when it comes to addressing JBUSED

concrete implementation results. The main purpose of this chapter is to provide an outlook of the Joint Commission's results and shed light on further insights about U.S. interests on JBUSEDC undertakings. Therefore, the chapter addresses the following issues: (1) which Joint Commission's projects received foreign loans - and which did not, (2) from which financial institution, (3) what was the proportion of loans per sector, (4) how U.S. efforts to conciliate JBUSEDC projects with their national interest in the context of the early Cold War years appears in primary documents and, finally, (5) how Brazilian insisted on obtaining loans to pending JBUSEDC loans in the subsequent government of JK.

The present chapter has two sections. The first topic focuses on laying out an overview of Joint Commission's implementation. Based on data from the Final Reports of the JBUSEDC, this topic considers the foreign financing conceded to Brazil between 1951-1954 to assess the numbers of projects implemented. It also includes information on how priorities materialized in each infrastructure field, both in terms of loans received and of projects elaborated by the Commission. While providing an outlook of loans received and pending in the period, it highlights why Brazilian expectations were high, which led to Brazil's major disappointment with Joint Commission's results. Also, it discusses how JBUSEDC pending projects continued on Brazilian's authorities mind in subsequent governments. Specifically, it shows how the Juscelino Kubitscheck's Administration (1956-1951) included the Joint Commission's unresolved projects in negotiations of economic aid with the United States. Section two explores the U.S. effort in conciliating JBUSEDC undertakings with Cold War security-related issues. Hence, this topic presents further insights that show the U.S. perspective as to Brazil's potential role in East-West contention. In this regard, U.S. authorities considered many of Brazilian infrastructure constraints limiting factors to supplying strategic raw materials, mainly minerals, to the U.S.

Some points are worth highlighting at this moment. First, although we provide insights about U.S. geostrategic interests and perspectives in establishing the JBUSEDC in Brazil, we do not intend to sustain they were the only feature that determined the work of the Joint Commission in the country. Cold war issues were pivotal to the United States. However, many American authorities, especially those directly involved with Brazil-U.S. bilateral cooperation, contended that helping Brazil fostering its development was of United States' best interest. Also, Brazilian development bottlenecks were so great that

even those projects that indeed were interesting to the U.S., had an important appeal to Brazil's severe infrastructure constraints. Indeed, Haines (1989, p. 115) argued that, in spite of Brazilian and American different perspectives as to Brazil's development goals, especially when it came to Brazilian industrialization ambitions, they agreed on the need for infrastructure improvements. Secondly, according to argued in Chapter two, other elements imposed additional challenges to implement most of Joint Commission's projects, including the IBRD conditionalities towards Brazil. Since the IBRD was the lender of first instance to Joint Commission's projects, U.S. authorities themselves did not have complete control of JBUSEDC project implementation. Still, we believe that U.S. geostrategic concerns played a significant role. Indeed, evidence presented in this chapter suggests that, for the U.S., importance of Brazil's infrastructure projects seemed to follow tendencies of the Korean War (1950-1953).

3.1 The JBUSEDC in numbers and further impacts on Brazil-U.S. bilateral relations

The Joint Brazil-United States Economic Development Commission elaborated 41 projects. The field of transportation - especially railways - ranked as a main priority among JBUSEDC projects. The Brazilian railway transportation system was deteriorated and had not received any kind of investment since 1930. The railway system, as well as a great part of Brazilian ports infrastructure, concentrated on Brazil's more densely populated and industrialized areas, but it rapidly became obsolete and inefficient.¹⁹⁸ The JBUSEDC's general report remarked that many of these installations were concomitantly cause and effect of poor management, leading to low productivity. Poor conditions of Brazilian railways became an obstacle to foster development in the country's hinterlands and caused problems for transporting agricultural, manufactured goods and foodstuffs. Freight bottlenecks were so severe that they impacted on Brazil's inflation records.

¹⁹⁸ It is important to highlight, however, that up until the Second World War, British companies owned many Brazilian railways. After the conflict, they were transferred to the Brazilian Federal Government. Great Britain lost most of its traditional influence in Brazil after the world conflict. Britains made attempts of rapprochement with Brazil. However, the British economic influence in the region has never recovered. For more information on British-Brazil bilateral relations in the 1940s, see Moreli (2020, forthcoming).

According to Joint Commission's technicians, efficient investments in the existing poor railway infrastructure would have powerful multiplying effects on the Brazilian economy. The same logic applied to ports infrastructure, power, agriculture mechanization, maritime transports and warehousing infrastructure.¹⁹⁹

Infrastructure constraints also affected the field of power, the second priority of JBUSEDC's activities. This problem caused power shortages in the country as a whole, including in the most populated and industrialized areas. According to technicians, the impaired power capacity was aggravated by growing records of urbanization and consumption, as well as recent industrial diversification. Since the end of the Second World War, Brazil's industrial and urbanization rates had been growing steadily. The industry share in the economy surpassed that of the agriculture sector during the 1950s (the industrial share in Brazil's domestic product increased from 18,6% to 25,5%, while the agriculture share decreased from 24,8% to 17,7%). Also, throughout the 1950s the population living in cities increased on higher rates than that of the rural areas. Between 1950-1960, while the rural population increased on average 1,5% per year the population in cities increased on average 5,2% per year (Loureiro 2017a, p. 30-32). Therefore, the JBUSEDC elaborated several projects in the field of energy, mostly hydroelectric plants. Also, when possible, it proposed power projects that benefitted other regions of the country. Thus, besides tackling power bottlenecks, it aimed at stimulating the decentralization of Brazilian industries (very much concentrated in the Rio de Janeiro-São Paulo axis). In sum, the JBUSEDC focused on two main purposes: elaborating projects to re-equip the country's transportation system and expanding the capacity of power supply. Projects in the agriculture and industry sectors supplemented these initiatives.²⁰⁰

Brazilian press portrayed the outcome of the JBUSEDC as frustrating.²⁰¹ The total foreign currency cost to implement all 41 projects elaborated by the Joint Commission was US\$ 387,3 million and demanded roughly Cr\$ 14 billion to afford local expenses. Hence, the total cost to implement the whole program, in Cruzeiros, was Cr\$ 21,9 billion.²⁰² However, the total amount of loans conceded was US\$ 181,9 million, 46,96%

¹⁹⁹ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 1º Tomo, Rio de Janeiro, 1954, pp 135 - 137

²⁰⁰ Ibid, pp. 129

²⁰¹ ESP, "O fim melancólico da Comissão Mista Brasil-Estados Unidos", Dec. 31, 1953, 1º caderno, p. 3

²⁰² COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 1º Tomo, Rio de Janeiro, 1954, 138-141 All values in US\$ follows the conversion rate used

of the total required, and, out of the 41 projects, only 14 received loans (see Table 3-1 below).²⁰³ Although almost 50% of loans were provided, 22% corresponded to only one loan provided by the Eximbank to the American Foreign Power, an American subsidiary in the country.

Table 3-1 - Loans conceded to JBUSED C Projects in Thousands of US\$

Project Number	Project	Loans obtained	Institution that conceded loans
1	Santos-Jundiaí Railway	8,600	Eximbank
2	Cia Paulista Railway	7,000	Eximbank
3	Brazil Central Railway	12,500	IBRD
5	C.E.E.E.R.S. - Rio Grande do Sul Electrification Plan	25,000	IBRD
6	Paranapanema Powerplants S.A. Salto Grande Powerplant	10,000	IBRD
7	National Álcalis Plant	9,600	CIAVE*
8	Cia Metalúrgica Barbará	1,860	Eximbank
9	Empresas Eléctricas Brasileiras (American Foreign Power)	41,140	Eximbank
10	Acquisition of Road Equipment - State of Rio de Janeiro	3,000	IBRD
11	Alto Rio Grande Power Company - Itutinga	7,300	IBRD
13	State of Minas Gerais - Purchase of Agriculture Equipment	5,000	Eximbank

on the JBUSED C General Report (Relatório Geral): the conversion rate of Cr\$ 20,25 per dollar, which was the effective rate to pay for imports in the period the JBUSED C's projects were elaborated. For comparison purposes, by 1954, Brazil international reserves amounted to US\$ 483 million and the Brazilian total external debt corresponded to US\$ 1,19 billion (Anexo Estatístico, Abreu 2013). Also, in that same year Brazil registered a US\$ 203 million deficit in the balance of payments (Estatísticas históricas do Brasil: séries econômicas, demográficas e sociais de 1550 a 1988. 2. ed. rev., IBGE, 1990).

²⁰³ This sum does not include the US\$ 900,000.00 loan conceded by the Eximbank to the Vitória - Minas Railway. Although the JBUSED C recommended that Eximbank provided loans to this undertaking, the project was not elaborated by the Joint Commission.

