

BRAZILIAN-UNITED STATES RELATIONS FROM 1930-1940

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Bachelor of Arts

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1936

Submitted to the Department of History
Oklahoma Agricultural and Mechanical College

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF ARTS

1942

RECEIVED
JUL 16 1962

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PREFACE

The aim of this thesis is to present as clearly and extensively as possible the recent economic and political relations between the United States and Brazil. The ideas of making this investigation had its inception in a class on Latin America conducted by Dr. T. H. Reynolds at the Oklahoma Agricultural and Mechanical College.

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 numerous pages.

Where the factual material has been abundant it has been necessary to make a selection. I have based these selections on the recent and authentic quality of the data.

The information used in the thesis was secured from the library of Oklahoma Agricultural and Mechanical College; the library of Congress, Washington, D. C.; the United States Department of State, Washington, D. C.; the Superintendent of Documents of the United States Government Printing Office in Washington, and my own library.

L. A. P.

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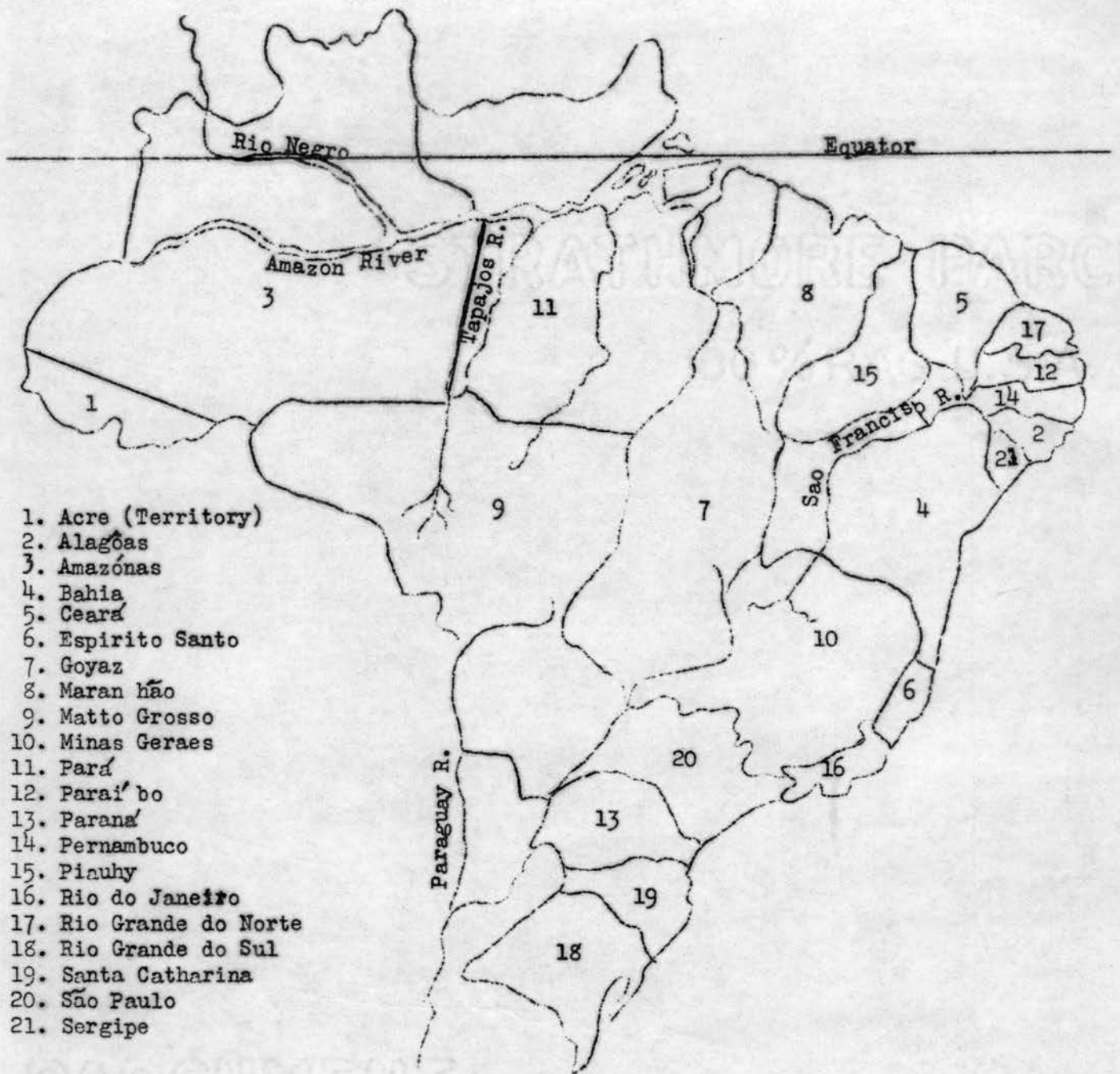
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BRAZIL

The size of Brazil, concentration of population along the Atlantic Coast, networks of mountain ranges and rivers make a comprehensive map of the country unintelligible. The above, therefore, as an amplification of an outline map prepared by the Brazilian Information Bureau presents only the states and rivers. This map also illustrates the new "Brazilian" spelling inaugurated in 1935.

HISTORICAL BACKGROUND OF BRAZIL
IN RELATION TO THE UNITED STATES

Chapter I

The people of the United States have never been as much interested in their Latin American neighbors as they are today. The present conflict in Europe makes Western Hemispheric solidarity a necessity from a standpoint of trade, as well as that of defense.

Among these "Neighbors to the South,"¹ Brazil occupies a dominant position. It is not only first in land area,² but it is rich in natural resources and is in a position to play a leading role in the future of South America. Brazil is the tested friend of the United States, and although the climate and population is vastly different, our economic and political relations have been satisfactory through the years.³

Modern Brazil must be appraised in the light of her colonial heritage. Portugal ruled from the first settlement in 1532 to the break in 1822, and the rule was an indolent and indifferent one.⁴

Portugal's colonial management discouraged unity. The administration of the colony was divided into twelve captaincies (later eighteen), all nominally responsible to a viceroy in Bahia, which were transferred in 1763 to Rio de Janeiro. But each separate division went its own way with a succession of weak rulers. It was, with the notable exception of the

¹ Kathrine Carr, South American Primer (New York, 1939), 69.

² According to the South American Handbook (Harpers, London, 1940) the total land area of Brazil is 3,275,510 square miles.

³ Hubert Herring, Good Neighbors Argentine, Brazil, Chile and Seventeen Other Countries (New Haven, 1941), 106.

⁴ Hutton Webster and Roland Dennis Hussey, editors, History of Latin America (New York, 1941), 63-64.

Marquis of Pombal's regime (1750-1777), a bungling control.²

Officials took their toll. Justice was often sold. Colonization lagged. Portuguese contempt for manual labor and dependency upon black slaves blocked inventiveness. The landholders became mighty men with feudal realms and tens of thousands of slaves.³

When the break with Portugal came, Brazil was unready for self-government. The landowners continued to dominate, jealous sectionalism persisted, and the habits of bad government were not forgotten.⁴

Brazil broke with Portugal in 1822. It was a fairly amicable family arrangement, with no clash of armies. Joao VI, who moved the Portuguese court to Rio de Janeiro during the Napoleonic interlude, returned to Lisbon in 1821, leaving his son as regent.⁵ Meanwhile, the colonists were demanding independence. On September 7, 1822 (Brazil's Day of Independence), Pedro declared Brazil an independent empire and assumed rule as Pedro I. The United States was the first great nation recognizing Brazilian independence thus laying the foundation for future friendship. This feeling of good will was again fostered when in 1823 Brazil gave warm applause to the Monroe Doctrine.⁶

Pedro I abdicated under pressure in 1831, leaving his throne to his five-year old son. Regents served in the boy's name until 1840 when his majority was declared, and in 1841 he was crowned Pedro II, Emperor of Brazil. His forty-nine year reign was one of the longest stretches of

² David R. Moore, A History of Latin America (New York, 1938), 280.

