

BRAZILIAN-UNITED STATES RELATIONS FROM

1930-1946

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By

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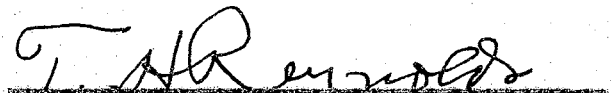
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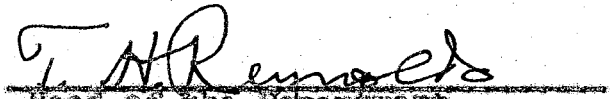
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PREFACE

The aim of this thesis is to present as clearly and extensively as possible the recent economic, social and political relations between the United States and Brazil. The class work on Latin America conducted by Dr. T. H. Reynolds, together with his suggestions, created the desire to make this investigation.

My handling of this subject makes no claim to being exhaustive. There are breaks in this history which are not due to lack of information, but are used rather for the sake of shortening the study. To have treated the subject fully would have resulted in a book containing many pages.

When the material has been abundant, it has been necessary to make a selection. I have tried to select the material that would interest the reader and impress him most.

The information used in this thesis was secured from the library of Oklahoma Agricultural and Mechanical College.

G.F.S.

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CHAPTER I

HISTORICAL BACKGROUND OF BRAZIL IN RELATION TO THE UNITED STATES

Many intruders have settled in Portugal--the Lingurians, the Celts and the Gauls, the Phoenicians, the Carthaginians, the Romans, the Suevie and the Goths, the Jews, the Moors, the Germans, the French and the English--that it would be difficult to find a modern people whose recent and remote ethnic and cultural past is more heterogenous.¹

It should be added that before Brazil was discovered and its colonization began, the population of Portugal had been colored by the introduction of a considerable number of Negroes.²

According to geographers the Hispanic Peninsula is a transition zone between two continents; a saying sometimes used sarcastically by the Nordics.

For eight centuries the Hispanic or Iberian Peninsula was dominated by Africans, Arabs, and Moors left their trace there.³

¹ Gilberto Freyre, Brazil: An Interpretation, p. 11.

² Ibid., p. 11.

³ Ibid., p. 1.

The Treaty of Tordesillas was drawn up as of June 7, 1494.⁴ It awarded Portugal all lands that might therefore be discovered "east of a straight line drawn from the North to the South Poles, at a distance of 370 leagues from Cape Verde."

Spain was to have all lands discovered west of this line. In this way Portugal got a large share of the continent of South America. Brazil is slightly larger than the greater bulk of Europe east of France, a hundred times larger than the Mother Country;⁵ larger than the United States with another state the size of Texas thrown in. The total land area of Brazil is 3,275,510 square miles.⁶

In 1500 the Portuguese Commander, Pedro Alvaris Cabral, following the course of Vasco de Gama, was driven off his course and was literally blown ashore, and accidentally discovered Brazil.⁷

For some time Portugal showed very little interest in the settlement of Brazil. It was thought to be vastly inferior to Spanish-American possessions with their great mineral wealth.

The first settlement was made in 1531.⁸

⁴ "Brazil", Encyclopedia Britannica, IV, 1944, p. 48.

⁵ Ibid., p. 2.

⁶ "Brazil", The World Almanac, 1946, p. 336.

⁷ Henry Albert Phillips, Brazil, Bulwark of Inter-American Relations, p. 1.

⁸ Ibid., p. 2.

No sooner did the colonists get a foothold when the cry for black slaves was raised. A wave of prosperity followed in the cultivation of sugar.⁹

The administration of the colonies was divided into twelve Captaincies¹⁰ (later eighteen), all nominally responsible to the Viceroy at Bahia. But each separate division went its own way with the succession of weak rulers.

It was, with the notable exception of Marquis of Pombal's reign (1750-1777), a bungling control.¹¹

Officials took their toll, justice was often sold, colonization lagged, Portuguese contempt for manual labor and dependency upon black slaves blocked inventiveness.

The land owners became mighty men with feudal realms and tens of thousands of slaves.¹²

The European countries of the day made a constant effort to get a foothold on Portugal's New World domain.¹³

English adventurers, Witherington and Cavandish, plundered the coastal cities. In 1612, the French

⁹ Ibid., p. 3.

¹⁰ Mary W. Williams, The People and Politics of Latin America, p. 247.

¹¹ David R. Moore, A History of Latin America, p. 280.

¹² Ibid., p. 180.

¹³ Phillips, op. cit., pp. 3-4.

attempted to found a permanent colony in the Island of Maroyo, which lasted until 1618.

The Dutch, in 1624, sent a powerful fleet against Bahia. The Spanish and Portuguese united in joint effort and ousted them in 1630; however, the Dutch succeeded in getting a firm hold on Recife.

They remained in possession until 1654 before they were driven out of Brazil for good.¹⁴

Portugal and her colonies were taken over by Spain for sixty years; this began in 1581.¹⁵

During this period Brazil was on the whole neglected by the captor; for the colony was not believed to be of much importance; partly because of this, Brazil became the prey of Spanish enemies.

As a result of Napoleon's ambitious program on the continent of Europe, the Portuguese royal family took flight to the Western Hemisphere near the close of 1807.¹⁶ Within a few brief days following the completion of the journey, the political institution of Portugal, generally known as the Court, had been set up in Brazil.

¹⁴ Ibid., pp. 3-4.

¹⁵ Williams, op. cit., p. 101.

¹⁶ Lawrence F. Hill, Diplomatic Relations Between the United States and Brazil, p. 3.

On May 5, 1808, when Jefferson learned of the arrival of Regent Dom John at Rio de Janeiro, he availed himself of an opportunity to extend to the Prince a cordial welcome to the New World.¹⁷

In a verbal response to Jefferson's approaches, Prince John gave assurances that American citizens would enjoy in Brazil the commercial privileges of the most favored nation; freedom of private worship, the same rights as Portuguese in the acquisition and disposal of property, and equality before the courts.¹⁸

Brazil declared its independence of Portugal on September 7, 1822.

On May 26, 1824 the United States recognized the independence of Brazil. The United States was the first country to recognize the independence of Brazil.¹⁹

The United States and other countries had wished for years that Brazil would open the Amazon and its tributaries for trade.

The visit of Louis Agassiz,²⁰ Professor of Harvard University, had a great part in changing the policy of Brazil. He was loved by the people of Brazil.

From the time of arrival, the entire expedition was the recipient of gracious attention from the

¹⁷ Ibid., p. 3.

¹⁸ Ibid., p. 4.

¹⁹ Ibid., p. 30.

²⁰ Ibid., p. 236.

imperial government. Emperor Pedro II placed at the disposal of the distinguished naturalist a steamer in which to visit the Amazon and its affluents, while the governors of the provinces vied with each other in rendering personal aid to his labors. It was acknowledged at the time that the hospitality bestowed by the Rio de Janeiro government enabled the expedition to accomplish more in a single year than it could have accomplished unaided in five years. The compliments paid the "Emperor Scientist" and his counsellors and ministers for their enlightened policies and the expression of appreciation for their recent exhibitions of hospitality were applauded as a matter of course.

But the Brazilians received with equal enthusiasm Agassiz's word picture depicting the wonders of the Amazon Valley; they found no objection to his apparently incidental comment that the first means necessary to the development of the "Marvelous Region" was the opening of the river to navigation.

Five months after Agassiz's departure, the Brazilian Council of State came to an agreement on the form the decree should take. Signed December 7, 1866, the final order provided that after September 7, 1867,²¹ the Amazon should be free to the merchant vessels of all nations as far as the borders of the empire.

²¹ Ibid., p. 238.

The reign of Don Pedro II lasted 68 years.²² Nearly everyone who came in contact with Don Pedro II agreed that he was always a gentleman. He was generally liked. He was too kind to be forever quarreling with his people and too nice to become a despot. His reign was easy going, and the Brazilians seemed to like it that way. Public works and education rose on the wings of prosperity to new heights.