15	Ministry of Agriculture – Purchase of Agriculture Equipment	18000	Eximbank
23	Brazil Central Railway (Suburban Trains)	12500	IBRD
24	Cia Força e Luz de São Paulo (SP Light and Power Co.) - Piratininga Thermolectric Plant	18790	IBRD
s/n	Vitória-Minas Railway**	900	Eximbank
Total		US\$ 181,190	

Source: Relatório Geral, Tomo 2, Relatório Geral Tomo 2, Quadros I (Resumo Geral dos Projetos Elaborados pela CMBEU) e II-B (Resumo Geral dos Projetos Ferroviários Elaborados pela CMBEU)

*This Project was financed by a French organization, the “Comptoir de Ventes et Achats à l’Extérieur”

** This project had been submitted to the Eximbank before the JBUSED C was established. When the Joint Commission was inaugurated it appreciated the project and provided a positive evaluation to it, recommending that Eximbank provided loans

The distribution of JBUSED C’s projects corresponded to the aforementioned infrastructure priorities (see Table 3-2 below). The field of transportation alone represented 60,6% of the global cost of the program (or Cr\$13,3 billion) and the field of power represented 33,1% of the cost (or Cr\$ 7,2 billion). The other sectors, industry, agriculture mechanization and warehousing represented 6,3% of the total cost (Cr\$ 1,4 billion).²⁰⁴ More specifically, out of the 41 projects elaborated, 17 referred to railway transportation, 9 to the field of power, 4 to ports and 4 to coastal navigation. Other projects encompassed highways (2), agriculture (2), warehouse (1) and industries (2) (The complete list of JBUSED C projects is available at Appendix 2.²⁰⁵

²⁰⁴ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, Tomo 1, Rio de Janeiro, 1954, p.138

²⁰⁵ Idem, p. 141

Table 3-2 - Summary of Projects per Sector (US\$ in thousands of dollars)

Field	Number of projects Submitted	Cost in Foreign Currency	Number of Projects contemplated by Foreign Loans	Loans obtained
Railway	17	145,979	5	41,500
Power	9	129,746	5	102,230
Agriculture	2	230,00	2	23,000
Industry	2	13,800	2	11,460
Highway	2	6,661	1	3,000
Ports	4	37,811	0	0
Coastal Navigation	4	29,147	0	0
Warehouse (Silos: RS)	1	4,125	0	0
Total	41	387,329	14	181,190

Source: Lista de Projetos da Comissão Mista Relatório Geral Tomo 1, p. 142 and Relatório Geral Tomo 2, Quadros I (Resumo Geral dos Projetos Elaborados pela CMBEU) e II-B (Resumo Geral dos Projetos Ferroviários Elaborados pela CMBEU)

The JBUSED C elaborated 4 projects out of the 5 railway undertakings contemplated with loans. Two of them received loans from the Export-Import Bank. The Bank also provided a loan to the Vitória-Minas Railway – which had been submitted to the Eximbank before the JBUSED C was established. The field of power received a total of US\$ 102,23 million to five projects. The IBRD provided roughly US\$ 61,09 million to four of them, while the Eximbank conceded US\$ 41,14 million to the American Foreign Power Company. The Eximbank provided two loans to agriculture-related undertakings (US\$ 23 million) and one loan to a Brazilian metallurgical company (US\$ 1,86 million), the Cia Metúrgica Barbará (Barbará Metallurgical Co). The JBUSED C elaborated another industry project, the Cia Nacional de Álcalis (National Alcalis Plant), which had its foreign currency costs partially financed by a French organization (CIAVE) that provided US\$ 9,6 million. Finally, the IBRD conceded US\$ 3 million to the acquisition of road equipment in the State of Rio de Janeiro.

Eximbank loans to JBUSED C projects were limited to US\$ 100 million and the IBRD was the lender of first instance to Brazil's development projects. Thus, the Joint Commission submitted most of its projects to the IBRD. Yet, the IBRD conceded loans to only 8 projects, totaling US\$ 89,090,000.00 and the Eximbank, conceded 7 loans, a

total of US\$ 82,500,000.00. Brazilians expected that the IBRD conceded a target amount of US\$ 300 million. Indeed, Brazilians constantly argued that the IBRD had a moral commitment to provide loans to Joint Commission's projects.²⁰⁶ Neither organization reached the target amount of loans Brazilians expected, but the Eximbank came closer. The IBRD, however, did not even respond to many of JBUSEDC loans request. Indeed, one of Brazil's greatest complaints in subsequent years was the indefiniteness of the International Bank concerning many projects. By 1956, more than 20 projects were pending of the International Bank's evaluation (See Table 3-3 below).

²⁰⁶ According to Brazilian authorities, since Brazil established the BNDE exclusively to finance local costs, in Cruzeiros, of Joint Commission's project by imposing increase or income taxes on the country's population, the IBRD had a moral a commitment to finance projects.

Table 3-3 - List of JBUSEDC pending Loans in 1954

Field	Projects
Coastal Navigation	Cia Nacional de Navegação Costeira Cia Comércio e Navegação Navegação fluvial (SNBP) Estaleiro da Ilha do Viana
Highway	Departamento de Estradas de Rodagem do Paraná
Ports	Santos Rio de Janeiro Several (14 ports) Acquisition of dredgers
Power	Cia Nacional de Energia Elétrica (Estado de São Paulo) Cia Matogrossense Paulo Afonso: Terceira Unidade Santo Antônio Minas Gerais
Railway	Rede de Viação Paraná-Santa Catarina Rede Mineira de Viação Estrada de Ferro Noroeste do Brasil Estrada de Ferro Leopoldina Estrada de Ferro do Norte e Nordeste Estrada de Ferro de Goiás Viação Férrea do Rio Grande do Sul Rede Ferroviária do Nordeste e Estrada de Ferro Sampaio Correia Cia Paulista de Estradas de Ferro (project 36) Estrada de Ferro Sorocabana Estrada de Ferro Araraquara
Several	Silos: Rio Grande do Sul
Number of pending projects in 1954	25

Source: Lista de Projetos da Comissão Mista Relatório Geral Tomo 1, pp. 142 and Relatório Geral Tomo 2, Quadros I (Resumo Geral dos Projetos Elaborados pela CMBEU) e II-B (Resumo Geral dos Projetos Ferroviários Elaborados pela CMBEU)

Although the list of projects elaborated by the Joint Commission was quite extensive, Brazilian and American technicians emphasized that all of them could be rapidly implemented either because their studies were already advanced or because part of them was already being partially implemented. Coordinating projects was paramount to use limited resources appropriately. Many infrastructure projects encompassed States and Federal Government's undertakings, some of which were already in process of

studies or implementation. For instance, in the field of power, many of the programs were already being partially financed by State Governments, especially in the States of Rio Grande do Sul and Minas Gerais. The Federal Government was involved in the construction of the Paulo Afonso Hydroelectric Power Plant, in the Northeast. In the Southeast, in the surroundings of Rio and São Paulo, on the other hand, private enterprise had been developing most of the power expansion programs.²⁰⁷ Coordination of projects was particularly complicated in the field of transportation. When it came to the railway system, besides evaluating existing projects the Federal and State governments were implementing, the Joint Commission also had to consider the existing plans of investments in highway, coastal and fluvial navigation systems.²⁰⁸ The JBUSEDC General Report recognized that it could not properly promote the interiorization of transports because of Brazilian critical infrastructure shortcomings on the already existing ones and resource limitations. The main focus of the Commission thus relied on projects of high priorities to overcome the most urgent bottlenecks.²⁰⁹

However, some features of the data on Tables 3-1, 3-2, and 3-3 needs to be further explored. Brazilians had negotiated with the IBRD that, out of the potential US\$ 300 million loan to the Brazilian development program, US\$ 100 million was supposed to be directed to the fields of ports and railways. However, neither the IBRD nor did the Eximbank provided loans to any of the ports and coastal navigation projects. Also, financing to railway transportation was the most disappointing. Although almost 50% (17) of all JBUSEDC projects concerned the reequipping of railways, however it is surprising that only 29,4% (5) of them received loan requests. One of these loans was to the Central do Brasil Suburban trains – which did not correspond to a freight infrastructure enhancement. In sum, the International Bank provided only one loan to railway transportation projects. This outcome suggests that IBRD's "tough" approach towards Brazil strongly impacted the prospects of re-equipping the Brazilian railway system. Also, it seems that IBRD demands that Brazil restructured the railway management system played an important role in this result. It is not surprising, then, that Brazilians were frustrated with the concrete implementation of Joint Commission's projects.

²⁰⁷ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, Tomo 1, Rio de Janeiro, 1954, p.138 - 139

²⁰⁸ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, Tomo 1, Rio de Janeiro, 1954, p.139

²⁰⁹ Ibid

The field of power was proportionally more benefited. The Export-Import Bank provided the highest loan of the period to the Empresas Elétricas Brasileiras project, a subsidiary of the American and Foreign Power (Amforp) in the country. In this case, Eximbank's loan to Amforp was roughly US\$ 41 million, which accounted for 31,7% of the total foreign currency the JBUSEDC predicted to all power projects. This loan alone represented 40,2% of all total loans conceded to the field of power in the period. It represented 22,7% of all loans to JBUSEDC projects globally – almost ¼ of it. Indeed, Bastos (2012) has argued that both international lending institutions had been benefiting American companies in the power sector for a while before the JBUSEDC was established. According to him, the Light Company, another American subsidiary, for instance, received the first ever IBRD loan to Brazil in 1949. Also, this company obtained 58% of all loans provided to Brazil until 1958 (Bastos 2012, p. 416).