⁶ Ibid., 180.

⁷ Webster and Hussey, op. cit., 136-138.

³ Henry Adams Gibbons, The New Map of South America (New York, 1928), 287.

⁴ J. B. Lackey, Pan-Americanism; Its Beginning (New York, 1920), 284.

constitutional peace enjoyed by any Latin American state.¹⁰ They were years of expansion and building. Railroads were opened, immigrants were welcomed, schools organized, and the offices of government disciplined and extended. Pedro was wise and just, with deep respect for orderly government. His intellectual curiosity served the empire. He visited Europe and the United States and invited the leading minds of the countries in which he visited to come to Brazil. John Greenleaf Whittier, Henry Wadsworth Longfellow, and Alexander Graham Bell were among his acquaintances in the United States.¹¹

Under Pedro, Brazil was schooled in a generous democracy and in a liberal and critical outlook on education and religion. Scholars, jurists, and writers flourished under his encouragement. Two factors brought about the end of Pedro and of the empire in 1889. He angered the religious element by insisting that the Church bow to the rule of the state. He angered the great landholders by his consent to the freeing of their 700,000 slaves in 1888. He was forced to retire to France in 1889, but he had done much for the future of Brazil.¹²

Republican Brazil dates from 1889. Pedro's schooling and orderly government was not forgotten. Brazil received a new constitution in 1891 setting up a federal union of the former provinces which now became

¹⁰ Moore, op. cit., 285.

¹¹ Herring, op. cit., 138.

⁵ ¹² Lackey, op. cit., 58.

states. The constitution closely followed that of the United States, except that the powers of the federal government were more narrowly limited. Illiterates, which composed the great majority of the inhabitants, could not vote.¹³ Their exclusion from the suffrage seemed particularly necessary in Brazil. In a survey made by Charles Gould writing for the Journal of Geography, it is estimated that about one-third of the population was white or "passed for white", the rest being Indians, Negroes, and half-breeds, who knew nothing of politics.¹⁴ For forty years the republic of Brazil observed constitutional regulations with a faithfulness unknown to most of Latin America. The country, however, could not be called a democracy since it was governed by the intelligent minority composed of landlords and business and professional men.¹⁵

The value of foreign commerce began to increase during this period. Prior to 1890 the balance of trade had been generally unfavorable, but between 1890 and 1914 the volume and the balance were so favorable that the period was called "an era of economic activity."¹⁶ From 1910 to 1914 commercial life was further developed. The leading

¹³ Webster and Hussey, op. cit., 157.

¹⁴ Charles A. Gould, "Brazil Takes A Census," The Journal of Geography (April 1941), XI, 140.

¹⁵ Herring, op. cit., 111.

¹⁶ Moore, op. cit., 567.

nations interested in Brazilian trade were England, France, Germany, and the United States.¹⁷

Foreign relations with the United States during this period were agreeable. President Theodore Roosevelt's "Big Stick" policy was resented less in Brazil than in other parts of Latin America, and the imperialistic policy of the United States during the first three decades of the 20th century found little or no criticism although it was bitterly condemned in other parts of the country.¹⁸

There have been many suggestions from Latin American countries that the Monroe Doctrine be Americanized so that it should apply to all American countries equally and not to the United States alone. At the fourth Pan American Congress in 1910 the Brazilian delegation attempted to bring this issue to the attention of the Congress, but when the United States representatives frowned upon the suggestion, the matter was dropped.¹⁹ The nearest they came to achieving their demands was when President Wilson proposed a Pan American pact providing for a reciprocal guarantee of independence and integrity of territory.²⁰ Due to Chilean opposition, the measure was never passed,

¹⁷ Moore, op. cit., 566.

¹⁸ Mackey, op. cit., 100.

⁷ ¹⁹ William Spence Robertson, History of the Latin American Nations (New York, 1927), 72.

⁸ ²⁰ Woodrow Wilson; Mobile Alabama "Address", The Messages and Papers of Woodrow Wilson (New York, 1924), I, 34.

and Wilson turned his attention to a more ambitious project--the League of Nations.

The friendly feeling that Brazil has felt for the United States most of the time has never been more clearly defined than it was in 1917 when Brazil followed us into the World War against Germany. This was expressed in the words of President Braz in his message to Congress, "because with our elder brother the United States at war, it is impossible for Brazil to remain neutral."²¹ On another occasion President Braz said that Brazil's entry into the war could be explained by several provocative causes but none more potent than that Brazil's traditional foreign policy was to stand with the United States.

Brazil's part in the first World War was limited to the furnishing of supplies from which she, as well as the United States, received great benefit. At the formation of the League of Nations she became an elective member of the Council. Shortly after that, President Pessoa expressed officially to our Secretary of State Colby the regret of his country that the United States, "which took the lead in that great project, had not retained it."²²

Ray Barbosa of Brazil and ex-President Pessoa were representatives at the League of Nations. However, Brazil did not remain satisfied with the way the League was run. She had maintained from the beginning that her size, importance, and the fact that she was the largest

²¹ Gibbons, op. cit., 314.

²² Ibid., 315.

nation of the Western Hemisphere belonging to the League, gave her the right to a permanent seat which had already been agreed upon in the conversations between Great Britain, France, and Italy, on the one hand, and Germany on the other. The storm that broke after this act proved pretty conclusively that the League was primarily an organ of the large powers of Europe. Brazil resigned on June 13, 1926 after giving the required two years notice.²³

Brazil did not take the stand of Argentine²⁴ in regard to Wilson's interpretation of the place of the Monroe Doctrine in the League. This again points to the amiability between the United States and Brazil, although in 1923 at the Santiago Pan American Conference, she united with the other Latin American countries in an effort to restrain the United States.

The Sixth International Conference of American States met at Havana, Cuba, January 16, 1928. This body was attended in person by President Calvin Coolidge who set a precedent by attending the meeting.²⁵ This was a continuation of the conciliation movement toward Latin America which had begun with Woodrow Wilson. President Hoover's good will trip to Latin America gave further impetus to the gesture which culminated in the "Good Neighbor" policy which has done much to

²³ Robertson, op. cit., 75.

²⁴ According to Thomas Harrison Reynolds, Economic Aspects of the Monroe Doctrine (Nashville, 1938), 123-24, the Argentine Congress voted to join the League of Nations with an explicit reservation that Argentine did not recognize the Monroe Doctrine.

²⁵ Jose Carlos, Conference Series No. 33 (Washington, D. C., 1931), 10.

establish economic and political solidarity between the two hemispheres.

It is a known fact that the economic riches of Brazil have always been coveted by empire builders. The United States is no exception. A brief review of these resources will explain why this is true.

The soil of Brazil will produce almost every crop known to man. There is an abundant rainfall and a fairly equable climate over much of her territory. There are deep buried veins of a variety of metals. Her potential wealth is greater than any of the other South American countries. Coffee, cotton, and cocoa, respectively, are her first ranking exports, followed by stock raising, forest products, and rubber.^{26 7}

Brazilians and Americans watch eagerly as Henry Ford develops his rubber plantations in the Amazon. Normally, the United States consumes about 80 per cent of the rubber of the world.

TABLE I ¹⁰ ~~27~~

	Far East	Amazon
1900	4 tons	27,000 tons
1910	8,200 "	40,000 "
1913	47,618 "	39,000 "
1930	800,000 "	14,000 "

Of the mineral resources, coal is the only one that is not found in sufficient amounts for their consumption. Iron, manganese, gold,

⁹ 26 Vera Kelsey, Seven Keys to Brazil (New York, 1940), 207-28.

¹⁰ 27- Ibid., 208.

diamonds, and petroleum are found in abundance.²⁸

Efforts to determine the distribution of the income of the nation is of no avail.