The visit of Don Pedro II²³ and the Empress to the United States on the occasion of the Centennial Exposition may be taken as evidence of the growing cordiality between the two countries. And the warm reception which the royal pair received everywhere served as a stimulus to the increasing esteem. The nature of the reception and the popularity of the visit are indicated by the Emperor's election to membership in the National Geographic Society and by the inclusion of his biographical sketch in the annual report of the Smithsonian Institution.²⁴ An author was so impressed with Don Pedro II that he later dedicated a book to his memory. But the Emperor's many-sided interests were capitalized not alone by representatives of the academic world: the promoters of Bell's telephone

²² Phillips, op. cit., p. 7.

²⁵ H. Herring, "Brazilian Trade Treaty", Current History, XLI, (March 9, 1935), 731-732.

²⁴ The Smithsonian Institution, Annual Report, 1876, p. 173.

took advantage of them to give wide publicity to their product.

Along about 1880, liberalism spread through the educated classes. It grew year by year, creating political unrest and a desire for a change that culminated in a military conspiracy. Suddenly in 1889, after an absence abroad followed by an enthusiastic and affectionate welcome home, the good-natured and confiding emperor was deposed.²⁵ On the 14th of November, the palace was surrounded, and the following morning the emperor and his family were quietly placed on board a warship and sent off to Portugal.

It was a bloodless revolution and about the only casualty was the emperor's broken heart.

On February 1, 1891, a National Congress assembled and formulated the Constitution of the United States of Brazil, taking the Constitution of the United States of North America as its model.²⁶

On January 19, 1890, formal recognition was extended to the Brazilian agents at Washington.²⁷ One of the first acts of the Brazilian Congress was the passage of resolutions expressing thanks to the friendly neighbor.

²⁵ Phillips, op. cit., pp. 7-8.

²⁶ Ibid., p. 8.

²⁷ Foreign Relations of the United States, (Washington, D.C., 1890), VI, p. 22.

Reciprocity and mutual respect seems to be an essential basis for developing really friendly relations; this mutual respect should take into consideration that a democratic tradition is common to all Americans, Latin and Anglo-Saxon.

A changed attitude toward colored races seems to some students of inter-American relations essential to Pan-Americanism if the latter is to mean real reciprocity and effective mutual respect.²⁸

Any composition of the people in Brazil must include the mixture of Black and White. At length none shall be all Black, none perhaps all White.²⁹

There could have been no greater testimony of reciprocity in friendship than Brazil's breaking relations with Germany four days after America's declaration of war in 1917, and in fully joining the allies, October of the same year. Again, six weeks after Pearl Harbor, Brazil broke relations with the Axis powers and declared war on Germany and Italy on August 22, 1942.³⁰

The more familiar we are with Brazilian history, therefore, the better we will know the Brazilian people and how to trade with them and the more probable become our chances to make good and long-lasting friends of our South American neighbors.³¹

²⁸ Freyre, op. cit., pp. 146-147.

²⁹ Phillips, op. cit., p. 127.

³⁰ Earl Parker Hanson, The Amazon: A New Frontier, p. 89.

³¹ Phillips, op. cit., p. 216.

Brazil and the United States have always been the best of friends. There are some things we do that irritate them. Attention will be called to some of these obstacles in the next chapter.

It is only in recent years that Brazilian-American friendship and cooperation have grown into a major force for peace and progress in the Western Hemisphere.³²

Distrust of the United States was always less important in Brazil than in other Latin American states.

The retreat from imperialism during Hoover's Administration helped to clear the way for the enunciation of the Good Neighbor Policy by Franklin D. Roosevelt in 1933.³³

The policy of non-intervention in Latin American affairs was another step forward.

Brazil by all counts can become our closest economic partner.³⁴

President Franklin D. Roosevelt, enroute to the Peace Conference in Argentina in 1936,³⁵ stopped at Rio de Janeiro for a visit with President Vargas. He was given a very warm welcome by the people of Brazil.

³² Hanson, op. cit., p. 89.

³³ F. H. Reynolds, Progress of Pan-Americanism, p. 126.

³⁴ Phillips, op. cit., p. 195.

³⁵ "Brazil and the United States", Pan-American Union, LXXI, (January, 1937), 2-15.

The following is an excerpt from a speech of President Vargas at a dinner given in honor of President Roosevelt:

"The Peace Conference, felicitous initiative, constitutes in itself proof of the lofty purpose animating you in the field of international politics; but what invests the convocation of the conference with a truly exceptional character, above all, it evidences approval of a policy which the individual efforts of your government put into effect and pursued with the greatest firmness."³⁶

"An idealist, you arrive at the Peace Conference with your prestige heightened by the renewal of the confidence of your nation which chose you by 25,000,000 free votes to be its interpreter and guide in the bright hours of national and troubled hours of international life.

The creative optimism that inspired your action in convoking a Continental Assembly of the American Nations will certainly bear fruit in lasting concord capable of guaranteeing the tranquility and the confidence of all and of serving an example and stimulus to nations tortured by the specter of war.

Of the support of the people and Government of Brazil in these labors, I can give you at this time sincere and full assurance as I raise my glass to the happiness of the citizens of the greatest democracy in the world, to your personal good fortune, and to the success of your noble efforts in behalf of the great ideal of Peace, which irrevocably links our Sister Nations, the United States and Brazil."³⁷

The exchange of visits between Brigadier General George G. Marshall, Deputy Chief of Staff of the United States, War Department; and Major General Pedro Aurelio Goes Monteiro, Brazilian Chief of Staff, representatives of two powerful but peace-loving nations, was undoubtedly

³⁶ Ibid., p. 14.

³⁷ Ibid., p. 15.

one of the events of major inter-American significance. These visits were a token not only of the traditional friendship which has always united Brazil and the United States,³⁸ but of the decision which the American Republics expressed at Lima³⁹ to maintain the principles upon which their solidarity is based "against all foreign intervention or activity that may threaten them."

As "Brazilian Business", the organ of the American Chamber of Commerce for Brazil, said on the occasion of General Marshall's good-will tour of Brazil, made last May at the initiation of the Brazilian Government; "The vital point of the visit showed clearly and beyond the shadow of a doubt that the two nations were one in point of view so far as democracy and democratic principles were concerned and that both were willing to resist any attempt to weaken or destroy these principles."

When General Monteiro, Chief of Staff of the Brazilian Army,⁴⁰ as the invited guest of the United States Government and particularly of the high command of the American Army, returned the visit to Brazil of General Marshall, he was shown every courtesy. They visited Army posts throughout the country.

³⁸ "American and Brazilian Generals Exchange Visits", Pan-American Union, LXXIII, (October, 1939), 568-572.

³⁹ Reynolds, op. cit., p. 35.

⁴⁰ Pan-American Union, op. cit., LXXIII, 568-572.

The New York Times expressed a similar view, as did the Brazilian papers at the time of Marshall's visit to Brazil, in regard to the visit of the South American soldier. "His visit at this time," it stated, "has unusual significance in view of our concern for the military solidarity of the New World against any potential threat from overseas. It is also a testimony of the close harmonious relations that exist between the two largest powers of the Americas and to the newly cooperative character of the Monroe Doctrine. Though no military alliances are contemplated, it is safe to assume that the conversations between General Monteiro and our War Department Staff will go beyond mere soldier's talk and the usual formalities of polite intercourse."⁴¹

As early as 1941, United States-built bombers were flying to the front in Libya via the South Atlantic short cut, from Natal on the hump of Brazil to Bathurst on the hump of Africa. This tightening of Hitler's southern flank was enforced in August when President Roosevelt commissioned Pan-American Airways to ferry planes and build necessary bases.⁴²

Less well publicized is the fact that Pan-American bases program goes far beyond the needs of the ferry service. Including a full dozen land and land-sea-air ports,

⁴¹ Ibid., 568-572.

⁴² "Air Bases in Brazil", Life, XI, (December 15, 1941), 95-96.

it will make the hump of Brazil a site for major operations and command the South Atlantic.⁴³

In line with its function as an unofficial arm of the United States Government in South America, Pan-American Airways have had this broad project in the works for more than a year. With surveys ready, work begun in August is now nearing completion. On at least half of the fields, work proceeds under peculiarly Latin-American circumstances. It is performed almost exclusively by hand labor, under the interested eyes of Axis agents attached to the German and Italian Consulates and to the German and Italian airlines that still web the South American continent⁴⁴ in 1941.

President Getulio Vargas declared in a May Day speech that his country had nothing but contempt for Axis threats.⁴⁵

The President backed his words up with action. He issued a decree extending the term of military service of all conscripts. The effects of this was to quadruple the size of the Brazilian Army, already the largest and one of the best in Latin America.