Since many Brazilian power plants were state-owned, re-equipping and improving the field of power in Brazil meant that considerable loans were supposed to be conceded to public companies in the field. Therefore, providing loans to American subsidiary companies in this field guaranteed that U.S. private capital participation in the power distribution business (Bastos 2012, pp. 416). Besides, American companies also owned power production plants in the country. Some of them were contemplated in the aforementioned Eximbank loan to the American Foreign Power (which involved loans to several facilities). In spite of U.S. private interests in the country, these specific loans also benefited Brazilians. For instance, Eximbank loans to American Foreign Power encompassed seven subsidiaries in north-central region of São Paulo (64,4%), the Curitiba area, in Paraná (12,3%), the central part of the State of Rio de Janeiro, including Niterói (11,3%) and the Belo Horizonte area, in Minas Gerais (6%).²¹⁰ These were all regions going through rapid economic development, of fundamental importance to Brazil's development. ²¹¹ Therefore, besides being of American private interests in the country, these undertakings were convenient to Brazilian needs. In sum, the prospects of implementing new hydroelectric plants in the country needed to be supplemented by enhanced power distribution capacities. Indeed, Truman's Point Four program clearly stated that its main purpose was to foster development – and thereby contain the spread of Communist ideas in the so-called Third World countries – while also promoting a

²¹⁰ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, Tomo 2, Rio de Janeiro, 1954 p. 50

²¹¹ Ibid

favorable environment to American private enterprise. Therefore, these are clear examples of how JBUSED C's activities were in resonance with the overall idea of the Point Four program.

Pending projects of the JBUSED C impacted directly on negotiations of the Juscelino Kubitschek's government (1956-1961) with the United States in the early years of his presidency. In 1955, Ary Frederico Torres, former President of the Brazilian Section within the JBUSED C, sent a letter to Merwin Bohan in which he frankly stated that the "solution to Joint Commission's projects lied on the Eximbank". In his statement, Torres advocated that Joint Commission's projects pending IBRD's evaluation should be transferred to the Eximbank. He expressed Brazil's bitter feelings as to the International Bank's tough approach during the JBUSED C years. On the other side, Torres fondly reminded Brazil's relations with the Eximbank.²¹² Indeed, Kubitschek's Administration insisted on obtaining loans to implement pending JBUSED C projects. Brazilian policymakers argued that Joint Commission's unresolved requests should be taken out of the IBRD and submitted to the Eximbank. The JK's Administration included many of JBUSED C projects in its development plan and insisted on obtaining loans to implement them when negotiated economic cooperation prospects with U.S. authorities.

Many of Brazilian technicians within the Joint Commission later became part of JK's government. This was the case of Lucas Lopes and Roberto Campos, for instance. They were key individuals in the elaboration of Kubitschek's development program, the so-called "Targets' Plan". In 1955, Glycon de Paiva, former Counselor for Geological and Mining issues within the JBUSED C, wrote to Bohan that the only way to fully implement Joint Commission's technical advancements was to guarantee the foreign financing necessary to implement JBUSED C projects and, finally, end Brazilian frustrations.²¹³ After Juscelino took office, U.S. authorities within the National Advisory Development Board, discussed Brazil's new development program. In this occasion, they stressed that "it was more than likely that specific investment projects which would be given high priority would be drawn largely from those previously recommended by the JBUSED C".²¹⁴

²¹² Letter, Ary F. Torres to Merwin Bohan, March 10, 1955, TPL, Merwin L. Bohan Papers, Box 9, Folder 2 Correspondence File - Subject File - The Joint Brazil-United States Economic Development Commission

²¹³ Letter, Glycon de Paiva to Merwin L. Bohan, April 29, 1955, TPL, Merwin L. Bohan Papers, Box 9, Folder 2 Correspondence File - Subject File - The Joint Brazil-United States Economic Development Commission

²¹⁴ Memo, "National Advisory Council Staff Document N° 749 Appendix B", ABC Working Group to National Advisory Council Staff Committee, May 7, 1956, NARA, RG 469, Records of U.S. Foreign Assistance Agencies [hereafter RUSFAA] 1948-1961, International Cooperation Administration (ICA), U.S. Operations

In 1956, during preparations for Kubitschek's visit to the United States, Brazilian authorities highlighted that, besides not approving most of the JBUSEDC projects, the IBRD had not even categorically rejected them. According to Brazilians, not having a definitive position from the Bank hampered possibilities of appealing to other financial sources.²¹⁵ Indeed, negotiating potential loans to implement pending JBUSEDC projects was one of JK's main purpose when visited the United States. Kubitschek's development program also included the re-equipment of railways, ports, navigation and of the expansion of power capacity.²¹⁶

During the Panamá Conference, in July 1956, Presidents Eisenhower and Kubitschek met. In this opportunity, Brazilian authorities presented specific economic development projects they intended to submit to the Eximbank. Brazilians remarked that roughly 20 projects had been waiting for IBRD's response for more than two years. Thus, regardless of IBRD's response they intended to submit them to the Eximbank.²¹⁷ As seen in Table 3-4 below, most of the projects in the field of railways corresponded to pending JBUSEDC projects.

Among JBUSEDC projects pending the IBRD approval, Brazilians also mentioned the initiatives in the field of ports – a sector that had not received a single loan from either of the banks. Specifically, JBUSEDC project number 17, which purpose was to import dredgers equipment to improve conditions of Brazilian ports. The cost of the project was US\$ 26 million. Besides this undertaking, Brazilians' also included the US\$ 10 million project of re-equip several ports (JBUSEDC project number 25).

Juscelino Kubitschek's Administration also presented projects in the field of power. The São Francisco Hydroelectric Power Plant project (Paulo Afonso), Joint Commission's project number 12, was also presented by Brazilian governments in the meeting. Indeed, even before JBUSEDC was established, Vargas' had already requested U.S. economic aid to improve Paulo Afonso's power capacity. In that occasion, Americans had considered this project priority. However, the IBRD did not respond to the loan request.

Missions, Brazil, Executive Office: Classified Subject Files, 1951- 1959, Meetings (Mission Directors 1957), Box 3, Folder Program – Country Studies

²¹⁵ Memo, "Memorando para JK em preparação a sua visita aos Estados Unidos", Jan 1956, FGV-CPDOC, ARC, RC e/ag 55.05.02

²¹⁶ "Notas para a Conversa com o Secretário do Tesouro, Senhor Humphrey", FGV – CPDOC, ARC, RC E/ag 1955.05.02

²¹⁷ Memo, "Súmula do Memorando entregue ao Presidente Eisenhower pelo Presidente Kubitschek em reunião durante a Conferência do Panamá", July, 1956, FGV-CPDOC, Arquivo Ernani do Amaral Peixoto [hereafter EAP], EAP emb 1956.04.13, doc 8, pp. 100-109

Then, JK's Administration included it in the list of projects they wished to transfer to the Eximbank (see Table 3-4 below).

Table 3-4 - JBUSEDC's projects that JK presented to the U.S.

Field	Project		Updated cost Thousands of US\$
Railways	State-Owned	R. V. Cearense	3,326
		R. F. Nordeste	2,458
		R.F. Leste Brasileiro	2,552
		R. F. Central do Brasil	15,681
		R. Mineira de Viação	5,683
		R. F. Goiás	2,746
		E. F. Leopoldina	7,475
		E. F. Noroeste do Brasil	6,616
		R. V. Paraná- Santa Catarina	3,871
		V. F. do Rio Grande do Sul	1,567
		Trilhos e Peças	10,000
	Non-State Owned	E. F. Vitória-Minas	971
		Cia Mogiana de E. de Ferro	8,092
		Cia Paulista de Estrada de Ferro	2,944
E. F. Araraquara		6,887	
E. F. Sorocabana		19,131	
Power	Government and Mixed enterprises	Cia Hidrelétrica do São Francisco – Paulo Afonso (expansion)	15,000
Ports		Importation of Dredgers Equipment	26,000
		Import of Ports Equipment	10,000

Source: Memo, "Súmula do Memorando entregue ao Presidente Eisenhower pelo Presidente Kubitscheck em reunião durante a Conferência do Panamá", July, 1956, FGV-CPDOC, Arquivo Ernani do Amaral Peixoto [hereafter EAP], EAP emb 1956.04.13, doc 8, pp. 100-109