The census of 1920 showed 64,000 owners holding an aggregate of 338 million acres, with an average holding of 5,281 acres. It may be safe to conclude that in 1920 one per cent of the people owned about one-sixth of all the areas of the nation.²⁹

With a background of congenial and sympathetic political relations through the years and an economic record of favorable trade relations, the efforts of Franklin Roosevelt and his "Good Neighbor" policy has progressed rapidly.

²⁸ ~~Herring, op. cit., 114-115.~~

²⁹ ~~Ibid., 139.~~

TRADE RELATIONS WITH BRAZIL

Chapter II

The economic and military defense of the Western Hemisphere would be impossible without the cooperation and good will of the largest and most populous country of Latin America--Brazil. While for many reasons Brazil has been traditionally friendly with the United States, there are signs of certain changes in the present Brazilian government. One is not able to understand and measure the situation which exists between that country and the United States without a knowledge of the actual economic and political processes that have taken place since 1920. The United States made its first official trade agreement with Brazil during the administration of President Hayes when an agreement was signed at Rio de Janeiro, September 24, 1878. The terms of the agreement established an equality of rights between nations of both countries in all matters pertaining to trade marks.¹

Brazil was greatly affected economically by World War I. Among the many results of the war were the cutting off of former markets, the sudden and severe decrease in exports, and the decline in importation of needed supplies. This upset in their normal trade drove the people to a diversification in their agricultural production which in the long run was beneficial. Cotton, which had been the staple crop of the Paulists, gave place to wheat, cotton, corn, and rice. Because there was a great foreign market for foodstuffs and because it was felt to be a patriotic duty to supply the allies with food, agriculture was

¹ Foreign Relations of the United States (Washington, D. C., 1878), I, 128-129.

particularly fostered in 1917 and 1918. Although capital was limited, there was also a noticeable development of manufacturing, and on the whole, Brazil came to be more self-sufficient.²

Rodrigues Alvez was elected president in 1918 because of his ability to care for financial and economic matters. Upon his death, soon after his election, he was succeeded by Dr. Epitacio da Silva Pessoa. Pessoa inherited the hard times of the early twenties. This depression was felt all the more keenly by the people because of the unprecedented figures that Brazil's foreign trade had reached only one year previously. Pessoa's administration was marked by a heavy increase of public expenditures without a corresponding increase in treasury receipts.³

Artiveo Bernardes, an antimilitarist of Minas Geras, was elected in 1922, and his four-year term was marked by an economic crisis. In spite of internal difficulties the Bernardes' administration made some progress in paring expenses by reducing the amount of inconvertible paper money in circulation and creating new sources of revenue. The budget for 1924 contained provision for an income tax which was the first time this had occurred in Brazil. As a result, the Federal deficit, which had amounted to 448,000 cantos⁴ in 1922, was reduced to 224,000 cantos in 1923, and to 90,000 cantos in 1924. In 1925 a small

² David R. Moore, A History of Latin America (New York, 1938), 571-572.

³ John W. Brunk and Hugo Franklin, editors, Brazil Yearbook and Manual, 1940 (New York, 1939), 21.

⁴ Ibid., 36. Large sums of money are expressed in "cantos" in Brazil. One canto is equivalent to approximately \$50.00 in our money.

surplus was shown for the first time since 1907. Washington Luiz, former Governor of Sao Paulo, known as the "Road Builder," took office on November 15, 1926. In about one month after his inauguration, he launched his currency stabilization plan. In 1928, the Government of the State of Para granted a concession to the Ford Motor Company for the cultivation of rubber and for the development of other natural resources. The times, however, were against President Luiz. The depression of 1929 began before his term ended. Foreign markets and prices collapsed, the milreis shrank in value, and all efforts to maintain a "coffee defense" scheme failed.

Herbert Hoover, then president-elect of the United States, visited Brazil in 1929 and was officially entertained as the nation's guest. This gradual shifting of policy during the Hoover administration ushered in the "Good Neighbor" policy toward the Latin American countries. Julio Prestes, president-elect of Brazil, returned the visit during the summer of 1930.⁵

During this period of depression and business, adjustment following the war, private investors from the United States continued to advance capital for the development of business in Brazil. While these investments were not as great as those made in other South American countries, they represented a substantial sum in 1930. Public utility holdings, valued at about \$97,000,000, comprised half of the total. Manufacturing was next in importance, meat packing and the automotive industry being the largest. Chemicals and electrical supplies were also produced. Selling organizations were of considerable importance. The largest

⁵ Brunk and Franklin, op. cit., 21.

commodity group represented was machinery, metal, and rubber products. Precious stones and iron ore were mined, and some rubber-producing properties were being developed by American capital.

The following table represents the distribution of our direct capital investments in Brazilian industries as of September, 1930:

TABLE II

Manufacturing		Selling		Distributing		All Others	
Number	Value	Number	Value	Number	Value	Number	Value
24	\$45,678,000	29	\$15,819,000	7	\$23,010,000	7	\$96,915,000

Miscellaneous		Total	
Number	Value	Number	Value
23	\$12,184,000	90	\$193,606,000

The above table does not include loans made to the Brazilian government. The total amount of Brazilian bonds held by citizens of the

United States amounted to \$24,099,245 in 1931. This was a much smaller sum than was owed by many of the other Latin American countries.⁶

A study of the exports and imports of the United States to Brazil from 1928 to 1930, in a measure, explains the reason for the friendly trade relations which have existed between the two countries through the years.

The figures given below show the quantity and value of our exports to Brazil for that period of time.

TABLE III

(Values in thousands of dollars)

Commodity	Quantity			Value		
	1928	1929	1930	1928	1929	1930
Apples (fresh) 1,000 boxes	203	222	156	530	634	383
Automobile tires	140	159	85	1,447	1,680	791
Resin-Tur- pentine				1,531	1,437	1,265
Coal bitumi- nous 1,000 tons	154	203	186	745	942	856
Gasoline 1,000 bbls.	1,254	1,435	1,188	8,410	10,231	8,417
Typewriters	12,839	13,998	2,912	821	888	172
Automobiles	22,711	17,250	649	13,798	9,297	617
Motor trucks	14,306	18,856	575	7,561	8,022	532
Automobile parts				3,049	3,361	891

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⁶William L. Cooper, "American Direct Investments in Foreign Countries," Trade Information Bulletin No. 731 (Washington, D. C. 1930), 23-24.

⁷William L. Cooper, "Foreign Trade in the United States in the Year 1930," Trade Information Bulletin, No. 749 (Washington, D. C. 1931), 48-52.

As will be noted from the preceding table there was a decided decrease in most of our exports to Brazil in the commodities listed in 1930. The reason for these reductions may be explained by the world depression of this period and the fact that a general upheaval in the government of Brazil took place, thus effecting the entire economic structure of the country.⁸

In order to compare the quantity and value of exports and imports between the United States and Brazil, the following table is presented:

TABLE IV
(Value in thousands of dollars)

Commodity	Quantity			Value		
	1928	1929	1930	1928	1929	1930
Cowhides 1,000 pieces	357	295	281	3,375	1,679	1,154
Sheep and lamb skins, 1,000 pieces	1,673	1,991	2,305	1,163	1,121	1,713
Goat and kid skins, 1,000 pieces	4,397	4,119	4,706	3,844	3,314	3,978
Cocoa and cocoa beans, 1,000 lbs.	74,844	92,025	87,820	8,443	8,054	5,960
Coffee 1,000 lbs.	960,946	956,041	1,047,301	189,839	178,356	107,486
Rubber (crude) 1,000 lbs.	25,380	23,176	17,390	5,148	4,016	2,045

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From the foregoing figures it will be observed that despite economic and financial conditions in Brazil during the years observed,

⁸John Gunther, "This is Vargas," Current History and Forum (June, 1941), 15

⁹Trade Bulletin, 749, op. cit., 53-56.

the balance of trade showed no serious loss. The reason for the decided drop in the purchase of crude rubber was due to the development of the rubber industry by the British in India and the superiority of the British product. A study of Tables III and IV will show that the United States bought far more from Brazil than she was able to sell to her.