President Vargas intends ultimately to raise an army of more than a million men to defend Brazil's coast

⁴³ Ibid., 95-96.

⁴⁴ Ibid., 95-96.

⁴⁵ "Brazil Works to Aid War Effort of the United States", Scholastic, XL, (May 25, 1942), 12.

line which is the nearest part of the Western Hemisphere to the Old World.⁴⁶ The Brazilian Air Force is being strengthened in several of the larger cities along the 4,000 miles of Atlantic Coast line.

Stamping out of the Fifth Column is a serious problem in Brazil. There are approximately 150,000 German inhabitants plus 1,055,000 citizens of German descent; about 1,000,000 Italians, plus 3,400,000 of Italian descent; and around 250,000 Japanese.⁴⁷ German and Italian schools have been closed. All aliens must register and their movements are closely watched; all Axis organizations are disbanded. For two years before the United States entered the war, the Brazilian police were quietly busy collecting information on suspected Axis spies and propagandists; about 200 of these suspects have been arrested since December 7, 1941 and round-ups are continuing in many cities.

Brazil and the United States are working closely together in economic matters. We have sent technical experts to Brazil to help develop the steel and rubber industry and to find ways of increasing production of essential vegetable oils. Brazil is sending to the United States twenty-six strategic materials. The most important are mica, rubber, bauxite, manganese and industrial diamonds.

⁴⁶ Ibid., 12.

⁴⁷ "Brazil", Encyclopedia Americana, 1945, 108-111.

Brazil followed the United States into the First World War, the only South American State to go to war against Germany.

At the critical Rio de Janeiro Conference she took the lead in urging all the nations to break relations with the Axis and line up the continent on the side of the United States, and seven months later, in August, for the second time, she went to war on our side.⁴⁸

Brazil's enlistment on the side of the United States at a moment of frustration for us on the fighting fronts, was a political and moral gain of the first order. It added positive factors to a shaky balance sheet: the allegiance of 44 million people; the high economic potential of America rich in strategic materials.

Brazil promised to give us what was needed in strategic materials--manganese, industrial diamonds, rubber, bauxite and mica.⁴⁹

For a time Brazil was trapped in an economic vacuum; because of the shortage of ships and materials, it was impossible for us to supply her with desperately-needed steel, basic chemicals, rolling stock, road-building and agricultural machinery.

⁴⁸ "The New Ally", Fortune, XXVI, (November, 1942), 108-109; 210-218.

⁴⁹ Ibid., 216-218.

Brazil has undertaken to meet the United States needs; this imposes the responsibility of helping her to stabilize the economy.

Under an agreement signed in October, 1942, the United States has underwritten the coffee crop of 1942-1943 up to 9,300,000 bags whether the coffee is moved or not; the same goes for cocoa, up to 1,300,000 bags. The Export-Import Bank loaned them \$25,000,000 for the steel mill. We loaned them \$14,000,000 for the improvement of railroads, roads and harbors.⁵⁰

Before Brazil can become a really great nation, roads, railroads, shipping and air routes must be provided far beyond anything now existing. To satisfy the vast demand for plates, rails, structural shapes that these require, Brazil is dreaming of another and far bigger steel city on the Victoria Minas Railroad, founded on Ilabera ore, and have just started to build airplanes. They now seek an aluminum industry founded on native bauxite. Mr. Pearson has said that the purpose of the Export-Import Bank loans is to help Latin American countries to "build these industries which Europe has never wanted them to have." In other words, to decolonize, on that basis, Brazil stands ready to join us in a long and mutually prosperous partnership.

⁵⁰ Ibid., 216-218.

CHAPTER II

SOME OBSTACLES THAT PREVENT MORE FRIENDLY RELATIONS

The many ways in which the Monroe Doctrine has been interpreted by the various presidents of the United States have created a fear and distrust in the minds of the Latin Americans. The Brazilians remember that we penetrated and later took over the State of Texas. We fought a war with Mexico, and at the end of the war we took almost half of the Mexican territory. In 1901 after Spain had been pushed out of Cuba, we forced the Platt Amendment upon the people of Cuba.¹ On November 3, 1903 a quick and bloodless revolt took place, the independence of Panama was proclaimed, and an American naval force prevented the landing of Columbian troops to put it down. A few days later the Republic of Panama was proclaimed at Washington.

The United States took control of the customs revenues of Santo Domingo in 1905 to pay off debts owed to a European country. The Marines were sent into Nicaragua in 1909 to keep the peace and there they remained for years. Our armed forces attacked and took Vera Cruz in 1914. The Army was sent into Mexico to punish Villa in 1916.² These and many other things were done in the name of the Monroe Doctrine.

¹ Mary W. Williams, The People and Politics of Latin America, p. 394.

² F. L. Paxson, Recent History of the United States, 1865 to the Present, p. 466.

The policy of the United States which flung defiance at European aggression in Latin America met approval in Brazil. But an aggressive policy on the part of the United States in the promotion of her own interests met with criticism in the same country. The criticism did not become severe, however, until Yankee and Brazilian interests clashed.³

Another obstacle in inter-American relations is our Jim Crow mentality. Many Latin Americans are of mixed race and resent American treatment of Negroes or mixed races in our hotels, shows, or elsewhere. Southern universities are becoming aware of Spanish America and are attempting to provide for cultural and intellectual cooperation. Is it likely, however, that students or faculty members with a trace of Negro blood could feel at home on the campuses of universities as at Tulane, Texas or North Carolina?⁴

Mr. Saksena completed his education in Business Administration at Boston University several years ago. He left the United States to try to establish himself in Brazil; he recalled somewhat unhappily his difficulties in the United States and could not keep from wondering what the future in Brazil would hold for him.⁵

³ L. F. Hill, Diplomatic Relations Between U. S. and Brazil, p. 284.

⁴ T. H. Reynolds, Progress of Pan-Americanism, p. 125.

⁵ C. C. Saksena, "All Brazilians Are Brothers", Asia, XLV, (April, 1945) 185-186.

Since that time he has had ample opportunity to meet and mingle with Brazilians of all types and classes and has come to feel at home among them. In Brazil they gave him the warmest kind of welcome. There was no need to explain about race or nationality; for in Brazil if a man shows himself to be respectable and a decent human being, he is welcome in every part of society.

In both public and private schools, for example, there is no differentiation or segregation based on race, color, or creed. The same spirit prevails in commerce and industry. In stores, offices, factories, and government positions, everywhere, one finds these diversified people working together in harmony. White men treat Colored citizens and citizens of mixed races without a trace of discrimination. Promotion is based on merit and ability.

This is true of social and living conditions. Local clubs and amusements are open to all. It is impossible to find a single Brazilian club that excludes a man from membership on a racial basis. Sport teams are composed of White and Colored players. At the beach one sees people of all nationalities freely playing beach ball, swimming, and having coffee at boardwalk cafes in complete accord. Everyone may travel by any conveyance without the slightest suggestion of Jim Crowism. At carnival time in Rio de Janeiro, one sees nearly every race in the world participating in the carefree dancing at the grand ball, in the municipal theater, or at the clubs.⁶

⁶ Ibid., XLV, 185-186.

The spirit of racial equality and fraternity extends to that official, yet most representative of institutions, the Army. There are no separate White, Colored or Indian divisions. Everyone is united in one strong, courageous group - Brazilians. Here again, as in commerce and industry, promotion is on the basis of merit.

Mr. Saksena tells of going to dinner with a colonial friend and in the afternoon they went for a walk and as they went along exchanging ideas, they came upon three children making mud pies. They stopped, looked at the children, then at each other and smiled. The colonel's friend said, "Ingracado, nose". (Cute, aren't they.) "Yes", Mr. Saksena answered, "they are, but that is not what I was admiring. Here you have three children; one colored, another Portuguese and a third Oriental, all playing together, growing up together, as part of one people - Brazilians. Here is the root of international brotherhood."

A Brazilian, even if he possesses some impersonal feeling of racial prejudice, upon becoming personally acquainted with an individual and finding him to be a likeable and decent fellow, will lose any personal notion of dislike and accept the newcomer on equal terms. We may take this as a fortunate indication that under the stress of the present conflict, Brazilians will develop a definite position, as indeed they already are doing on the side of fairness and high human values.⁷

⁷ Ibid., XLV, 186.