Although the literature has remarked that many of the Target's Plan projects stemmed from JBUSEDC's projects, they overall do not lay out a complete list of them. By observing data on table 3-4, it is clear which JBUSEC projects were included on subsequent negotiations. Although the Eisenhower's Administration was tougher when it came to economic cooperation with Brazil, the U.S. negotiated prospects of foreign aid to Brazilian development endeavors. In this regard, Joint Commission's projects ranked among Brazil's top priorities. Lucas Lopes, indeed, mentioned that when they met with American authorities in the early moments of Kubitscheck's term, they reinforced that "we

did not have much to discuss, the only thing we wished was that they provided financing to projects previously presented by the JBUSED C”.²¹⁸

Many scholars have argued not only that the JBUSED C was in resonance with many of U.S. private interests but also that American concerns as to supply of strategic materials underlay negotiations since the beginning (Bandeira 1989, p. 35-36, 1978, p. 324-325, Bastos 2012, p. 402-404, 418-419, D’Araújo 1982, p. 142). Priest (2010, p. 298) reinforced, however, that “few scholars appreciate how hard U.S. officials struggled to reconcile their efforts to open up the world economy with facilitating US access to Latin American minerals”. The scholar demonstrated that the quest to guarantee the supply of Latin American mineral resources was paramount to American interests and that both the Eximbank and the IBRD understood ‘development’ as ‘export of raw materials’ (Priest 2010, pp. 330). According to him, American authorities strived to conciliate the IBRD-Eximbank jurisdiction conflict with the need to facilitate U.S. access to Brazilian strategic materials. Thus, next section provides insights on how Americans’ interests were evident in negotiations to establish the JBUSED C and in the years that followed its inauguration.

3.2 Insights on JBUSED C projects and U.S. geostrategic interests in Brazil

Americans concerned with Brazil’s potential for supplying raw materials to the United States in the early Cold War years. With the worsening of the East-West contention, American authorities were aware that sources of specific strategic materials were limited. As briefly discussed in the first chapter, the context of the Cold War is fundamental to analyze American foreign aid policy. The Vargas Administration (1951-1954), while negotiating with his American counterparts just before the Fourth Meeting of Foreign Ministers (March and April 1951), argued that his Government expected that Brazil’s goodwill in providing raw materials to U.S. translated into aid to the country’s development program (Bandeira 1989, p. 35-36, 1978, p. 324-325, Bastos 2012, p. 403; D’Araújo 1982, p. 141). It was not the first time that Vargas had put this strategy in

²¹⁸ Interview Lucas Lopes IV (1992)

practice. During the Second World War, he had successfully negotiated Brazil's support to the Allies and obtained financing from the Eximbank to establish Brazilian first steel plant in 1942, the Companhia Siderúrgica Nacional (CSN) (Bastos 2012, p. 402; D'Araújo 1982, p. 141).²¹⁹

Indeed, Brazilian authorities knew that U.S. main interest towards Latin America in the period was to guarantee the supply of strategic raw materials, especially minerals like manganese, monazite sands and iron ore (Bastos 2012 p. 403; D'Araújo 1982, p. Chapter 6; Rabe 1978, p. 293). Furthermore, the Truman administration had just begun to implement security directives under the guidelines of the National Security Council 68 policy paper (NSC-68). The NSC-68, presented in April 1950, argued that the United States should build-up military efforts in the context of growing tensions with the Soviet Union. Indeed, when North Koreans, supported by the Soviets, invaded South Korea later that year, the NSC-68 gained domestic support. In the following years, besides increasing expenditures with defense, the U.S. stimulated exports of strategic materials from the so-called Third world countries. Paul Nitze, who drafted the NSC-68, had been the former chief of the Board of Economic Warfare's metal and minerals branch during the Second World War (Priest 2010, p. 316). This section will provide insights about U.S. efforts to conciliate their geostrategic interests with the Brazilian development program during the JBUSEDC period. Although several U.S. policymakers were enthusiastic with the prospects of Brazil-U.S. cooperation, documents also show that U.S. authorities considered many of Brazil's infrastructure constraints as limitations to enhance both American private investment in the country and the potential supply of strategic materials to the United States. The literature on the issue has already remarked that Latin America was a priority on U.S. Cold War strategies. Nevertheless, the region's, including Brazil's, strategic resources seemed to stand out as U.S.-Soviet tensions escalated, particularly on the context of the Korean war.

Manganese was a strategic asset to the United States. It was fundamental to U.S. industry and, in 1951, most of U.S. imports of this material (roughly 70%) came from the Eastern hemisphere.²²⁰ In 1949, before the JBUSEDC was established, American

²¹⁹ For more information on Getúlio Vargas bargaining policy towards the United States before Brazil entered in the Second World War, see Moura (1980 and 2012).

²²⁰ Report, "Report on the Possibilities of Expanding Production of Strategic Materials in Latin America by Improving Power and Transportation Facilities", Jan. 2, 1952, pp. IV, TPL, Papers of Harry S. Truman.: Confidential File, State Department: Correspondence, Box 36, Folder 2 Correspondence, 1952, p. xvii

authorities remarked how Brazil infrastructure bottlenecks jeopardized the prospects of supplying strategic materials to the United States. A confidential report by the U.S. National Security Resources Board ²²¹ stated that “with the exception of the U.S.S.R., none of the important manganese consuming countries of the world produce[d] substantial tonnages of this material”. While emphasizing that “Russia produced one-half of the world’s total output [of manganese], it reinforced that “United States industrial requirements at full steel capacity [were] also equal to half of the world’s output”. Thus, it argued that “increases in production [were] essential in non-Soviet areas.”²²² Indeed, not only Brazil had the greatest manganese reserves of the Western hemisphere the country also had “the two most important unequipped deposits in the world with respect to possible future supplies for the United States”, these were the Urucum, in Mato Grosso, and the Amapá deposits. Besides these areas, the document also highlighted important conventional sources of manganese ore in the State of Minas Gerais.²²³ The report contended that Brazil was among the countries that could increase supplies of this material to the United States. Besides manganese, iron ore was the most valuable mineral resource in Brazil. For both cases, however, “development [...] had been retarded by the lack of adequate transportation facilities”.²²⁴

According to the report, transportation constraints were the main challenge to develop manganese production in new areas of Brazil’s hinterland.²²⁵ Even though negotiations to establish the Joint Commission started only in 1950, as early as 1949, the study mentioned that Brazil’s Central Railway, that served the aforementioned Minas Gerais area, “was short of equipment and facilities and [...] manganese shipments were sharply curtailed.” To improve transportation facilities serving the Minas Gerais mineral

²²¹ The National Security Resources Board was created in 1947 in the context of the National Security Act. Its main purpose was to propose solutions to the United States scarcity of strategic materials, especially minerals. See: Priest (2010, p. 305-306).

²²² Report, “Review of World Supplies and World Reserves of Manganese”, p. 1, National Security Resources Board, November 1949, Washington D.C., RG 469 Records of U.S. Foreign Assistance Agencies [hereafter RUSFAA],

1948-1961, Office of the Deputy Administrator, Subject Files of Special Assistant James P. Hendrick, 1948-1950, Southeast Asia to Technical Assistance III, Box #6, Folder Strategic Materials

²²³ Ibid

²²⁴ Memo, “Notes on Minerals”, Oct. 1949, TPL, Merwin L. Bohan Papers, Box 1, Folder Correspondence File- Numeric File I – 6000 – Mining

²²⁵ Ibid, p. 14; Opt. Cit “Review of World Supplies and World Reserves of Manganese”, p. 1,

area, the JBUSEDC latter recommended a USD 12,50 million loan to Brazil Central Railway. The IBRD conceded this loan on June 27th, 1952.²²⁶

The Urucum project, in Mato Grosso, involved Eximbank's support to the U.S. Steel Corporation to install a manganese mine in that area (Priest 2010, pp. 319). The United States could not count much longer on Brazil's traditional source of manganese in Minas Gerais. Not only Minas Gerais manganese reserves were coming to its end, Brazilians had also decided to allocate much of it to the Brazilian incipient steel industry. Prospects of exploring manganese at the Urucum area, in Matro Grosso, greatly depended on transportation investments. At that moment, large scale exploitation was dependent upon "development of barge transportation down the Paraguay River to the Rio Plata [...] with transshipment at the Rio Plata to ocean vessels." An alternative proposed outlet for it was by rail, via the metro gauge line that was being constructed. Part of this rail would connect Bolívia with São Paulo and Santos.²²⁷ It was part of JBUSEDC's project number 21, the Brazil Northwest Railway (Estrada de Ferro Noroeste do Brasil). The Joint Commission recommended the IBRD provided a US\$ 6,354 million to this undertaking. However, by 1954, the year of the JBUSEDC's termination, the bank had not responded to the loan submission.²²⁸ Indeed, loans were not provided to this undertaking.