The presidential campaign of 1930 was a memorable one. For the first time since 1910 the official Paulist candidate (Julio Prestes) had to contend with serious opposition. Getulio Vargas, Governor of Rio Grande de Sul, and formerly Minister of Finance in the Cabinet of Washington Luiz, entered the race as the candidate of the Liberal Alliance with the backing of powerful elements in his own state, in Minas Gerais, and in Parahyba.

Prestes was elected, but within a few months the disappointed office seekers from Minas Gerais joined in a revolt led by the defeated candidate, Dr. Getulio Vargas. The revolt came in October, before President Luiz's term had expired. Severe fighting took place, and within a few weeks the President was forced to resign. On November 3, 1930, Dr. Vargas took charge of the government. The Republican party in Brazil had continuously elected its candidate since 1894 and represented the powerful coffee interests. Its defeat broke up the custom of political bosses from Sao Paulo and Minas Geras, placing their men alternately in the presidential palace.¹⁰

¹⁰ Brunk and Franklin, op. cit., 22.

Vargas had promised to expose the corruption and malpractice of his predecessors and to effect reform. As a step in this direction in the latter part of 1930 the Minister of Finance of the provisional government ordered an auditing commission to examine the accounts of the Federal Government for the three years immediately preceding. The result disclosed a deficit of 491,169 paper cantos. In addition, the commission charged that 610,783 paper cantos had been spent irregularly and without adequate legal sanction. A British economist and banker, Sir Otto Niemeier, was called in. This expert advised Vargas to found a central reserve bank, to balance federal and state budgets, to make postal and telegraph services self-supporting and to free federal railroads from federal control.¹¹

In spite of reform and economy the government's financial condition continued to grow worse. In the fall of 1931 Brazil was forced to default and to declare a three-year moratorium on practically all of her foreign obligations.

In the meantime Vargas had dissolved Congress, and the states were governed by federal "interventors" appointed by the central authority. "Nevertheless, the 'dictator' was very mild, the normal course of events being interfered with as little as possible."¹²

Political unrest developed; people demanded elections and a return to constitutional government. The result was that a civil war

¹¹Frederick M. Flicker, "Financial Development in Latin America During 1930," Trade Information Bulletin No. 775 (Washington D. C. 1931), 7-11.

¹²Brunk and Franklin, op. cit., 22.

broke out in 1932. This was probably the greatest civil war in the Western Hemisphere except that in the United States from 1861 to 1865. This movement which started in July was finally subdued in October, and the strength of the Vargas regime was never again in doubt. A new constitution was adopted on July 16, 1934. Dr. Vargas was duly elected constitutional president and a stable government was established.¹³

In 1932 Franklin D. Roosevelt was elected president of the United States, and he immediately started a program to foster the good will and trade relations of the Latin American nations. His program of being a "Good Neighbor" was announced in his inaugural address when he said:

. . . I would dedicate this nation to the policy of the Good Neighbor--the neighbor who resolutely respects himself and, because he does so, respects the rights of others--the neighbor who respects his obligations and respects the sanctity of his agreements in and with a world of neighbors...¹⁴

The economic and political necessity in matters of trade and defense gave rise to the birth of this policy. For the first time the fact was stressed that all nations of the Western Hemisphere were bound together by the relations of geography, thus making a threat to one country in this hemisphere a threat to all. For some years in Brazil there had been active propaganda of alien ideologies. The feeling of uneasiness brought on by this, coupled with the traditional friendliness of that country for the United States, caused them to

¹³ Brunk and Franklin, op. cit., 13.

¹⁴ Lawrence Duggan, "The Good Neighbor Policy" (Radio Address), United States Department of State Press Release, No. 468, Publication 1233 (Washington, D. C., September 17, 1938), XIX, 187.

receive President Roosevelt's message enthusiastically.¹⁵

Through the efforts of Cordell Hull, able Secretary of State under President Roosevelt, and Oswaldo Aranha, the Ambassador of Brazil, a second treaty of commerce was concluded at Washington on February 2, 1935 providing for reciprocal, unconditional, and most favored nation treatment. Two schedules annexed to the treaty, enumerated certain American and Brazilian products and the respective duties and rates. Brazil also arranged to reduce gradually its credits to the United States. The treaty became effective on January 1, 1936. It was of two years duration but could be denounced on six months notice.¹⁶

The effect of this mutual agreement pact was noticeable in both economic and financial conditions. American capital was again invested, and by the end of 1936 there was a total of \$194,000,000 of our money invested in eighty-one enterprises, divided as follows: public utilities with \$84,411,000 invested in nine plants; thirty manufacturing plants representing an investment of \$50,183,000; twenty-five distributing plants with \$15,612,000; four petroleum companies with \$32,678,000, and thirteen agriculture and mining enterprises with an investment of \$11,461,000. In each of these groups Brazil was second in capital invested, Argentine taking the lead among the South American nations. The various types of investments indicated the attitude of the northern

¹⁵ Kathrine Carr, South American Primer (New York, 1939), 167.

¹⁶ United States Statutes at Large (Washington, D. C., 1936), XLIX, 3808-3839.

types of investments indicated the attitude of the northern financiers toward the economic possibilities in Brazil.¹⁷

The volume and value of the principal articles of importation to Brazil from the United States in 1934, 1935, and 1936 are given in the following table. Few trade statistics are available for the years of 1931, 1932, and 1933 due to political upheaval within the country.

TABLE V

Product	Metric Value in		Metric Value in		Metric Value in	
	tons	dollars	tons	dollars	tons	dollars
	1934		1935		1936	
Copper	1,305	173,750	4,290	702,650	3,844	723,350
Gasoline	115,951	2,296,300	129,221	5,741,300	139,664	3,844,950
Coal	92,016	339,350	70,996	343,950	62,701	33,100
Tin Plate	12,158	702,650	10,637	903,800	21,029	1,863,500
Fuel Oil	2,320	45,450	12,080	173,900	6,394	97,750
Wood-Pulp	480	45,450	841	38,250		
Kerosene	70,350	1,910,700	67,524	2,553,450	62,766	2,168,050
Iron Pipes and Fittings	3,955	283,150	2,801	328,350	2,773	383,250
Salt Cod Fish	215	21,550	462	53,300	7	200
Wheat Flour	16,438	566,200	6,832	338,450	6,452	347,900
Sewing Machines	1,069	641,850	1,053	943,450	124	200,300
Tires and Tubes	1,777	617,650	1,999	1,068,450	990	548,100
Rails and Accessories	51,304	1,416,250	5,763	271,350	21,324	814,550
Lubricating Oil	28,023	1,269,200	31,877	2,126,400	28,640	1,848,500
Iron and Steel Wires	5,864	227,050	4,895	210,550	7,579	330,350
Automobiles	No. of cars		No. of cars		No. of cars	
	14,640	5,060,100	16,618	8,149,600	17,402	8,829,180

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¹⁷Paul D. Dickens, "American Direct Investments in Foreign Countries," Economic Bulletin (Washington D. C., 1936), Series I, 12-14.

¹⁸Brunk and Franklin, Brazilian Year Book and Manual 1940; 164-167.

A study of Table V reveals that while most products were fairly stable or showed increases during the three years observed, tires, tubes, and sewing machines showed a sharp decline in 1936. Canada drew the tire and tube business because of trade agreements between the two nations. The sewing machines for 1936 were bought from Germany because, perhaps, of a most favored nation agreement which provided for reciprocal, unconditional, and unlimited trade. This treaty was arranged in June 1935. It will also be noted that while trade fell off somewhat in 1935, the prices received for goods were higher than in 1934. This may be explained by the depreciation of the milreis in 1934 due to the political upheaval. With the stabilization of the government the value of Brazilian money went up.¹⁹

For the sake of comparison, the volume and value of the exports are submitted for the years 1934, 1935, and 1936 in Table VI.