A common boast of Americans is, "We say what we think." This might count for much if we would only think more over what we say. We must bear in mind that these Latins are more subtle than we are. That is their nature. We Anglo-Americans glory in being honest-to-God Joe Blunts, regardless of whether our brutal frankness is going to slay our budding friends or only shock them back into suspiciousness (another of these Latin foibles). Then after we have been so plain-spoken, any further intercourse becomes out of the question and we wonder why.⁸

You would be astenished to know the questions and remarks that are heard in the capital and other big cities, in brilliant gatherings where the society butterflies glitter and wander around and where the majesty of the evening dress is not always indicative of the highest culture. On one occasion a very distinguished diplomat was introduced to a lady and she asked from what country he came. He said he was from Brazil. The lady looked a little hazy and said, "Brazil, Brazil...ah, yes! That's where the nuts come from."⁹

A single unfortunate word, innocently, ignorantly or intentionally uttered, may rip a rent in the diplomatic

⁸ H. A. Phillips, Brazil: Bulwark of Inter-American Relations, p. 188.

⁹ Reynolds, op. cit., pp. 156-157.

fabric that has taken years to weave. For example, a well-known writer stated to several million readers that Bahia was a Negro city. "That is not true", a prominent Brazilian said. "We do not object to Negroes, but the inhabitants of Bahia are all Brazilians." It took a long while to get that kink out of their hair. Here is an example of the way we feel when we think we are criticized. A recent "Times" carried a double column spread to the effect that Noel Coward (patriotic playwright, author, champion of the United Nations) had cast a slur in print on the American Army. Representative Dickstein harangued the House demanding that Coward be forbidden ever to step his foot on American soil again and that Britain make a retraction. Mr. Coward did write something to the effect that he had seen soldiers from Brooklyn not in the line of battle where they ought to be, which was not as important as it was impertinent. What was important is that Noel Coward, long friendly Ambassador without portfolio, did not yet understand the temperamental idiosyncrasies of England's American allies no more than the American writer understood the Brazilian color conception.

Both their color complex and their color complexion began more than a thousand years ago with their Portuguese ancestors.¹⁰

¹⁰ Ibid., 15.

Mr. Hernane Tavares, a Brazilian who had been visiting in the United States, met a nurse in Washington just before he left for Rio de Janeiro. She was being sent to Brazil to take charge of a program for training Brazilian nurses. It was a responsible job, and the young lady was obviously highly competent insofar as technical requirements were concerned. But her human relations I.Q. was something else. When she learned that Mr. Tavares was a Brazilian, she confided at once that she did not mind foreigners at all. "I am one of those broad-minded Americans", she chirped happily. "I don't think that we are a superior race and the Brazilians are an inferior one." She continued along this diplomatic line for some minutes and then disclosed some of her preparations. One of her bags was full of her old shoes, half-soled and repaired, because she had no idea whether satisfactory shoes would be available in Rio de Janeiro. She did not know, of course, that Brazilian hand-made shoes equal the best product of North America and Europe. Another bag held a full cargo of toilet paper, which she was carrying to one of the world's most cosmopolitan cities.¹¹

Within an hour of the time she passed through customs, the story of the nurse's two bags would be all over Rio de Janeiro, and another ludicrous incident would be chalked up against the United States. The 150 or more Brazilian

¹¹

Hernane Tavares, "Camouflage of Harmony", Inter-American, III, (August, 1944), 10-13.

girls of modest families trained by this young lady have probably never known another North American. Naturally they will judge the entire United States by this one "broad-minded" and tactless representative.¹²

You have to be careful you do not call the bases granted to the United States by the Brazilian Government, "American". On this point the Brazilians are very sensitive. Even hard-boiled Aranha bristles if you call them American bases. Recently when a picture magazine captioned a photograph of one of the airfields as "American", Aranha wrote across a printed copy of the picture, "To the best of my knowledge, sovereignty over this region is Brazilian".¹³

Gomes, with Monteiro, Dutra, to a certain extent Pexioto, have absolutely refused to accede to American recommendations that an expeditionary force be sent to Brazil. We have sought to obtain the Brazilian Government's permission to bring down several squadrons of bombers and fighters with complements of fliers and technicians. We wished to distribute them strategically at points where they could establish Atlantic approaches to the coast line in order to safeguard against another Pearl Harbor, and also be ready to take the initiative in case of an attack. Gomes, whether on the instructions from Vargas or on his

¹² Ibid., III, 10-13.

¹³ F. Guerasi, "Three Men and a Girl," Colliers, cix, (March 21, 1942), 13.

own initiative with Vargas' approval is not known, has vigorously opposed the plan. Gomes insisted that planes be sent without American crews and turned over to Brazilian aviators. When American attaches pointed out that this was impossible because Brazilian fliers, good as they might believe themselves to be, are not quite of the caliber required to pilot Flying Fortresses and our latest fighters,¹⁴ Gomes suggested that Americans could train Brazilian personnel. It was patiently explained that this would take a year or more.

Arrangements in early 1941 were made that opened the landing fields to the United States ferry operations. It was not until October, 1944 that it was announced Brazil would permit the United States to have naval and air bases in the war against Japan.¹⁵

Vargas has his own little braintrust whose members feed him information concerning the state of mind of three principal sources from which he derives his power, army, people, and Brazil's economic relations with the United States. The last source of power is very important. Vargas knows that the future of his regime and the future of Brazil depends at least as much on his friendship for the United States as upon the good-will of the nation's

¹⁴ Ibid., cix, 13.

¹⁵ "Brazil", Encyclopedia Americana, 1945, 108-111.

44,000,000 people and the people's army. One of the men is well-known Oswaldo Aranha, Brazil's Foreign Minister. He is Vargas' leg in America; the man who steered Brazil away from Europe and toward the United States.¹⁶

Mr. Tavares returned home to Brazil after visiting in the United States. After talking to hundreds of his friends, he came to the conclusion that anti-United States feeling in Brazil is growing. This is a fact that cannot be changed by refusing to face it. Perhaps it would be more accurate to say that the Brazilians are growing less and less pro-United States.

In the past Brazilians have admired their northern neighbor ungrudgingly. They have been free from distrust and fear common in many of the Spanish-American lands.

The most important cause of this growing anti-United States feeling is the increasing fear that the naval and air bases which Brazil lent to the United States¹⁷ for the duration of the European war will not be returned to them.

Everywhere he went the people of all classes, rich or poor, educated or illiterate, there was but a single question, "What will the United States do about the bases?"

It is no secret many public figures in the United States believe that the United States should keep the

¹⁶ Guerasi, op. cit., cix, 13.

¹⁷ Tavares, op. cit., III, 10-13.

Atlantic bases after the war. They have aired their opinions in Congress, in the press, and on the radio. In his speech at New York, Town Hall, last May Sumner Welles pointed to this trend in public opinion.

"We would be blind if we were to fail to recognize the evidence of a trend toward imperialism within many sections of our own public opinion. Nor can we disregard similar demands that we must secure permanently bases and other facilities which some of our neighbors of the Western Hemisphere have willingly lent us for our use during the war period as one of the contributions they could make to our common war effort."¹⁸

Not one of these speeches has escaped the notice of literate Brazilians and many who cannot read or write have followed the trend with amazing accuracy by questioning their better-educated acquaintances.

Lately, some of the Latin Americans keen political analysts have been saying that Brazil will, after all, get her territory back. But they base their prophecy on cold blood power politics rather than on the belief that the United States will respect the moral principles on which the Good Neighbor policy is built. The loss of faith in the United States fundamental spirit of fair play is fostered by delaying the decision.

¹⁸ Ibid., III, 10-13.

Faith could be restored at once by an unequivocal statement of the United States policy in regard to the bases. Such a statement is urgently needed if North American standing in Brazil is not to suffer further damage.¹⁹

Another factor contributing to the changed attitude toward the United States is the economic disruption brought on by the war. While these troubles are due to complex factors, the average Brazilian has found it simple and more satisfactory to pin the blame on the United States.