During discussions to solve the IBRD-Eximbank jurisdiction dispute in 1950, U.S. authorities also highlighted their security interests. When Eugene Black, President of the International Bank for Reconstruction and Development (IBRD), mentioned that the bank was "unwilling to act unless the sphere of activity of the Export-Import Bank [was] limited and defined to his satisfaction and the amount of dollar indebtedness [...] kept within set limits," some American authorities remarked there was limited but an important field for Eximbank's activities in Brazil.²²⁹ According to them, some projects were "in the direct U.S. national interest, such as the Urucum manganese proposal".²³⁰ In that occasion, Ivan B. White, Economic and Finance Adviser within the Bureau of Inter-American Affairs, argued that the "\$350 million program [in Brazil] included only projects essential to the

²²⁶ COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, Tomo 2, Rio de Janeiro, 1954, Project N°3 Estrada de Ferro Central do Brasil, p. 40- 42. 1954

²²⁷ Ibid, p. 21-22

²²⁸ Ibid, p. 63-64

²²⁹ Memo, "Financial Aid for Development Projects in Brazil", Oct. 19, 1950, RG 59, GRDS, RASSLAA (Edward G. Miller), Subject File 1949-53 Bolívia – Brazil, Box 2, Folder Brazil – 1949-1950

²³⁰ Ibid

development of Brazil's economy or the U.S. defense program. Non-essential items had been eliminated from consideration.”²³¹

When Getúlio Vargas' sent to Washington his Memorandum expressing the willing to renegotiate terms of Brazil-U.S. bilateral cooperation before the Fourth Meeting of Foreign Ministers in 1951, Americans debated internally the prospects of technical and economic cooperation for Brazil.²³² Vargas mentioned Brazil's expectations of receiving international loans so that the country could implement a “rational program of industrialization and public works”.²³³ In this document, already discussed in Chapter 1, Vargas laid out fourteen points with specific projects, mostly in the infrastructure sector, to which the Brazilian government expected to count on American cooperation. Discussions that followed within the U.S. government reinforces American perceptions of their concerns involving Brazil. In this regard, an American authority stated that:

“the Joint Commission was the foremost mechanism through which to implement U.S. cooperation in the practicable fulfillment of the Brazilian economic development program and in determining both the urgency and priority of projects as related to the necessities of mutual defense.”²³⁴

U.S. authorities depicted their perspectives in a Memorandum stressing that “certain points [...] were inappropriate for government-to-government financing or, because of their long-range development characteristics, [did] not qualify under emergency conditions for “unpostponable” priority.”²³⁵ On the other hand, other projects were considered “essential to the [U.S.] defense production [...]”. Hence, the Department of State argued that the financial needs of these projects should be considered by Eximbank or by the IBRD”, according to the following classification (see Table 3-5 below):

²³¹ Ibid, p. 3

²³² Offmemo, ARA/E Mr. White. To ARA- Mr. Miller, “Brazil: Economic Cooperation suggested by President Vargas”, Jan 31, 1951, NARA, RG 59, GRDS, RASSLAA Edward G. Miller 1949-1953, Subject File 1949-53 Bolivia – Brazil, Box 2, Folder Brazil 1951

²³³ Ibid

²³⁴ Ibid

²³⁵ Ibid

Table 3-5 - U.S. Classification as to priorities of specific 14 projects suggested by Brazilian President Getúlio Vargas in 1951

Priority	Should be considered by	Points of Vargas proposal
Unpostponable	Eximbank	Point V – Construction of 1000 Ton Steel Mill and Expansion of Volta Redonda Steel Mill
		Point VI – Shipping and Ports
		Point VIII – Improvement, Reequiptment and Electrification of Railways
		Point XIV – Maintenance of Brazilian Aviation
No Public Financing	--	Point I – Power Development
		Point VII – Coal Development
		Point XII – Alkali Plant at Cabo Frio (production of soda ash and caustic soda)
		Point XIII – Food Storage, Treatment and Refrigeration Facilities
Postponable	--	Point III – Oil Refineries
		Point X – Industries to Export Finished Products Instead of Raw Materials*
		Point XI – Mixed Companies to Develop Mineral Deposits*
Postponable	--	Point II – Development of São Francisco Valley
		Point IV – Nitrate Plants
		Point IX – Italian Immigration

Source: Memo, ARA/E Mr. White to ARA. Mr. Miller, “Brazil: Economic Cooperation Suggested by President Vargas”. Jan. 31st, 1951, pp.1, NARA, RG59, GRDS, RAASLAA 1949-1953, Subject File Bolívia-Brazil, Box 2, Folder Brazil, p. 3

*If private enterprise took the initiative, Eximbank could consider providing supplemental financing to acquire equipment.

In this document, the document stressed that projects of “high priority would be granted for materials and equipment required to maintain or increase the production of basic materials essential to the defense program”. As for “normal economic development programs,” they would “proceed to the extent that materials and equipment [could] be made available without cutting down on other more essential requirements”. It stressed that “special consideration [would] be given to projects which ha[d] the effect of facilitating production and transportation of foodstuffs and strategic materials”. Also, “projects which would reduce in wartime the demand on international shipping and United States

domestic production” should be subject to special consideration.²³⁶ In sum, the memorandum stated that expanding power facilities, improving transportation (including ports) and food production were priorities because impacted Brazil’s prospects of increasing production of strategic materials. Therefore, they deserved “special” merit.

Vargas’ Point V requested foreign aid to construct and install new facilities in the Volta Redonda Steel Mill, thereby enhancing its production capacity. It also requested foreign financing for building a new steel mill with a 1000 tons capacity, in Minas Gerais. The Department of State considered the former a priority because it was “directly in the interest of defense production”. In this regard, it also highlighted that “improvement of the Central Railway as indicated under Point VIII [should] be tackled concurrently”. The latter, however, was not considered a priority because “it was questionable if such an expansion program could be justified in view of the shortage of materials and equipment resulting from the present emergency”.²³⁷

The document also provides specific examples of why U.S. authorities considered some of the requests ‘postponable’. For instance, it stated that power projects in the upper São Francisco region (Point II) did not have the “pressing power needs of other areas where industrial and mineral production [were] hampered and limited because of shortages of power”. The Department of State rejected possibilities of public finance to Vargas’ Point III, which requested aid to construct and install petroleum refineries. U.S. position was that “the petroleum industry [was] [...] adapted to the utilization of private capital and, therefore, government (or IBRD) loans should not be made to finance exploration, production, processing or transportation of petroleum products.”²³⁸ Another example refers to Vargas’ Point X requesting aid to establish industries for the treatment of national raw materials. In this case, the main purpose was to promote the exports of manufactured goods. U.S. authorities justified their reluctance stating that “in the case of iron and manganese ore, quartz crystal, and other critical materials, [their] national interest would dictate that we acquire the raw materials rather than assist Brazil in establishing processing facilities”. They stressed this type of undertaking was not fit for government-to-government financing. In this particular case the United States also

²³⁶ Ibid

²³⁷ Memo, ARA/E Mr. White to ARA – Mr. Miller, Enclosure to “Suggested Comments to be Made in Mr. Miller’s Talk with President Vargas in Pursuance of Vargas’ communication of January 15, 1951”, p. 2, NARA, RG59, GRDS, RAASLAA 1949-1953, Subject File Bolívia-Brazil, Box 2, Folder Brazil

²³⁸ Ibid, p. 2

encouraged private enterprise initiatives. Vargas' Point XI "requested the creation of one or more mixed American-Brazilian companies for the study of raw materials of the country, the exploration for and exploitation of mineral deposits". However, U.S. authorities responded that neither this case was subject to government-to-government loans. According to them, however, the Eximbank could provide supplementary foreign financing to import equipment "in cases where the production of minerals [was] of particular interest to the United States."²³⁹

Additional examples of U.S. authorities trying to conciliate Brazilian development projects with the prospects of importing the country's raw materials also appeared in discussions concerning power development. When American authorities disagreed about the convenience of supporting Brazil's request for specific power projects, Edward G. Miller, Assistant Secretary of State for the Latin American Republics Area, used military reasons to favor these undertakings. Later in 1951, he wrote to Willard Thorp, Assistant Secretary of State for Economic Affairs, that "over and above economic justifications, it [was] essential that there [was] no interruption of Brazil's power program consisting of Paulo Afonso, Electric Bond and Share Group, and Rio de Janeiro and São Paulo projects [...]"²⁴⁰ Miller contended that these power developments were key to the United States because they were "directly related to Brazil's ability to fulfill her commitments and to carry out programs which [were] an integral part of Brazil's responsibilities under the Inter-American Defense Program [...]" This defense program "include[d] the reactivation of air and naval bases and to support and supply such bases in time of emergency".²⁴¹

Frustrations with Joint Commission's results can also be partially explained by differing perspectives Brazilian and Americans had. Although some infrastructure projects intertwined with United States interests, they did for different reasons. Mostly, Brazilians' interest in further the country's industrialization did not encompass American priorities. Even Merwin Bohan, U.S. Commissioner in the JBUSED and enthusiast of Brazil-U.S. cooperation, right after the Joint Commission was inaugurated in July 1951, reported to Edward Miller "he felt that in the industrial field no general program [was] necessary, but merely a staff available for the examination of spot projects." According to

²³⁹ Ibid.