¹⁹ Brunk and Franklin, op. cit., 174.

TABLE VI

Product	1934		1935		1936	
	Metric tons	Value in dollars	Metric tons	Value in dollars	Metric tons	Value in dollars
Raw Cotton	2	350	99	26,200	1,439	414,400
Cotton Seed	33	3,800	7,721	546,800	20,683	1,989,400
Cacao Beans	69,684	4,311,750	75,784	5,510,650	89,866	9,775,500
Hides	5,731	474,900	12,387	1,171,400	12,034	1,314,500
Skins	3,491	1,798,500	3,823	2,309,300	4,334	2,882,600
Carnauba Wax	3,709	857,950	4,195	1,548,500	5,912	3,296,250
Preserved Meats	27	4,100	1,709	256,350	830	113,600
Castor Seeds	22,876	534,500	35,240	1,086,750	58,212	2,093,750
Crude Rubber	3,686	448,350	5,303	722,750	3,194	804,700
Brazil Nuts in the shell	5,432	314,550	9,156	615,100	8,016	100,450
Shelled Brazil Nuts	3,630	584,750	5,881	1,602,500	4,106	1,941,950
Timber and Lumbers	7,019	77,300	4,386	63,150	8,944	134,550
Green Coffee	Bags of 132 lbs.					
	7,600,595	56,976,950	8,684,327	62,212,950	8,021,738	64,253,750

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Table VI continues to show a decidedly unbalanced condition of trade between Brazil and the United States because the latter country is her best customer for coffee, absorbing about half her total exports of it. The other products shown on the export table are products which we do not produce in our own country for the most part.

²⁰Ibid., 167-170.

Continuing the upward swing of the last several years Brazilian business generally reached a high plane in 1937. Various changes in the form of government and economic policies, particularly the reduction of the export tax on coffee and the promulgation by President Vargas of a new constitution on November 10, induced temporary hesitation in trading circles. This, however, was somewhat modified by the hope that the downward course of coffee exports would be arrested, and the markets for Brazilian coffee stimulated by the government's measure to that end.²¹

The continued unfavorable trend of coffee exports in 1937 and the failure of the Bogots and Habana coffee conferences to agree upon production control, division of markets, and price maintenance, as suggested by the Brazilian representatives resulted in a radical change of policy. In November the export taxes on coffee were reduced from 45 to 12 milreis (1 milreis equaled \$0.0869) per bag, and the former requirement that 35 per cent of the proceeds of export bills be sold to the Bank of Brazil at official rates was abolished. Entries into port, however, were still regulated to give the National Coffee Department an opportunity to dispose of some of its large stocks of coffee, and these restrictions caused some apprehension to traders.²²

²¹ Vera Kelsey, Seven Keys to Brazil (New York 1940), 120. In 1931 the total production of coffee surpassed the annual world consumption; the government, to maintain the nonexistent price, created a National Coffee Council. It, in turn, inaugurated the "sacrifice quota," and by burning coffee day and night for seven years, managed to remove 67,000,000 sacks of 132 pounds each from the market.

²² Alexander V. Dye, "Brazil," Economic Review of Foreign Countries (Washington, D. C., 1937), 164-165.

Coffee accounts for practically one-half of the value of Brazil's total exports. A little more than half of the crop goes to the United States, which is the world's largest coffee buyer. In 1937, the total export to the United States was 6,590,000 bags which was more than twice as much as that exported to all other countries.²³

Imports from the United States in 1937 represented 23.1 per cent of the total, as compared with 22.2 per cent in 1936. Exports to the United States in values were 36.2 per cent of the whole in 1937, as against 38.9 per cent in 1936. Again the balance of trade was in favor of Brazil.

In June 1937, the announcement was made that the Brazilian-American reciprocal trade agreement which had been in operation since January 1, 1936, would be continued in force after its expiration on January 1, 1938.²⁴

Secretary of State, Cordell Hull, upon his return from the Eighth International Conference of American States at Lima expressed the sentiment of most Latin American countries when he said: "It was recognized...that this liberal policy was the only one proper to a peaceful trading world, rather than one of competing and force-using alliances."²⁵

²³ Brunk and Franklin, op. cit., 73.

²⁴ Dye, op. cit., 171.

²⁵ Cordell Hull, "Statement made at New York City, January 9, 1939," Conference Series 43 (Washington, D. C., 1940), 85.

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 instituted by President Vargas in November, 1937.

The United States retained its traditional place as the leading market for Brazilian produce, but the proportion of all its trade with Brazil declined from 36.3 per cent to 34.3 for 1937, and an average of 43.7 per cent was lost during the decade 1926 to 1935. Germany was Brazil's second best market, purchasing 19.1 per cent of the total in 1938, as against 17.1 per cent in 1937. Various federal and state laws were enacted in 1938 reflecting the nationalistic trend of much recent legislation. Subsoil gas and petroleum deposits were nationalized and the construction of pipe lines and refineries were subject to government license. Refineries could be owned only ^{by} native-born Brazilians. A National Petroleum Council was created to regulate the industry. This law noticeably affected United States oil operators in Brazil.

New regulations in connection with foreigners engaged in business in Brazil were issued in March 1938. Only persons of established residence in the country were permitted to manage authorized foreign corporations. The law also prohibited absentee control of commercial organizations with the exception of corporations.²⁶

Our agricultural exports to Brazil were negligible in the years 1938 and 1939 consisting only of 110,000 boxes of apples, 4,688,000

²⁶ F. H. Rawls, "Brazil," Economic Review of Foreign Countries (Washington, D. C., 1938), 144-149.

pounds of other fruits, and 1,111,000 pounds of oatmeal.²⁷ Agricultural products were either raised within the country or imported from nearby agricultural regions.

The economic pattern of Brazil in 1939 followed that of recent years by a progressive adjustment to changes. Following the shock of the outbreak of war in Europe in September, she struggled to readjust her commercial policies.

A program of national economic unification had been undertaken in 1930 by President Vargas. This program was further strengthened by a decree in January outlining a "Five-Year Plan of Public Works and Equipment for National Defense". The trade statistics for the first eight months of 1939 showed that the United States had retained its lead in both imports and exports, taking 31.5 per cent of the exports and supplying 28.1 per cent of the imports. Germany who ranked second in exports in 1938 was reduced from 21.1 to 16.8 per cent in 1939.

With the beginning of the European War, trade experienced a sudden advance. Business which had previously gone to Europe on a large scale was abruptly switched to the United States. Such necessary products as coal, steel products, hardware, machinery, railroad equipment, chemicals, paper, drugs, pharmaceutical preparations, and office equipment which before had been purchased, for the most part, in Europe, were now obtained from our country. At the same time, the demand for Brazilian products in the United States registered a sharp

²⁷ Joseph A. Becker, "Exports from the United States to Brazil, 1931-1939," Agricultural Statistics (Washington, D. C., 1940), 501-514.

increase. In March 1939, Minister of Foreign Affairs Aranha visited the United States and arranged for \$19,200,000 worth of credit from the Export-Import Bank of the United States to the Bank of Brazil at Rio de Janeiro. This was for the purpose of liquidating accounts owed to American commercial interests. At Sao Paulo, a new American automobile tire factory began producing in June 1939, and another was under construction.²⁸

Emile Bruguiere, writing for Survey Graphic in March 1941, remarks on the future of Brazil and her neighbors: "Of the ten nations of South America, three control its industrial future; they are the major occupants of the South Temperate Zone—Argentina, Brazil and Chile."²⁹ Of these three countries, Brazil is the potential industrial giant with possibly the greatest reservoir of natural resources in the world.