Shortly after the first transports landed in Belem, Natal, and Recife, with their cargo of United States troops and equipment, these regions began to feel the pinch. True, the newly-arrived troops high pay and the way they tossed it around have increased prices of many items as much as tenfold. But the soldiers and sailors are hardly to blame if their pay is high by Brazilian standards. To keep them from spending it as they like would be unjust and difficult to put it mildly. The arrival of hundreds of high-salaried United States technicians, experts, administrators, and clerks has played havoc with the economic set-up in the entire Amazon basin.²⁰

¹⁹ Ibid., III, 10-13.

²⁰ Ibid., III, 10-13.

The conspicuous behavior of Americans at play is another of those seemingly trivial factors. During the course of an evening "on the lawn" in Rio de Janeiro, one invariably sees one or more Jeeps with its cargo of merry-making United States Army and Naval officers and their evening-gowned companions. This spectacle has its effect on the Brazilians, who have been forbidden enough gasoline even for business trips on the grounds that the allies need it for war.

Rio de Janeiro is not only the political Capital of Brazil but also its intellectual and social center. The nation's political and industrial leaders live in the small, luxurious rather isolated section of Copacabana, as do the top-flight financiers and intellectuals. To Copacabana's world-famous beaches come all important visiting Brazilians from other states. Here too lives practically every North American in Rio de Janeiro.

Thus Brazil's most influential people cannot avoid watching the North Americans as they live and play, and the United States is judged by the behavior of its representatives.²¹

These officials cast on their country a reflection out of all proportion to their numbers and their individual importance. The most important charges against the North

²¹ Ibid., III, 10-13.

American executives are: that after working hours, they have nothing to do with Brazilians, creating the impression that they do not like the country or the people and are just getting a job done; that the majority make no attempt to learn the language or the customs of the people; and that they are far too frequently rowdy and unruly in public places. The world-famous Rio de Janeiro night clubs are no longer quiet, decorous places they were before the war. North Americans have taken them over, and it is often difficult for a Brazilian to find a table.²²

North American prestige had taken some pretty hard wallops in Brazil for the past few years, but in March, right after the arrival of United States Ambassador Adolf Berle and the Rio de Janeiro visit of Edward Stettinius, United States stock shot sky-high with the Brazilians. Between the arrival of Berle and Stettinius, the Brazilian press snatched off its Vargas imposed gag with such violence that the canny Vargas was afraid to tie it up again; also, for the first time in years one heard in Rio de Janeiro's streets, open, unafraid criticism of the Government. Uncontrolled rumors connected the arrival of the two American notables with the new freedom, and of the newly-born hopes for return to long-ignored principles of common democratic decency. Berle got off to a running start in his first conference

²² Ibid., III, 10-13.

for the Brazilian press, during which he did not mention Vargas's name once. The omission was widely and happily commented.²³

After he made the rounds of the United States Government agencies in Rio de Janeiro, shaking hands with everybody, white, black and brown, right down to the office boys, his "lack of racial prejudice and sympathy with the Brazilian people" became Rio de Janeiro's favorite topic of conversation. In spite of the press censorship, which, nobody knew it then, was on its last legs, the press attached great importance to the fact that Berle was the first non-cover United States diplomat ever to hold the Rio de Janeiro Ambassadorship. This, they plainly felt, was an indication of the awareness of Brazil's throbbing political problems.

Stettinius' visit was occasion for more flamboyant happenings. From Sao Paulo the prominent opportunist, Dr. Whaterly sent a long message denouncing the Vargas Regime. All anti-administration papers printed the message. A few days later, when Whaterly was scheduled to broadcast over Sao Paulo radio Tupi, Dip (official censorship and propeganda bureau)²⁴ prohibited the broadcast. Whaterly went on the air anyhow. Dip ordered the station closed, but Tupi defiantly continued to

²³ F. C. Villar, "Brazil Turns A Corner", Inter-American, IV, (May, 1945), 13-16.

²⁴ Ibid., IV, 13-16.

broadcast, wondering at what moment the police might raid the studio. Dip jammed Tupi's wave length with conflicting noises from police radios. All the other Sao Paulo stations threatened to close down during Dip's obligatory daily Hora da Brazil program if Tupi was not on the air by 8:00 o'clock P.M. Dip, which only a few days before had successfully denied the air to ex-Foreign Minister Oswaldo Aranha, backed down.

As far as Mr. Stettinius was concerned, of course, all the heroics were very definitely unrehearsed. How much United States diplomacy was responsible for the reaction of the people of Brazil against a system which oppressed them at home while sending soldiers to fight against oppression abroad, only history will tell. In any case since March of this year, the forty-eight States of the Star-Spangled Banner have shown with a new light on Brazil's political horizon.²⁵

Vargas, for fourteen years President and absolute boss of more than 44,000,000 people, will doubtless pass on to history as the man who brought Brazil and her considerable resources to the United States side in the struggle against the Axis. That this action was due exclusively to United States diplomacy--one of the United States diplomacy's major triumphs--is a fact sometimes forgotten by both North Americans and Brazilians.

²⁵ Ibid., IV, 13-16.

The Nazis were in Dakar looking with a gleam in their eyes at Brazil's strategic bulge. It was a miracle of persuasive neighboring that coaxed and rewarded the Brazilian Government into becoming a full-fledged ally of the United Nations. Critics have called the price too high, but not even the fiercest New Deal critic would pretend to know what would have happened if that price had not been paid.²⁶

It is true, perhaps, that in the economic upheavals which followed, the Brazilian people for some time ceased to look to the United States as their natural protector against oppression. However, only the Brazilian Government is to blame for this. The enormous number and importance of the United States gifts and loans to Brazil were carefully kept from the people by the Brazilian Government. All the people knew through the Dip was that Brazil was at war because the Germans and Italians had sunk seven of their ships. They were also told that the United States was being supplied with precious raw materials from Brazil; that a lot of food went to the Allies, especially to the American forces, while goods were rationed in Brazil and prices went sky-high. But they never knew that the same Americans were spending hundreds of millions which brought a century of social and industrial progress to Brazil within a half dozen years. The people of Brazil have

²⁶ Ibid., IV, 13-16.

become closer friends to the United States since they have found out the things we were doing for them.²⁷

²⁷Ibid., IV, 13-16.

CHAPTER III

TRADE RELATIONS OF BRAZIL WITH THE UNITED STATES

American Direct Investments in Brazil, 1930

Value in \$1,000	
Manufacturing	45,678
Selling	15,819
Distributing	23,010
Transportation (Except Railroads)	96,915
Miscellaneous	12,184
Total	193,606 ¹

1929-1930 Brazil

	1929	1930
Exports	94,831,000	65,770,000
Imports	86,653,000	53,618,000 ²
Favorable Trade Balance	8,178,000	12,151,000

The excess of merchandise exports over imports for the United States for 1930 reached the large sum of 792,000,000, although it fell below the high figures of 1924, 1928, and 1929. A sharp recession in the prices of import commodities began during the latter part of 1929 and continued through 1930.³

¹ "American Direct Investment in Brazil, 1930", Trade Information Bulletin, No. 731, (Washington, D. C., 1930), 13.

² "The Exports and Imports of Brazil for 1929-1930", Trade Information Bulletin, No. 775, (Washington, D. C., 1931), 7.

³ "Trade Information", Trade Information Bulletin, No. 749, (Washington, D. C., 1931), 4-5.

4

PRODUCTS IMPORTED INTO BRAZIL FROM THE UNITED STATES FROM 1931-1939

	1931-32.	1932-33.	1933-34.	1934-35.	1935-36	1936-37.	1937-38.	1938-39
Apples	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Boxes	127	128	91	111	148	114	133	110
Pounds	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Pears	2,071	2,807	3,470	3,636	3,961	5,228	4,596	4,688
Oatmeal	1,203	949	1,641	635	972	1,056	701	1,111
Wheat Flour	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Barrels	0	0	0	10	3	3	27	15
Other Wheat Flour	113	61	196	126	64	66	29	24

4. Joseph A. Becker, "Exports From the United States to Brazil, 1931-1939", Agricultural Statistics, (Washington, D. C., 1940), 501-514.