²⁴⁰ Memo, "OIT Heavy Power Program – Brazil", ARA- Miller to E- Mr. Thorp, Nov 28., 1951, NARA, RG 59, GRDS, RAASLA, Subject File, 1949-53 Bolivia-Brazil, Box 2, Folder Brazil 1951; Memo, "OIT Heavy Power Equipment Program", Mr. Miller to OSA – Mr. Clark, Nov. 28 1951, NARA, RG 59, GRDS, RAASLA, Subject File, 1949-53 Bolivia-Brazil, Box 2, Folder Brazil 1951

²⁴¹ Ibid

him, if “the Commission succeed[ed] in the fields of transportation and power, private initiative [would] take care of industry.” Besides, Bohan argued he “would feel the same way about mining if it were not for the emergency”. Finally, he also concerned that Brazilians “could think the American Section was interested primarily in projects of interest to the United States rather than to Brazil”. Therefore, he emphasized that he hoped the U.S. “would be wise to proceed with a certain caution, and that [...] they [would] be able to whip some essentially Brazilian projects in to shape before such a program [was] broached”.²⁴² In spite of these arguments, however, first loans to JBUSDC’s projects was approved by the IBRD and the Eximbank only in July 1952 – more than a year after the Joint Commission had been inaugurated in Rio.²⁴³

Furthermore, different perspectives as to Brazilian industrial ambitions appeared in another confidential report issued in 1951. The document remarked that “Latin American economic cooperation desired by the U.S. call[ed] for expansion of production of raw materials [...], even though such an expansion might entail downward revision of the program of industrialization.”²⁴⁴ The CIA elaborated another confidential report at the end of 1952 addressing how conditions and trends in Latin America could affect the United States Security. According to it, “Latin American strategic raw materials [would] continue to be available, although the governments concerned [would] seek to drive hard bargains in terms of prices and economic concessions.”²⁴⁵

Also, in 1952, the Technical Cooperation Administration (TCA), the Point Four agency, under the authority of the Department of State, elaborated an in-depth study whose title was self-explanatory: “Possibilities of expanding production of strategic materials in Latin America by improving power and transportation facilities”. Overall, it argued that, in the case of open war and of strategic materials sources being cut off from

²⁴² Letter, Merwin Bohan to Edward Miller, July 28, 1951, NARA, GRDS, RAASLA, Subject File, 1949-53 Bolivia-Brazil, Box 2, Folder Brazil

²⁴³ Embdes 593, Amembassy Rio de Janeiro to The Department of State, “IIAA Monthly Operations Report for Brazil – September, 1952”, Oct. 23, 1952, CDF 1950-1954, M1489, Roll 5, 832.00-TA/10-2352 ; Embdes 56, Amembassy Rio de Janeiro to The Department of State, “IIAA Monthly Operations Report “, July 14, 1952, NARA, GRDS, CDF 1950-54, M1489, Roll 5, 832.00-TA/7-1452

²⁴⁴ Intelligence Estimate [hereafter I.E.] N°34, “Latin America’s Support of US Objectives”, Nov. 23, 1951, Department of State – Office of Intelligence Research, RG 59, GRDS, Miscellaneous Lot Files, 1944-59, Lot 58D528, Miscellaneous Lot Files, 1944 – 1959 Intelligence Bureau, Office of the Director, 1950-1959 Lot 58D528, Box 64, Folder I.E. No. 34 Latin America’s Support of U.S. Objectives

²⁴⁵ National Intelligence Estimate [hereafter N.I.E.] N°70, “Conditions and Trends in Latin America Affecting US Security”, Dec. 12, 1952, NARA, RG 59, GRDS, Records of the Bureau of Intelligence and Research [hereafter RBIR], Record Set of National Intelligence Estimates, Special Estimates, and Special Intelligence Estimates, 1950-1954, Box 4, Folder N.I.E. 70-52 Conditions and Trends in Latin America Affecting U.S. Security

Africa, Europe and the Far East, the United States would have to rely on Latin American supplies to sustain the country's industries and military vitality. Therefore, it presented a plan that could provide for adequate "pumping of Latin America's mineral resources into [U.S.] economic bloodstream" in case of such events.²⁴⁶ The report clearly stated the importance of establishing a program that "should combine and relate power and transport facilities to strategic material sources" in a much more direct manner [...]. It reinforced that "such a program should be hemisphere-wide in conception".²⁴⁷

As to Brazil, based on the availability of strategic materials, the report listed "vital areas" in the country. The vital areas were Amapá (mainly for its manganese production potential), areas of some Northeastern States (encompassing the Ports of Fortaleza, Natal and Recife), Bahia, the Anapolis (in Goiás), Belo Horizonte, São Paulo, Corumbá (in the State of Mato Grosso) and the Rio Grande do Sul areas. The document also encompassed the existing outlets for exports of these materials, indicating those that should be improved to enhance the potential of their exports to the U.S.²⁴⁸

In sum, primary documents shed light on U.S. policymakers' views as to how they could conciliate American interests with Brazilian infrastructure needs. In that context, the U.S. was eager to fulfill their Cold War security issues. "Ironically, despite such wide differences over ultimate development goals for Brazil, the two nations' leaders found themselves in close agreement about major infrastructure improvements" (Haines 1989, p. 115). Thus, it seems counterintuitive to realize that most of JBUSDC projects did not receive most of the loans. The most striking example being the field of railways. One hypothesis to this issue is that, while there was the likelihood of the Korean War becoming a global conflict, U.S. policy makers included some of Brazil infrastructure bottlenecks among its strategic priorities. In that case, they argued that Brazil, not only was one the crucial sources of strategic materials in the Western Hemisphere but also that the country did not have the capacity to supply them to the U.S. The moment these considerations were made corresponded to the tensest period of the Korean War, which was by the end of 1950 and the beginning of 1951 – when communist China got directly involved in the conflict. It seems that, as a global war became unlikely, the strategic importance of

²⁴⁶ Report, "Report on the Possibilities of Expanding Production of Strategic Materials in Latin America by Improving Power and Transportation Facilities", Jan. 2, 1952, pp. IV, TPL, Papers of Harry S. Truman.: Confidential File, State Department: Correspondence, Box 36, Folder 2 Correspondence, 1952

²⁴⁷ Ibid, pp. XI

²⁴⁸ Ibid, Chapter XII – Brazil, p. 102-104

Brazil's infrastructure projects diminished on the eyes of the U.S. This hypothesis might be a fruitful field for further research.

3.3 Concluding Remarks

It is widespread in the literature that the JBUSEDC provided important technical contributions to Brazil's main development bottlenecks. Also, it is acknowledged that JBUSEDC implementation records were below expectations. However, there is an evident scholarly gap when it comes to assess Joint Commission's concrete implementation records. By analyzing the foreign financing obtained from both the Eximbank and the IBRD between 1951-1954, it is evident why Brazilians were frustrated with Joint Commission's results. Although both the Eximbank and the IBRD provided foreign financing for important Joint Commission's undertakings, most of the projects did not receive loans. Of the 41 projects that the Joint Brazil-U.S. Economic Development Commission elaborated and presented to either of these financial institutions, only 14 obtained the necessary foreign currency financing. The total foreign currency needed to implement the whole program was US\$ 386,3 million. However, US\$ 181,9 million was obtained. Brazil had urgent development bottlenecks, especially in the fields of transportation (railways), ports and power.

The context of the early Cold War years is fundamental to assess Brazil-U.S. relations and, thus, the establishment and work of JBUSEDC. Indeed, the literature have also contended that Americans' main interest in Latin America was to guarantee the supply of strategic raw materials, especially minerals. The Joint Commission was installed when both parties tried to bargain on security-related issues: Vargas was aware of U.S. aspirations and wished to guarantee concrete economic advantages to his development program. Primary documents provide significant insights as to how American policymakers made efforts to conciliate their geostrategic interests with prospects of implementing JBUSEDC infrastructure projects. According to U.S. authorities' perspectives, some of the Brazilian key infrastructure bottlenecks jeopardized the country's potential to increase supply of strategic minerals to the United States. Among these materials monazitic sands, iron and manganese, of which Brazil was the

main producer in the Western Hemisphere. Therefore, helping Brazil overcoming some of its main transportations and power constraints was paramount.

One can associate Brazil and U.S. frustrations with JBUSEC results with the low records of loans obtained. However, both the different perspectives of the parties should also be emphasized. Although some of Brazilian and American interests as to infrastructure undertakings overlapped at some point, they held different positions on what should be the country's development goals. Brazilians main purpose was to foster development through state-led methods, emphasizing on rapid industrialization. On the other side, U.S. authorities, even those who were enthusiasts of bilateral cooperation with Brazil, contended the private sector should lead the industrialization process. Besides, evidence suggests that Brazil might have lost significant strategic importance as became unlikely the Korean War could unravel into a global conflict – which can partially explain why many of Brazil infrastructure projects were left pending in that period. Indeed, it seems that the Cold War played great role on somewhat determining prospects of success of many of JBUSEDC projects.