The United States Steel Corporation had formerly planned to erect a \$35,000,000 steel industry in Brazil; this plan has been abandoned, and instead, our government has decided to arrange its construction through an Export-Import loan. A smelter and a mill will be erected near Rio de Janeiro at a cost of \$20,000,000. Purchase of equipment and machinery in the United States, at a cost of an additional \$25,000,000, is under consideration—thus tying the new industry to the hemispheric defense plan promoted by the "Good Neighbor" policy.

²⁸ James W. Young, "Brazil," Economic Review of Foreign Countries 1939 and 1940 (Washington, D. C., 1941), 209-218.

²⁹ Emile Bruguiere, "The Industrial A B C's," Survey Graphic (March, 1941), 153, 202.

Mr. Bruguiere further predicts that:

During the Forties, great strides will be taken in the industrial advance of South America. The U. S. Government Printing Office is working overtime on booklets outlining opportunities for American business men, and South America asks and needs foreign aid. As soon as foreign industry can make itself enough a part of the home economy to see the advantages to be gained in promoting the general welfare...antagonism gradually will disappear.³⁰

In a recent trade agreement signed May 14, 1941 by United States Ambassador Jefferson Coffery and Brazilian Foreign Minister Oswaldo Aranha the United States agreed to take all Brazil's products of eleven specified strategic materials for the next two years. The agreement called for purchase by the United States of all Brazil's rubber, manganese, industrial diamonds, mica, quartz crystal, rutile (a titanium ore), ferro nickel, zirconium, bauxite, chromite, and beryl ores.³¹

³⁰ Bruguiere, ibid., 202.

³¹ Daily Oklahoman, July 8, 1941.

STEPS TOWARD POLITICAL AND ECONOMIC SOLIDARITY

Chapter III

Brazil is believed, by many people, to be the key nation of the Western Hemisphere. She is also a vast potential frontier for cooperative development by American capital and commerce. This cooperative development and defense must be a popular, democratic movement involving the peoples, economics, and governments of this country and Brazil.¹

For this purpose there exists today four official agencies devoted to keeping the Americas united: the Pan American Union, the Department of State's Division of Cultural Relations, the Library of Congress, Hispanic Foundation, and the Inter-Departmental Committee on Cooperation with the American Republics. Also interested in preserving this union are many other semi-official organizations such as the Committee on Cultural Relations with Latin America and the Council for Pan-American Democracy in addition to many smaller groups.

In August 1941, President Franklin Roosevelt issued an executive order creating a branch council of National Defense with the title of Office for Coordination of Commercial and Cultural Relations between the American Republics with young Nelson Rockefeller as its coordinator.²

Through the efforts of our President and these various organizations much has been done to promote international cooperation. This idea is

¹ John M. Coffee, "Latin American Relation," Speech in House of Representatives April 25, 1941, Congressional Record, 77 Cong., 1 sess. (Washington, D. C., 1941), LXXXVII, A2046.

² "Latin America," ed., Time (June 9, 1941), XXXVII, 30.

not new for it dates back to the period of struggle for independence which in many instances would not have been possible were it not for the mutual assistance rendered by one nation to the other.³

The first conference of this nature met in Panama in 1825. Few delegates were present, and it is significant only for the spirit which prompted it. Other conferences were held at various times in the Latin American countries, but the first one in which the United States actually participated was held at Washington, D. C. in 1889. At that time the peaceful settlement of international controversies was stressed. This premise has since been a major issue in each conference held.⁴ For the last decade this idea has gathered momentum and has been accepted by all American republics.

When Franklin D. Roosevelt became president of the United States, he immediately announced the idea of a "Good Neighbor" policy in his inaugural address.⁵ The President further clarified his position toward Latin America in an address given on Pan-American Day, April 14, 1933, when he said:

The essential qualities of a true Pan-Americanism must be the same as those which constitute a good neighbor, namely, mutual understanding and, through such understanding, a sympathetic appreciation of the other's point of view. It

³ William Manger, "The Evolution of International American Conference," Bulletins of the Pan-American Union, No. 10 (Washington, D. C., 1933), LXVII, 769.

⁴ Dr. Ricardo J. Alfaro, "A New Era of Peace and Justice in the Americas," Current History (February 1929), 825.

⁵ Laurence Duggan, "The Good Neighbor Policy" (Radio Address), United States Department of State Press Release, No. 468, Publication 1233, (September 17, 1938), XIX, 187.

is only in this manner that we can hope to build up a system of which confidence, friendship, and good will are the cornerstone.⁶

On September 7, 1933, Brazil celebrated its great national anniversary. Upon this occasion President Roosevelt sent a letter of congratulation to the head of the provisional government, His Excellency, Getudio Vargas.⁷ This message was significant in that it indicated recognition by the United States of a government which had been established by a revolutionary coup.

The Seventh International Conference of American States which met in Montevideo, December 5, 1933, gave the administration an opportunity to breathe greater reality into the "Good Neighbor" policy. Secretary of State Cordell Hull, who headed the American delegation, delivered a series of addresses along the route from Washington to Montevideo. These addresses were designed to convince the Latin American countries of the intentions of the United States to formulate a program of solidarity in the Western Hemisphere. In his address delivered at Rio de Janeiro, November 24, Mr. Hull expressed a particular feeling of good will to Brazil when he said:

It is due both to this feeling of friendship and a sincere interest the people of my country feel in the welfare of the people of Brazil that this call affords me the most genuine pleasure. The people of our two countries, as well as the people of the Western Hemisphere...have common aspirations, socially, morally, materially and politically....The first test for all of us ...is whether we can now show enough vision, enough unselfishness,

⁶ Franklin D. Roosevelt, "Pan Americanism," Bulletins of the Pan American Union No. 3 (Washington, D. C., 1934), LXVIII, 184.

⁷ Franklin D. Roosevelt, "Brazil: Anniversary of Independence," Department of State, Press Release (Washington, D. C., September 7, 1933), 147.

enough sanity to reconstruct this leadership while the rest of the world struggles against the danger of threatened breakdown.⁸

This speech was the keynote to the meeting at Montevideo and when the ghost of intervention again arose, Secretary Hull cordially supported a pact which declared in part that "no state has the right to intervene in the internal and external affairs of another." This agreement was unanimously adopted, and two days later, December 28, 1933, Roosevelt announced in a public address that "the definite policy of the United States from now on is one opposed to armed intervention."⁹

The Montevideo program also called for the negotiation of agreements reducing or removing all manner of obstacles to international trade. It revived and revised the convention of 1927 for the abolition of import and export prohibitions and restrictions. The conference adjourned with greater cordiality toward the United States than had been evidenced at any of the previous gatherings.¹⁰

An Anti-War Treaty on non-aggression and conciliation was signed in Rio de Janeiro in October 1933, just prior to the Montevideo Conference which further facilitated solidarity between the two countries.¹¹

⁸ Cordell Hull, "Seventh International Conference of American States. (Statement at Rio de Janeiro), " Department of State, Press Release (Washington, D. C., November 24, 1935), 295-296.

⁹ L. S. Rowe, "The Seventh International Conference of American States," Bulletins of the Pan American Union, No. 3 (Washington, D. C., 1934), LXVIII, 153-154.

¹⁰ Ibid., 155-157.

¹¹ Senate Document 134, 75 Cong., 2 sess. (Washington, D. C., 1938), 4793.