5

PRODUCTS IMPORTED INTO THE UNITED STATES FROM BRAZIL 1931-1939

	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39
Corn-Beef	0	0	9	498	1,912	4,595	11,686	16,123
Vegetables	1,203	949	1,641	635	972	1,056	701	1,111
Coffee	1,188,566	909,530	1,075,417	994,884	1,177,056	963,329	975,445	1,172,778
Brazil Nuts	6,540	4,856	6,718	7,733	10,138	8,721	6,267	8,583
Carnabua Wax	5,618	5,705	10,686	9,038	11,172	13,725	12,871	14,268
Cacao Beans	142,264	173,894	130,336	138,150	172,152	181,123	236,497	193,438
Rubber	15	16	17	19	19	21	21	31

Corn Beef in 1,000 Dozen Cans

The other products are in 1,000 Pounds

⁵ Ibid., 501-514.

Brazil and the United States agreed on the exchange of coffee and wheat. Brazil has the coffee and we have the wheat. The Federal Farm Board in the United States has repeatedly assured the coffee trade that the coffee already secured from Brazil will be marketed through the regular channels of trade in an orderly manner.⁶

Secretary of State, Cordell Hull at the Seventh Pan-American Conference in December, 1933 proposed that the American republics make a start toward removing the artificial barriers to international trade by negotiation of reciprocity treaties. The past year of the Roosevelt Administration drove steadily in the direction of the goal described.

The first fruit was the reciprocal trade agreement with Cuba; the second a treaty with Brazil which was signed at the White House on February 2, 1935. The new treaty was described by Mr. Hull as marking the first break in the log jam of international trade created by restrictions such as quotas, import license, exchange controls, special arrangements, and almost numberless throttling devices.⁷

⁶ "The Exchange of Coffee and Wheat", Congressional Record, No. 75, 73 Cong., 1 sess., (Washington, D. C., 1932), 1171.

⁷ "Brazilian Trade Treaty", Current History, XLI, (March 9, 1935), 731-732.
NOTE: See Malloy's Trade Treaties.

The importance of this agreement is obvious. Brazil is our second largest South American market. Brazil allots 46 percent of her available exchange to the United States, almost four times the percentage allotted to France, which comes next to the United States. During the depression American exports to Brazil, which exceeded \$100,000,000 annually in 1928-1929 dropped to \$28,000,000 in 1932, but rose again to \$40,000,000 in 1934; some of this decline, of course, reflected the fall in prices. Brazil takes 25 to 30 percent of her imports from the United States, while the United States takes from 40 to 50 percent of Brazil's exports.

The products of the two countries are largely complementary, creating a prime condition for favorable interchange. By the terms of the treaty the United States concedes a 50 percent reduction on manganese ore, Brazil nuts, castor beans and a variety of other products; it agrees to keep eleven other products on the free list.⁸

Brazil concedes reduction on twenty-eight tariff items and guarantees against any increase on thirteen others. Included on the free list of Brazilian concession is a 20 to 60 percent reduction on automobiles, trucks, tires and radios, paints, etc. The Brazilian concession

⁸ Ibid., 732.

affects 23.8 percent of American exports to Brazil; the American concessions affect 2.4 percent of the total imports from Brazil in the same year 1933. The treaty also pledges Brazil to provide sufficient foreign exchange to assure payment for future imports from the United States, gradually to reduce the frozen commercial credits due citizens of the United States, now amounting to more than \$15,000,000.⁹

The instrument of approval and ratification of the trade agreement between the United States and Brazil signed at Washington, February 2, 1935, was exchanged at Rio de Janeiro, December 2, 1935. It became effective on January 1, 1936.

Brazil has reduced import duties on a list of American products including common soap, oilcloth, surgical gauze, linoleum, patent leather, electric batteries, steel furniture, steel files, certain scales, gasoline pumps, turpentine, cement, canned vegetables, canned fruit, oatmeal, powdered milk, canned salmon, and chewing gum.

Brazil also agrees not to increase during the life of the agreement, the duties which apply to fresh fruit (duty free), agricultural machinery, including tractors (duty free), refrigerators, motorcycles, sewing machines,

⁹ Ibid., 732.

automatic scales, cash registers, typewriters, calculating machines, typesetting machines, heavy radio telephone and telegraph equipment, and motion picture films.

The reductions in the United States duties granted to Brazil are not many, for there are few important products imported from Brazil which are not on the free list. Duty concessions are made on copaliba, balsam, opicac, and yerba mate.¹⁰

With respect to import quotas, import license and other forms of quantitative restrictions, the agreement provides in general for most favored-nation treatment and in particular that no such restrictions will be applied to articles on which each country has granted concessions, except those imposed for sanitary and similarly recognized purposes. Restrictions necessary in connection with measures for the control of production, market supply or price of domestic articles (such as are provided by the Agricultural Adjustment Act) are allowed subject to consultation between the Governments. Each country has the right to terminate the whole agreement on thirty days notice if it considers that such restriction imposed by the other nullify or impair the concessions it has secured by the agreement.

¹⁰ "Trade Agreement, 1935", Pan-American Union, LXX, (January, 1936), 58-60.

The agreement also contains other comprehensive provisions designed to provide for equitable treatment of each country's trade in connection with any quantitative restrictions which may be established, and lays down rules for procedure in connection with this form of trade control.¹¹

Blocked commercial balances in Brazil due American exporters are estimated now to be more than \$20,000,000.

A method was arranged between the National Foreign Trade Council and the Brazilian Government for the gradual liquidation of these commercial debts by delivering to American creditors of cash and serial notes of the Government of Brazil. At the request of the Council the Export-Import Bank has made a commitment to "purchase" the funding notes of Brazil when issued to the American creditors in settlement of American's commercial debts now in arrears but not exceeding 60 percent of the notes issued to each individual creditor,¹² provided that the total face amounts of such notes should not exceed \$17,000,000.

Besides national and most favored-nation treatment with respect to all internal taxes and charges levied in the future, the agreement provides that national or

¹¹ Ibid., 59-60.

¹² "Brazil Signs Trade Agreement With United States", Business Week, (November 23, 1936), 39.

federal taxes on products on which duty concessions are granted will not be increased. (Brazil and the United States also undertake to facilitate trade in the operation of their customs administration, and the application of sanitary regulations.)

In addition to the general assurance of most favored-nation treatment with regard to the control of foreign exchange, a supplementary exchange of notes between the two governments provides that Brazil will undertake to grant sufficient exchange for the payment, as due, of future imports from the United States and to provide for the gradual liquidation of existing differed commercial indebtedness to American exports.¹³

The preliminary estimate of the Ministry of Agriculture for a number of Brazilian outstanding agricultural products indicated that the production was somewhat larger in both volume and value in 1937 than in 1936. The trade movement was greater than 1936 and there was sufficient remittance of current commercial obligations throughout the year until December 23 when strict exchange control was decreed.¹⁴

(The United States made a proposal to lease obsolete destroyers for a nominal charge to any Latin American country on application. Brazil was one of the first

¹³ Pan American Union, op. cit., LXX, 60.

¹⁴ "Production and Trade," Economic Review in Foreign Countries, (Washington, D. C., 1937), 1772.

favored-nations to make application for the destroyers; the deal marks the first move in Washington's campaign to defeat the European influence in the Southern continent.¹⁵

Among Brazil's most valued raw materials and one which the United States has made sure of getting is ferro-manganese, absolutely vital to industry in wartime and just as valuable in peace. Brazil now furnishes 25 percent of the product used in the United States and in case of war, it would offer the most important accessible source of supply.¹⁶

By 1937 it was estimated that the American industrial interests in Brazil were about \$500,000,000. These investments were mainly in public utilities, mining, meat packing, shipping, rubber, oil, branch and assembling plants, and manufacturing. American capital probably makes up more than one-fourth of the total foreign investment in Brazil, largely supplied by the power trusts and international banks, United States Steel, Ford, duPont, Standard Oil, General Electric, Diamond Match, General Motors, and the packing triumvirate, Wilson, Swift and Armour.¹⁷

[In July, 1937 the United States Treasury signed with Arturo de Souza Costa, Finance Minister of Brazil, an

¹⁵ G. Arbozia, "Aggressive Good Neighbor", Nation, CVL, (September 18, 1937), 285-287.

¹⁶ Ibid., 285-287.