The Joint Commission terminated in the end of 1953. However, pending loans to Joint Commission's projects impacted Brazil-U.S. relations in subsequent governments, especially that of Juscelino Kubitschek's. Indeed, the literature has remarked that JK's development program, the so-called "Targets' Plan" stemmed greatly from JBUSEDC projects. When the Kubitschek's Administration negotiated prospects of cooperation with the United States, it requested that Joint Commission's projects that were pending of IBRD's evaluation be transferred to the Eximbank. Indeed, JBUSEDC's effect on Brazil-U.S. relations outlived the duration of the Commission itself.

Conclusion

The Joint Brazil-United States Economic Development Commission is a largely unexplored topic to date. The JBUSED C is a case study that revealed many facets of U.S.-Brazil technical cooperation in the early Cold War years. By analyzing primary sources, we have assessed further details on Brazil-U.S. bilateral relations and the structure of foreign aid projects in Brazil. Not only Brazil was the first country of Latin America, and of the world, to establish a Joint Commission under Truman's Point Four program but also the United States wanted the initiative to become a role model to technical cooperation initiatives with the so-called "Third World" countries. The context of the Cold War is crucial to analyze many of the JBUSED C features, but they are not enough. As demonstrated, many other issues played a role in the Joint Commission activities and how it ended. By mapping the JBUSED C, this Masters' Thesis underscored the following conclusions: 1) the Joint Commission was connected to the Point Four values and structure organization in the country, 2) the interplay between the United States, Brazil and a third-party, specifically the IBRD, became one of the main difficulties to implement JBUSED C projects, 3) the United States made efforts to conciliate its geostrategic interests in the context of the Cold War with Brazil's development program. Building on these conclusions, this analysis shed light on several issues, such as Brazil's relations with the IBRD in the exact moment when the Bank was expanding its activities to the less-development countries of the Global South, the Cold War-related interests of American policymakers and the contending views within the U.S. Government regarding economic assistance to Brazil.

The JBUSED C was clearly connected to Point Four's values and organization framework. Firstly, mirroring a key value of Truman's Program, the Joint Commission was a "self-help" undertaking. This is to say that costs for technical cooperation activities were shared with the host country and, further, the work was supposed to create a better environment to attract foreign private investments. Indeed, Americans made clear that their policy of not providing public funds for development would continue. Also, the JBUSED C represented a change in the U.S. approach towards Brazil. Brazilians felt entitled to U.S. foreign aid in the postwar period. Dutra's Administration had been insisting on American economic aid to foster the country development and, as U.S. responses

were vague, Brazil felt frustrated with Washington. In this sense, the JBUSEDC, alongside the Point Four program, was a change in U.S. approach towards Brazil. Because of the prospects of finally receiving loans to promote specific infrastructure projects, expectations mounted. Finally, the Joint Commission, likely the broader Point Four program, was part of U.S. context of using foreign aid as containment policy on the beginning of the Cold War. Evidence clearly showed that the JBUSEDC was established as a countermeasure to growing tensions in U.S. bilateral relations with Brazil. Indeed, when Brazil refused to contribute with troops on the Korean War effort, Washington understood how hampered bilateral relations was.

Among our findings, we realized that the Joint Brazil-United States Commission had a remarkable institutional organization in Brazil. It was comprised by two Sections, one Brazilian and other American. Also, it had specific Sub-commissions on each specific priority field, such as railway transportation, power, maritime transportation, agriculture, ports and technical assistance. Brazilian and American technicians worked together on each sub-commission. They developed specific studies on 41 infrastructure projects on Brazil's key bottlenecks. Also, the JBUSEDC was responsible for centralizing and coordinating the Point Four program in Brazil. As the Point Four also embodied all previous technical cooperation activities previously developed in the country, the JBUSEDC centralized all technical cooperation activities. The Joint Commission had the task to approve and recommend which technical cooperation projects should be implemented. The field work, however, was overall taken care by the Institute of Inter-American Affairs.

However, the main purpose of the JBUSEDC was to submit its studies on specific projects to the financial institutions held responsible for conceding loans. The Joint Commission established a formal procedure of elaborating and evaluating projects. Firstly, a project could be developed by the JBUSEDC itself, as it was most of the cases, but, also, private enterprises and local governments could submit their own projects for Joint Commission's appraisal. After this step, the Commission would send the projects for Vargas' evaluation. The Brazilian president had to confirm his approval before the Joint Commission submitted them to either the Eximbank or the IBRD. Indeed, every project recommended the specific amount of foreign loans needed and the local costs expenses, in *Cruzeiros*. Indeed, Brazilians' created a new institution, the country's National Development Bank (BNDE), to provide for local Joint Commission's local cost in

Cruzeiros. Vargas' Administration was really committed with the JBUSED. In fact, the BNDE is an important institutional development of the JBUSED.

Empirical documents also made it clear that the dealing with the IBRD was the main challenge to implement JBUSED's projects. Resolving the jurisdiction problem as to the exact spheres of action of the Eximbank and the IBRD on fostering development demanding. In the 1950s, the IBRD began to expand its lending activities to other areas of the world. The IBRD became the lender of first instance to Brazilian development projects. The Eximbank, on the other side, limited its loans prospects to Brazil to US\$100 million. Also, the latter should act only those undertakings that with which the Eximbank had already invested previously. Still, the United States in many situations influenced IBRD's decisions on lending to specific countries. By analyzing the JBUSED difficulties in receiving loans to implement projects, it seems that the Brazilian case is was exception. Although the Joint Brazil-U.S. Commission was a bilateral project between Brazil and the United States, the IBRD exerted great power on the prospects of success. The IBRD withheld loans to Joint Commission's projects. Among the main conditionalities, IBRD authorities claimed that Brazil had to approve the free exchange market bill. The IBRD's "get tough" policy towards Brazil also involved conditionalities on Brazil's macroeconomic policies and requirements for reforming the State-owned railway system. Although U.S. policymakers favored IBRD's recommendations to Brazil, those more involved directly with the JBUSED effort did not agree with the Banks' methods. Evidence also suggests that American private sector played an important role on pressuring the International Bank to "get tough" on Brazil.

The implementation records of the JBUSED were below expectations. Out of the 41 projects it elaborated, only 14 received loans. The total cost of projects was US\$ 387,3 million and it demanded roughly Cr\$ 41 million to afford local expenses. The total amount of loans conceded was US\$ 181,9 million, 46,96% of the total required. Although Brazil received almost half of the total required, they felt frustrated with the outcome. Firstly, Brazilian policymakers had high expectations that the IBRD would finance up to US\$300 million. Also, the International Bank provided loans to only 8 projects, totaling roughly US\$ 89 million, while the Eximbank conceded 7 loans, summing US\$ 82,5 million. By 1956, more than 20 projects were pending of International Bank's evaluation.

Overall, the field of power was proportionally more benefited. Eximbank's loan to Amforp, an American private company, was roughly US\$ 41 million, which accounted for

31,7% of the total foreign currency predicted to all power projects by the Joint Commission. This loan alone represented 40,2% of the total loans conceded to the field of power in the period. The JBUSEDC submitted 17 loans requests for railway transportation projects. Yet, only 5 railways received loans. Indeed, the perspectives to improve Brazil's railway infrastructure took the hardest blow.

Although several U.S. policymakers were enthusiastic about Brazil-U.S. cooperation, empirical evidence demonstrates that American authorities made strong efforts to conciliate Brazil's infrastructure projects with United States geostrategic interests. As Cold War tensions escalated, U.S. authorities feared the Korean war (1950-1953) became a global conflict. Considering this possibility, U.S. policymakers seized the opportunity to conciliate some of Brazil's most urgent infrastructure bottlenecks - especially those in the field of railway transportation and power - with their security interests. This is to say that the United States strategically ranked priorities to those projects that would enhance the supply of materials to the U.S. Yet, most of these projects did not receive loans either from the Eximbank or the IBRD. Our hypothesis to explain this outcome is that, as the possibility of a global war resulting from the Korean conflict did not become real, these projects suddenly were not considered priorities to the United States security. Hence, it seems that, besides the problems with the IBRD, geostrategic interests played an important role when it came to the United States pressing the IBRD to provide loans to certain countries.

Lastly, the outcome of the JBUSEDC impacted Brazil-U.S. bilateral relations in subsequent years. Although bitter feelings on the real prospects of successful economic cooperation with the U.S. remained, Brazilians kept insisting on implementing these projects. Indeed, negotiations during the initial years of the Juscelino Kubistchek's Administration (1955), Brazilian policymakers seized the opportunity to rekindle financial negotiations to implement them.

This research shed light on several issues for further investigation. For instance, deeper studies on the role of private companies on JBUSEDC's program might elucidate if they had any influence on defining Brazil's development program. If they did, these studies can also address the extent of their actions, both in the U.S. and Brazil. Moreover, the U.S. established several joint commissions programs throughout the less-developed world in the 1950s. Analyzing these initiatives in countries like Paraguay and México may provide additional discoveries on potential patterns, similarities and differences as to the

U.S. approach towards these countries. Also, relations between IBRD authorities and specific countries of the so-called “Third World” in the 1950s is an interesting field of research. Comparing different experiences and dynamics involving the interplay between the U.S., the IBRD, and loaning countries might provide insights on the U.S. approach towards peripheric countries, while also explaining the policymaking dynamics between these multilateral financial organizations and less-developed countries in the 1950s.