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The Pan-American Commercial Conference which met in Buenos Aires in May 1934 was represented by delegates from Brazil. The object of the conference was to discuss ways and means of increasing commerce between the Americas. The convention provided for the organization in each country of a Pan-American Commercial Committee as a branch of the Pan-American Union to cooperate with the union in all matters of interest to American commerce. It approved the Montevideo commercial policy which called for the liberation of international commerce from unnecessary restriction, the encouragement of international economic cooperation, and the elimination of restrictive unilateral measures affecting world trade.¹²

The passage of the Trade Agreement Act in June 1934¹³ made it possible for President Roosevelt to conclude arrangements with all countries in order that world-wide trade might be enlarged. A treaty was duly signed with Brazil February 2, 1935 which became effective January 1, 1936.¹⁴ The agreement with Brazil was designed to facilitate an increase in international trade rather than to divert trade away from other countries.

A study of Table VI, Chapter II, of this monograph, reveals that while the quantities of coffee imported annually did not change greatly, there was a decline in the annual value of these imports because of the decline in unit prices. This decline in value, therefore, had

¹² Gerald H. Smith, "Results of the Buenos Aires Commercial Conference," Bulletins of the Pan American Union, No. 10 (Washington, D. C., 1935), LXI, 778-783.

¹³ Congressional Record, 73 cong., 2 sess. (Washington, D. C., 1935), LXXVIII, 11353.

¹⁴ United States Statutes at Large (Washington, D. C., 1936), LXIX, 3808.

greatly reduced the ability of Brazil to purchase products in the United States out of the proceeds of her coffee exported to this country.

On October 2, 1934, Oswaldo Aranaha from Brazil, was appointed Ambassador to the United States. He has proved an effective representative of his government, admires President Roosevelt, and approves the constructive measures taken by the United States in the present world situation.¹⁵

As a further measure for promoting amiable trade relations, the Inter-American Commercial Arbitration Council was organized late in 1934 in accordance with a resolution of the Seventh International Conference of American States. According to the provisions of this council there was established a committee in each of the American Republics. The function of these respective committees is to facilitate the adoption of standards of arbitration procedure and to promote the establishment of Inter-American Tribunals for the development of commercial arbitration in the various republics. Brazil announced the first of the local committees with headquarters in Rio de Janeiro, thus taking the leadership in a movement for peaceful settlement of inter-hemispheric trade disputes.¹⁶

As a means of nurturing peace and solidarity among the various countries of the Western Hemisphere, the president of the United States, on January 20, 1936, sent out letters to the various Pan American

¹⁵ Oswaldo Aranaha, "The Ambassador of Brazil Presents his Letters of Credence," Department of State, Press Release (Washington, D. C., October 21, 1934), 240.

¹⁶ Op. cit., Bulletin of Pan American Union, LXXIX, 500-501.

Republics proposing that a conference for the maintenance of peace be held in Argentine.¹⁷ The enthusiastic response of President Vargas was typical of the general attitude of Latin America toward this proposal.¹⁸

President Roosevelt's appearance at this conference further promoted the good will between the two Americas. En route he visited Rio de Janeiro, and the spontaneous welcome accorded the President in the Brazilian capital was evidence of the traditional friendship between Brazil and the United States.

The opening session of the conference was held on December 1, 1936, at Buenos Aires, Argentine. Following an enthusiastic reception, President Roosevelt opened the conference with a dramatic speech in which he declared that non-American states seeking "to commit acts of aggression against us will find a Hemisphere wholly prepared to consult together for our mutual safety and our mutual good."¹⁹

This speech was interpreted as a sweeping invitation to make the Monroe Doctrine multilateral. The conference was in session several weeks, and in the course of that time adopted eleven treaties and conventions and sixty-two resolutions and declarations. The predominant aim of the delegates was the principle of American solidarity in all

¹⁷ Franklin D. Roosevelt, "Proposed Inter-American Conference," Department of State, Press Release (Washington, D. C., February 15, 1936), 162.

¹⁸ Getulo Vargas, "Brazil Accepts Invitation," op. cit., 316-317.

¹⁹ L. S. Rowe, "President Roosevelt in South America," Bulletins of the Pan American Union No. I (Washington, D. C., 1937), LXXII, 17-37.

matter relative to conflict in continents other than North and South America. In gist, the conference adopted a consultative pact for further coordinating the existing peace²⁰ and reaffirmed the principle of non-intervention in a protocol which was unanimously approved by the United States Senate.²¹

Cordell Hull, on September 16, 1936, attempted to clarify the principles which made up the foreign policy of the United States with regard to the disturbed situation in various parts of the world. He said in part:

This country constantly and consistently advocates maintenance of peace. We advocate national and international self-restraint. We advocate abstinence by all nations from use of force in pursuit of policy and from interference in the internal affairs of other nations. We advocate adjustment of problems in international relations by progress of peaceful negotiation and agreement....We avoid entering into alliances or entangling commitments, but we believe in cooperative effort by peaceful and practicable means...²²

This policy was in keeping with the program of cooperation which had characterized our relations with Latin America. That this declaration of principles was shared by Brazil was evidenced by a statement

²⁰ Department of State Press Release (December 26, 1936), XV, 536-537. The peace machinery was the Treaty to Avoid and Prevent Conflicts between the American States, signed at Santiago, May 3, 1923 (known as the Gondra Treaty); The Treaty for the Renunciation of War, signed at Paris, August 27, 1928; the General Convention of Inter-American Conciliation, signed at Washington, January 5, 1929; the General Treaty of Inter-American Arbitration, signed at Washington, January 5, 1929; the Treaty of Non-Agression and Conciliation, signed at Rio de Janeiro, October 10, 1933.

²¹ Senator Key Pitman, "Pan American Treaties Adopted at Buenos Aires Ratified by Senate, June 29, 1937," Congressional Record, 75 Cong., 1 sess. (Washington, D. C., 1937), LXXXI, 6493.

²² Cordell Hull, "Statement by Secretary of State," Department of State, Press Release (Washington, D. C., July 17, 1937), 41-42.

from the Brazilian government saying they fully agreed with the government of the United States and would give complete support to this principle.²³

As a result of the Bogota Coffee Conference held in October, 1936, a Pan American Coffee Bureau was established in New York. The National Coffee Bureau of Brazil and other coffee-growing countries became members. The member organizations of the bureaus were expected to take up with their respective governments any measures which the bureau might advise for securing joint action tending to liberalize the coffee trade, especially with those countries having compensatory systems, import quotas, and other restrictions.²⁴ While this bureau is of importance to the coffee countries only, its significance as a solidifying bond of our country to Brazil lies in the fact that we buy more than half of her entire coffee crop. Hence, it is well to encourage amiable trade relations so that she, in turn, will buy our commodities.

The United States has long had an organization for the promotion of cultural relations with Brazil. A similar organization was organized in Brazil on January 3, 1937. The idea of forming a Brazilian-American cultural institute originated among a group of Brazilians, most of whom had lived in the United States. The general objects of the Institute are: (a) to make known in Brazil the progress attained

²³ Oswaldo Aranha, "Statement by the Brazilian Minister for Foreign Affairs," *ibid.*, August 14, 1937, 89.

²⁴ L. S. Rowe, "Coffee and the Bogota Conference," Bulletins of the Pan American Union, No. 1 (Washington, D. C., 1937), LXXI, 39-45.

by the United States in the various branches of cultural activity; (b) to assist, by private initiative, in maintaining the closest contact between Brazilian and American cultural organizations; (c) to further visits to Brazil of representative individuals from American cultural circles and visits to the United States of Brazilian educators and students; (d) to establish in Rio de Janeiro, a library typical of American intellectual development, accessible to the general public; and (e) to conduct courses and lectures designed to spread knowledge of American cultural accomplishments.²⁵ The common criticism of our policy toward Latin America has been that we knew our "Southern Neighbors" only in a commercial way. Archibald McLersh, writing on "The Art of the Good Neighbor," said:

...long ago the intellectuals of Latin America had concluded that our writers and our men of letters were men of small account We had ourselves gone to considerable lengths to persuade them that our culture was the culture of the Grace Line, the National Bank, the Hearst comic, the Hollywood heart throb and an occasional best seller. And there was no ready means by which they could correct this impression of themselves.²⁶

This mutual effort toward a better understanding is at least a beginning toward a permanent movement which should result in benefits to both countries.