¹⁷ Ibid., 287.

agreement granting Brazil a \$60,000,000 gold credit to maintain "monetary equilibrium" between the two countries and to facilitate the establishment by Brazil of a central reserve bank. In return Brazil undertook to remove from its tariff laws provisions operating against the United States.¹⁸

The United States retained its tradition as the leading market for Brazilian produce, but its proportion of the total declined to 34.3 percent, from 36.3 percent for 1937, and an average of 43.7 percent during the decade from 1925 to 1935. The year 1938 although generally less prosperous and eventful than 1937 was of special interest as indicating the trend of the national economic policy of Brazil under the new regime established by President Vargas in November 1937.¹⁹

The agreement with Brazil comes under three main headings:

1. The establishment of a new agricultural attache in Rio de Janeiro.
2. A survey of the tropical resources of Brazil by scientists of the United States Department of Agriculture.
3. The loan of Department of Agriculture research workers to investigate problems of Brazilian farms and forests.

¹⁸ ibid., 287.

¹⁹ "U. S. Leads in Trade", Economic Review of Foreign Countries No. 71, (Washington, D. C., 1938), 378.

The arrangement for cooperative agricultural research included in the new Brazil-United States trade agreement is part of a greater plan which is intended to extend American research facilities to all tropical American countries with a view of mutual interchange of products that will not interfere with the existing agricultural system.

Possible developments under new arrangements include: re-establishment of the Para rubber industry, now largely in the hands of the British and Dutch in the East Indies;²⁰ stimulation of existing trade in cacao, palm oil, wax, etc.; development of traffic in tropical fruits through better refrigeration facilities; experimentation in new crops like tea, spices, hemp and jute.²¹

The United States is the greatest industrial nation in the world. We make more than half the world's production of manufactured goods. We acutely need Brazil; she is almost exclusively agricultural. Her manufactures are negligible. She needs practically everything we make. Her chief agricultural products are those which

²⁰ "Brazil-U. S. Agreement Is Part of A Greater Plan", Science, XXXV, (March 25, 1939), 182.

²¹ F. Knox, "Our Southern Arteries", Atlantic, CLXIV, (July, 1939), 75-80.

do not compete with us on our farms. Her greatest crop is coffee; we grow no coffee. She owns half the world's known deposits of manganese; we have none and acutely need it in steel-making. We are the world's largest users of rubber and grow none. Brazil could easily develop in the course of a few years a supply of rubber sufficient to fill our entire needs.

Our hardwoods suitable for manufacture are practically exhausted; Brazil has the greatest undeveloped hardwood timber resources to be found anywhere in the world. Brazil is a great producer of tropical fruits; we are the greatest users of tropical fruits and can produce only a fraction of our demands. Beyond all this Brazil needs the capital we could supply and the organizing ability which characterizes American enterprise.

Given American capital and organizing capacity, combined with the advantage which scientific research has provided, Brazil, with immense undeveloped resources, could go as far in the next twenty years as we have gone in the last fifty. And to cap the climax, Brazil is ready to enter into a special agreement with us in which she would give us advantages she would give no other country.²²

²² Ibid., 75-80.

Income and Department Service From the United States
Portfolio--Investments in Foreign Countries Paid by
Brazil in \$1,000 in 1939

Debts	\$	211	
Redemption Payments		1,011	
Sinking Fund		8,888	
Total		\$10,110	23

In an effort to meet the problem of transportation shortage of maritime traffic, the Government of Brazil negotiated the purchase of fourteen ships American registry, thereby augmenting Brazilian sea-going tonnage by 68,000 tons.²⁴

The United States made loans to Brazil.

1. \$20,000,000 credit from the Export-Import Bank to be paid off by June 28, 1941.
2. The \$20,000,000 was to pay off outstanding indebtedness to United States exporters. An additional loan of \$50,000,000 was made for future exports.
3. A \$50,000,000 loan was made to establish a steady currency to protect importers and exporters from exchange fluctuations.

In return the United States asked and Brazil promised the following:

1. Secretary Hull asked and Brazil promised to break its bars against the shipment of foreign exchange out of Brazil which has played into the hands of the Nazi barter system.
2. Brazil promised to resume servicing of their \$557,000,000 bond debt to the United States Nationals in default since November 10, 1937.

²³ "Income and Department Service," Economic Review of Foreign Countries, No. 8, (Washington, D. C., 1940), 86.

²⁴ Ibid., No. 9, (Washington, D. C., 1941), 218.

3. Brazil promised to cooperate with the Department of Agriculture experts in developing agricultural products.²⁵

A credit of \$120,000,000 is no great matter to the United States Government, accustomed to living on an \$3,000,000,000 budget, but it means a great deal more to Brazil whose 1939 budget was \$203,000,000. More significant than its size is the fact that the purpose of the credit was to enable Brazil to cut loose from Germany's economic apron string, particularly Nazi Germany's barter system.²⁶

With the United States exporters now able to obtain payments for goods sold to Brazil, the resumption of payment on Brazil's bonds, the possibility of the United States obtaining rubber from the Western Hemisphere was brought a step closer. President Roosevelt and Secretary of State Cordell Hull considered the Brazilian agreement as one of the most important decisions made in recent years. The agreement was worked out with Aranha, the Brazilian Foreign Minister.

Essential trade goods must keep moving between the United States and Brazil if they are to be linked by mutual self interest. We must concentrate on things that cannot wait if we are to keep Brazil on our side, namely, help Brazil with her economic difficulties

²⁵ "Something Practical", Time, XXXIII, (March 20, 1939), 13-14.

²⁶ Ibid., 14.

of huge agricultural surpluses and her need for certain shipping and production priorities.²⁷

The American experts will aid in the development of agricultural regions which can produce such products as rubber, which the United States now buys from remote areas of the world. Brazil has untold wealth in raw materials waiting to be developed and since Brazil has been the object of intensive German propoganda, the United States is anxious to cement her friendship with the South American nation.²⁸

The German officials pointed to the pact with a bitter denunciation of the United States for trying to dominate the Western Hemisphere.²⁹

Iron ore constitutes the greatest and most valuable of Brazilian mineral resources, and iron deposits which have been found in sixteen states have been estimated as high as 15,000,000,000 metric tons, or 23 percent of the world's total reserves. The deposits in Sena de Espinhaco in the State of Minas Geraes, are outstanding because of high proportions of iron (more than 68 percent), the absence of sulphur and titanium and the low percentage of phosphorus in the ores.

²⁷ Congressional Record, 77 Cong., 1 sess., LXXVII, (Washington, D. C., 1941), 1917.

²⁸ "Brazil Signs Pact to Improve Trade Relations", Scholastic, XXXIV, (March 25, 1939), 7.

²⁹ Ibid., 7.

Brazil is fortunate also in having large supplies of manganese, largely used in making steel, found chiefly in the State of Minas Geraes. In recent years manganese has been produced in rapidly increasing quantities; production rose from 24,893 tons in 1933 to 200,000 tons in 1938.³⁰

The United States was the chief purchaser of iron ore in the four years 1936 to 1939, its imports of ore being respectively, 74,463 tons, 148,704 tons, 44,908 tons, and 43,489 tons. A stimulus has been given to the iron and steel industry by a \$20,000,000 loan to Brazil by the Export-Import Bank for the erection of an iron and steel mill near Rio de Janeiro, under the conditions outlined in the letters which follow, between Guilherme Guilne, President, Executive Commission, Brazilian Siderurgical Plan, and Jessie H. Jones, Administrator, Federal Loan Agency of the United States. It is expected that the mill will produce about half of the present Brazilian requirements. Some coal will be imported to mix with Brazilian's low grade coal for smelting.³¹

³⁰ "U. S. Loan for Brazil's Iron and Steel Mill", Pan-American Union, LXXIV, (December, 1940), 830-833.

³¹ Ibid., 830-833.

Brazilian Embassy
Washington, September 25, 1940

Dear Mr. Jones:

With regard to the extensive discussions of the project to construct an iron and steel mill in Brazil, which have taken place between representatives of my own Government and the Export-Import Bank, I have the honor to inquire whether the bank is in a position to make available to Brazil and to Brazilian interests and on what terms, the credit necessary for the purchase, in the United States, of materials and equipment for the construction of the mill, which the Government of Brazil considers of paramount importance to its economic progress. It is estimated that we will need \$20,000,000 United States funds to cover the purchases, \$10,000,000 of which will be required during the next twelve or eighteen months and the balance up to a maximum cumulative total of \$20,000,000 thereafter as the work progresses. It will probably require two and a half years to complete the mill.