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Appendix

Appendix 1 – List of JBUSEDC members

(Available at COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 1º Tomo, Rio de Janeiro, 1954)

Direction and Technical Staff of the Brazilian Section within the Joint Brazil-U.S. Economic Development Commission (JBUSEDC), Editorial Work

DIREÇÃO E PESSOAL TÉCNICO DA SEÇÃO BRASILEIRA DA COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA DESENVOLVIMENTO ECONÔMICO E CORPO EDITORIAL DOS TRABALHOS DA COMISSÃO

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F. Ronald Stemp, Engenheiro (Gibbs & Hill)

George B. Dutton Jr., Engenheiro (Gibbs & Hill)

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Diretor do “International Harvester and Railway Express Agency”; Conselheiro do Conselho Nacional de Defesa dos Estados Unidos.

Missão Especial de Transportes Ferroviários

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Orrie E. Ward, Tração, construção de vagões e oficinas de reparos (Superintendente de Tração, CB&Q)

Albert G. Reese, Engenheiro, Conservação de linha (ex-Engenheiro de linha, CB&Q) Tom W. Tizzard, Engenheiro de Sinalização (Sinalização CB&Q)

Joseph Gaynor, Engenheiro Eletricista

W. A. Taussing, Coordenador de tráfego rodoviário e ferroviário (Vice-Presidente da “Burlington Truck Lines”)

Subcomissão de Transporte sobre água:

Robert H. Tarr, Chefe (U. S. Maritime Administration)

Consultores Especiais

Comte, E. E. Brady, Estaleiros (Oficial de Reserva da Marinha dos EE. UU.; Vice-Presidente da George T. Sharp, Inc..)

Cel. Robert A. Warren, Portos e Rios; engenheiro consultor sobre construção de portos e melhoramento de rios

Galyn G. Wilkins, Rodovias (U. S. Highway Department) Harry R. Brinkman, Operação de Portos

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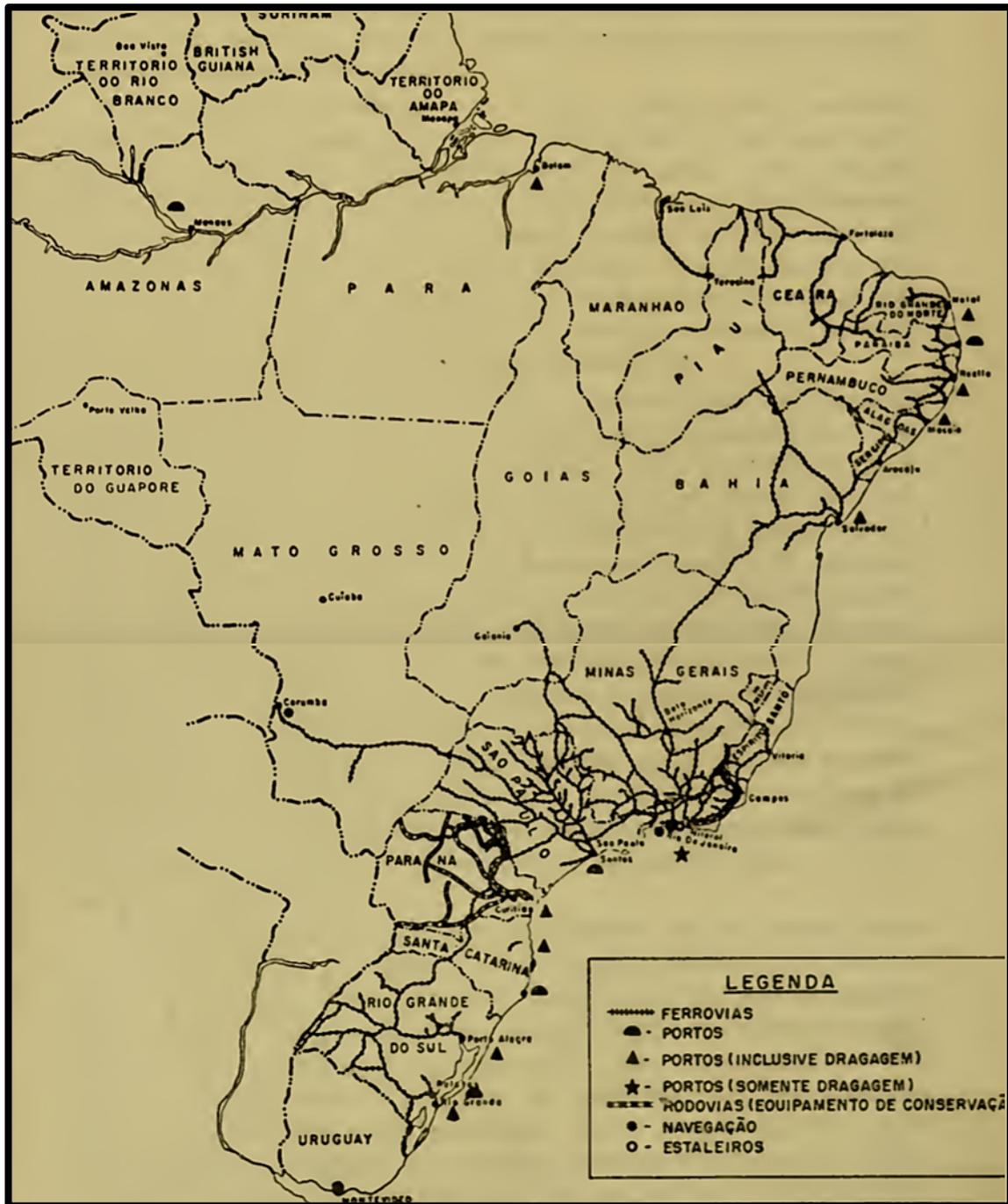
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Appendix 2 – List of projects elaborated by JBUSEDC

Project Nº	Project
1	Santos-Jundiaí Railway
2	Paulista Railway Company
3	Brazil Central Railway
4	Paraná-Santa Catarina Railway
5	Rio Grande do Sul Power Commission (Plano de Eletrificação do Rio Grande do Sul)
6	Paranapanema Power Plants S.A. (Salto Grande Power Plant) – São Paulo
7	Cia Nacional de Álcalis (National Álcalis Company)
8	Barbará Metal Company
9	Empresas Elétricas Brasileiras – American Foreign Power
10	Road Equipment to the State of Rio de Janeiro
11	Alto Rio Grande Power Company (CEARG) - Itutinga Power Plant
12	São Francisco Power Company – Paulo Afonso Power Plant
13	Acquisition of Agriculture Equipment (State of Minas Gerais)
14	Avanhandava Power Plant - National Power Company (São Paulo)
15	Acquisition of Agriculture Equipment (Ministry of Agriculture)
16	Silos Network
17	Acquisition of Dredgers
18	Equipment for the Port of Santos (Companhia Docas de Santos)
19	Equipment for the Port of Rio de Janeiro (Administração do Porto do Rio de Janeiro)
20	Minas Railway Network (Rede Mineira de Viação)
21	Noroeste do Brazil Railway
22	Mato Grossense Power Company
23	Brazil Central Railway (suburban trains)
24	Companhia Força e Luz de São Paulo (São Paulo Light and Power Company – Piratininga Thermoelectric Plant)
25	Improvements in 14 Ports (Departamento Nacional de Portos, Rios e Canais)
26	Reequipment of Government Cabotage Fleet (Companhia Nacional de Navegação Costeira)
27	Road Equipment Acquisition – Departamento de Estradas de Rodagem do Estado do Paraná
28	Leopoldina Railway

29	Alto Rio Doce Power Company (CEARD) – Salto Grande do Santo Antonio Power Plant
30	Cearense Railway
31	Mossoró Railway
32	Federal Leste Brasileira Railway
33	Nazaré Railway
34-A	Nordeste Railway Network and Sampaio Correia Railway
34-B	Sampaio Correio Railway
35	La Plata River Basin Navigation Service
36	Paulista Railway Company
37	Companhia Comércio e Navegação
38	Sorocabana Railway
39	Mogiana Railway Company
40	Araraquara Railway
41	Brazil Central Railway (Minas Gerais Broad Gauge Line)

Appendix 3 - Map of Brazilian Infrastructure when JBUSED was established



Source: COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 1º Tomo, Rio de Janeiro, 1954

Appendix 4 – JBUSED: Location of projects



COMISSÃO MISTA BRASIL-ESTADOS UNIDOS PARA O DESENVOLVIMENTO ECONÔMICO. Relatório Geral, 2º Tomo, Rio de Janeiro, 1954, p. 141