World affairs had reached an alarming state in the fall of 1938. Meanwhile, the United States along with the countries of Latin America,

²⁵ Report by the Charge d'Affaires of the American Embassy at Rio de Janeiro, January 15, 1937, *ibid.*, No. 4, 331-332.

²⁶ Archibald McLeish, "The Art of the Good Neighbor," *The Nation* (February 10, 1940), CL, 170-172.

had been asked to Lima, Peru, for the Eighth International Conference of American States which convened on December 10, 1938.²⁷ The United States, fearing the rising power of the European dictator states and the penetration of their commerce and propaganda into Latin America, especially in Brazil, sought to line up the twenty-one republics of the New World into a solid front against the aggressor nations. Because of the opposition of Argentina, Secretary Hull, who headed the delegation from the United States, found it impossible to secure as binding an agreement as he desired, and in the end, the Declaration of Lima was unanimously adopted December 24, 1938. It reaffirmed faith in international law and promised consultation and a common front, should an American nation be threatened by outside aggression. A total of one hundred and ten resolutions, declarations, and recommendations, ranging from such subjects as copyright to wild life preservation, were finally adopted. In addition to solidarity, declarations regarding peace and a reduction of tariff barriers were important.²⁸

During the months following the Lima Conference the Washington government sought in various ways to combat German and Italian propaganda in South America. That program is being diligently followed up in Brazil, which is the hotbed for Nazi activities.

Our government also increased its own influence by lending

²⁷Charles Coucha, "Invitation of Peru," Bulletins of the Pan American Union, No. 11 (Washington, D. C., 1938), LXXII, 617.

²⁸Department of State, Press Release (Washington, D. C., December 24, 1938), XIX, 473-479.

financial support to several Latin American states, notably with Brazil. The final arrangements were made in March, 1939. At a press conference, March 9, Under-Secretary Sumner Wells made the following comment on the financial arrangement:

I think the agreements reached are of major significance, and, if they work out as we all believe they will, I think it will be demonstrated within the very successful effort to stimulate trade both ways between the two countries; to free trade between the two countries from restrictions that, for one reason or another have existed; and the basis for helpful cooperation between the two countries in developing new sources of non-competitive production to the advantage of their respective national economies.²⁹

In accordance with the agreement unanimously reached at the Inter-American Conference of Peace, which met at Buenos Aires in 1936 and at the Inter-American Conference which met in Lima in 1939, the Ministers of Foreign Relations of the American Republics met at Panama, September 23, 1939. The reason for the meeting was the emergencies brought on by the European crisis. While the Americas were a long way from the scene of actual warfare, their business and trade interests were affected by the outbreak of the war. Their export markets were destroyed; supplies were cut off; shipping was interrupted; prices fluctuated; currency became unstable; questions of neutral rights arose, and ocean travel became dangerous.³⁰

These constituted questions of common interest to all, and the meeting was marked by harmonious action toward economic cooperation, reaffirming of the principle of solidarity, American neutrality, and

²⁹ Sumner Wells, "Economic and Financial Cooperation with Brazil," Department of State, Press Release (Washington, D. C., March 9, 1939), XX, 174-182.

³⁰ "Report of Delegates of U. S. Meeting of Foreign Ministers of American Republics at Panama, September 3-October 3, 1939," Conference Series No. 44 (Washington, D. C., 1940), 1-2.

protection of American ideals against subversive activities and contraband.

The Declaration of Panama was the most important achievement of the conference. The document defined a zone of from one hundred to three hundred miles in the water adjacent to the American continent in which air or naval machines of war were forbidden to commit any act of war.³¹

So, once again, by cooperative action, the already strong ties of unity and solidarity had been strengthened for continental protection and defense.

By July of 1940, the European situation had become so grave that a second meeting of the Foreign Ministers was called at Havana. This meeting was confronted by three problems upon which action had to be immediately taken. They were: (1) the possible transfer of sovereignty at any time over certain islands and regions from one non-American state to another non-American state; (2) the threat of subversive activities in the American nations directed from outside continents; (3) the extremely grave economic difficulties and dislocations resulting from the war.

The first problem was solved by setting up an Inter-American Commission of Territorial Administration, to govern the regions in question until it was in a position to govern itself or was restored

³¹Alexander Alvarez, "International Life and International Law in America," Bulletin of the Pan American Union No. 4, (Washington, D. C., 1940), 252-253.

to its former status. With regard to the second threat, the spirit of unity and solidarity was strengthened by the action of the conference on projects relating to subversive activities. A series of resolutions was adopted, particularly relating to activities directed from abroad against domestic institutions. The resolutions further stated that the American republics had equal responsibility for the preservation of peace and security of this hemisphere, and that each should adopt measures to prevent and suppress activities directed by foreign governments or groups.

In the economic field, resolutions of cooperation were adopted by the 21 American republics in which they repledged themselves to liberal principles of international trade. At the same time, they announced their purpose "to devise and apply appropriate means of effective action to cope with the difficulties, disadvantages, and dangers arising from the present disturbed and dislocated world conditions."³²

The Havana meeting drew up a program of action designed to make the Americas better able to meet the dangers they knew lay ahead. In the execution of this program the United States had a tremendous responsibility. The power of our country could have made it possible to dictate policies but we elected the policy of cooperation instead, thus insuring the friendship and solidarity of our weaker neighbors.

³²Cordell Hull, "Report of Achievements of the Second Meeting of the Foreign Ministers of the American Republics at Havana: July 30, 1940," Conference Series No. 47 (Washington, D. C., 1940), 1-8.

Brazil is nearly defenseless without the aid of the United States. She is dangerously disunited. Her masses are almost too ignorant, poor, and undernourished to attain real democracy for decades. She badly needs the cooperation of the United States to make herself defensible through providing roads, factories, better health, and schools.

Subversive influences are represented in Brazil by agents and cultural attachés. Under diplomatic protection they arrange for propaganda by press and radio, gather information, give lectures, and show films, thus stimulating cultural, political, and economic relations.³³

The branch of the Council for National Defense headed by Nelson Rockefeller is doing and has already done some valuable work to counteract this influence.

As a result of the Rockefeller committee, much money is to be spent for the extension of aviation. General George C. Marshall, army chief of staff, stated recently "that the United States is financing expansion of aviation facilities in Brazil to surround this hemisphere with a ring of protection against a 'ruthless foreign power'."³⁴

³³ John M. Coffee, "Brazil: Our Most Exposed Flank," Speech in House of Representatives, March 31, 1941, Congressional Record, 77 Cong., 1 sess. (Washington, D. C., 1941), LXXXV, 2367.

³⁴ Oklahoma City Times, July 17, 1941.

The conclusion that may be drawn from this brief study of Brazil in relationship to the United States reveals the need for continued understanding and cooperation. The development of continental solidarity, in spite of divergences in people's language, government, climate, and economic development, has been a great accomplishment. We face a common problem and are seeking a solution to the same difficulties. International defense, national defense, transportation, trade, agricultural, industry, and social welfare, are all matters with which both nations are vitally concerned.

In summarizing the results of the "good neighbor" policy, the following benefits have been achieved or will be achieved gradually if continued:

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 interchange 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 consultations among governments;

5. The adoptions of standards for enlightened international conduct, including the principle of non-intervention, and the non-recognition of territory acquired by force:
6. Continental solidarity and security maintained and advanced 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 uncertainties that the immediate future holds for the Western Hemisphere, the immediate emergency seems to be strengthening the program already begun with a view to 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 training, and organization work, and the establishment of new enterprises and the expansion of existing ones, on the basis of joint responsibility and mutual benefit, should eventually result in complete political and economic solidarity.

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