If the credit is available, we will establish an office in Pittsburgh or other suitable center with a corps of engineers and executives to handle the task of the design of the mill, the purchase of the equipment, and the construction of the plant. This organization will be composed of Americans and Brazilians acceptable to both parties. We will, if you think it is advisable, establish a supplemental or consulting house in Washington or New York. All this, of course, will be at our expense and become a part of the cost of the mill.

The Brazilian Government in conjunction with certain Brazilian savings banks and investors is prepared to invest milreis to the value of \$25,000,000 in this project in the form of equity money or otherwise represented by securities junior to the Export-Import Bank loan. We would expect the loan specification, etc., and the construction and operation of the mill to be satisfactory to you, and for you, if you wish to have your special representatives to inspect the work as it is being carried on.

I shall be very happy to hear from you at your earliest convenience.³²

Guilherme Guinle
President, Executive Commission
Brazilian Siderurgical Plan

Honorable Jessio H. Jones
Administrator, Federal Loan Agency
Washington, D. C.

³² Ibid., 830-833.

Federal Loan Agency
Washington, September 26, 1940

Dear Mr. Guinle:

Receipt is acknowledged of your letter of September 25, 1940 in which you state that the Government of Brazil desires that an iron and steel mill be constructed and that the Brazilian Government, together with certain Brazilian savings banks and other investors, is prepared to invest milreis to the value of \$25,000,000 for the purchase of United States materials and equipment for the construction of the mill.

In line with our several conversations on the subject and conditional upon the investment of milreis to the value of \$25,000,000 as above provided for in the form of junior money, I am pleased to advise you that the Export-Import Bank confirms the tentative commitment of \$10,000,000 therefore approved by the Bank for this project and agrees to increase the sum as the work progresses to a cumulative total of \$20,000,000.

The loan will be made by the Export-Import Bank to the company who is to own and operate the mill, and endorsed by the Bank of Brazil, and guaranteed by the Brazilian Government. The loan will be payable in twenty semi-annual payments, the first of which will be due in three years from the date of the first advance, interest payable semi-annually at 4 percent will run from the date each advance is made.

Satisfactory provisions will be required to assure that the loan will constitute a first claim against the mill and all legal matters in connection with the loan will be subject to the approval of the Export-Import Bank. We should also want the privilege of concurring in the selection of the managerial officers of the mill company, the engineers and the contractors, and the purchase of the materials.

The Export-Import Bank expect continuing assurances from the Bank of Brazil and the Brazilian Government that the mill will be completed from the proceeds of the loan and funds to be supplied in Brazil and that the mill will have ample working capital. In view of the fact that the experience of Brazilians in the manufacture of steel on a large scale has been limited, the management of the enterprise should include managerial officers and engineers experienced in the manufacture of steel in the United States. Until successful operation has been assured to the material satisfaction of the Export-Import Bank and Brazilian investors. I have every confidence that with

sufficient experience, Brazilians will be able, successfully to manufacture steel, and I am in thorough sympathy with your President and your people in their desire to build this industry.³³

Yours very truly,

JESSIE H. JONES
Administrator

Dr. Guilherme Gainlo
President, Executive Committee
Brazilian Steel Plan
c/o Brazilian Embassy
3007 Whiteheaven Street, N. W.
Washington, D. C.

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Throughout the war a steady flow of essential materials were sent from Brazil to the United States. The United States made two lend-lease agreements with Brazil which received \$154,286,000 or "more than half" of the total shipments of this nature to Latin America. That country has now started settlement with the recent authorization of \$35,000,000, the first three installments.

For its part the United States on July 6, 1945 withdrew virtually all naval personnel from Brazilian territory, although United States Army forces still operate the bases. Under the terms of the original agreement, these installations revert to Brazil^l six months after the end of the war.

Brazil is fortunate in that its rubber agreement with the United States continues in force into 1947. In the original agreement of February 8, 1944 Brazil assumed

³³ Ibid., 830-833.

full financial responsibility for Amazon rubber production.³⁴

The United States was both the largest buyer of Brazilian goods and the greatest provider of Brazilian imports, the figures being 53 percent and 61 percent, respectively. Brazil's trade balance with the United States at the end of 1944 was approximately 798,000,000 cruzeiros. Brazilian purchases from the United States included, among other items, large amounts of foodstuffs, electrical apparatus, iron and steel products.³⁵

One of the first Brazilian products to be affected by termination of United Nations procurement contract was mica. Mica shipments more than doubled to 941 metric tons between 1939 and 1941. To achieve this record active assistance was received from the United States Purchasing Commission in Rio de Janeiro which encouraged technical training of miners, helped in the procurement of modern machinery, and arranged for the delivery of trucks to ease transportation difficulties. Whether private trade will be able to hold the sales volume at recently established record levels remains to be seen.³⁶

Look southward business men and see what opportunities are offered by Brazil. With her eyes on the United States,

³⁴ "Status Brazilian--United States War Agreement", Foreign Policy, XXI (October 15, 1945), 220.

³⁵ "Brazilian Foreign Trade", Pan-American Union, LXXIX (September, 1945), 543-544.

³⁶ "Termination of Mica Contract", Inter-American, XXXIX (October, 1945), 40.

Brazil is planning to industrialize to the utmost. Her leaders will continue to use the United States as her model. They have cash to lay on the line and want to spend it in the United States. Brazil has \$297,000,000 in gold in the Federal Reserve Bank in New York and the Control Bank of Brazil; also \$231,000,000 in foreign assets, or a total of \$528,000,000. This is a start of \$2,000,000,000 to be spent in our country. It is estimated that possible development of new plant facilities in Brazil will require machinery and equipment of every variety from us valued at \$1,307,000,000. Replacement of depreciated and obsolete equipment will likely require an additional \$719,000,000. Most of the replacements have been needed for at least two years.

In 1920 there were 13,000 plants employing 275,000 persons. In 1940 it had increased to 70,226 plants employing 1,412,432 workers.

In 1920 there were only 356 power plants; by 1940 they had increased to 1,200. No other American republic outside the United States can show such an advance. The tempo is now stepped up in Brazil; they are determined to make over their country electrically.³⁷

The conclusion that may be drawn from this brief study of Brazil in relation to the United States reveals the need for continued understanding and cooperation. The development of continental solidarity, in spite of divergence in peoples, language, government, climate, and economic

³⁷ J. J. Daly, "Postwar Cash Customer", Nations Business, XXXIII (January, 1945), 46.

development, has been a great accomplishment. We face a common problem and are seeking a solution to the same difficulties. International defense, transportation, trade, agriculture, industry and social welfare are all matters with which both nations are vitally concerned.

Some of our problems include the following:

1. The promotion of economic, financial and agricultural cooperation, including the adoption of common policies, uniformity in legislation, and standardization of regulations and practices, commercial arbitration, and means for exchanging information.

2. The promotion of intellectual cooperation, including exchange of professors and students, exchange and cooperation in the cultural field, and means for exchange of information.

3. The promotion of travel through the adoption of uniform legislation to facilitate inter-American travel.

4. The peaceful settlement of disputes through a progressive system of peace treaties which establish methods of solving conflicts by investigation, conciliation, mediation, arbitration and consultation among governments.

5. The adoption of standards for enlightened international conduct, including the principle of non-intervention and the non-recognition of treaties acquired by force.

6. Continental solidarity maintained in advance by international cooperation and by consultation among the governments whenever the peace of the hemisphere is threatened by a situation existing or arising within or without the continent.

These results have not been achieved in a day and must continue over a long period of time if permanent benefits are to be realized.

In view of the fact that we have just passed through a war, it is true that there was some fear, distrust, and criticism of the Americans. It is thought by some students of Brazil that the emergency has strengthened the program already begun with a view of permanently capturing the trade that was once enjoyed by European powers.

The creation of more purchasing power in Brazil by the encouragement of a wider diversification of products will lessen her dependency on favorable prices and European markets thus increasing our exports to that country.

A long range policy of economic cooperation based on common planning, research and training, and organization work, and the establishment of new enterprises, and the expansion of existing ones, on the basis of joint responsibility and mutual benefits should result in complete political solidarity.

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