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The IMF as a ‘mantle of multilateral anonymity’: US-IMF-Brazil relations, 1956–9

Fernanda Conforto de Oliveira 

Department of International History and Politics, Graduate Institute of International and Development Studies, Geneva, Switzerland

ABSTRACT

This study examines United States (US)-International Monetary Fund (IMF)-Brazil relations amid international financial negotiations in the late 1950s. Washington pressed President Juscelino Kubitschek’s government into seeking loans conditional on the IMF’s standby agreements to advance US foreign economic policy in Brazil. The United States’ tough position persisted despite rising anti-US sentiment in Latin America and the potential damage to United States-Brazil relations, which demonstrates the continuity of US president Dwight D. Eisenhower’s foreign policy. The case of Kubitschek’s Brazil contributes to our understanding of the IMF’s policies in Latin America, the United States’ ongoing economic concerns and Brazilian foreign policy.

KEYWORDS

United States; International Monetary Fund; Juscelino Kubitschek’s Brazil; standby agreement; international financial negotiations; Latin America’s Cold War

Introduction

The late 1950s were an eventful economic and political period for Latin America. Low commodity prices after the end of the Korean War in 1953 contributed to a harsh economic downturn, while rampant inflationary pressure left the population increasingly discontented. The continent-wide political instability that ensued triggered mass demonstrations led by workers, students and peasants against US president Dwight D. Eisenhower’s liberal trade policies, which channelled US economic resources elsewhere. In early 1956, in this continent susceptible to pro-communist sentiments, leaders of the post-Stalin USSR launched an economic strategy to expand its influence in Latin America and other developing countries. Meanwhile, US policy remained unaltered, fuelling fervent intense dissatisfaction during US vice-president Richard Nixon’s regional tour in mid-1958. This anti-US sentiment and internal political instability strengthened during the Cuban Revolution of January 1959 and the deterioration in United States-Cuba relations that followed.¹

CONTACT Fernanda Conforto de Oliveira  fernanda.oliveira@graduateinstitute.ch  Department of International History and Politics, Graduate Institute of International and Development Studies, Switzerland

¹Hal Brands, ‘Intervention and the Limits of Power’, in *Latin America’s Cold War* (Cambridge: Harvard University Press, 2009), 37; Stephen Rabe, *Eisenhower and Latin America: The Foreign Policy of Anticommunism* (Raleigh: University of North Carolina Press, 1988), 84–133; Stephen Rabe, ‘War Against Cuba’, in *The Killing Zone: The United States Wages War on Latin America* (New York: Oxford University Press, 2012), 59; Rafael Ioris, *Qual Desenvolvimento? Os Debates, Sentidos e Lições da Era Desenvolvimentista* (Jundiaí: Paco Editorial, 2017); Victor Bulmer-Thomas, ‘Inward-looking Development in the Postwar Period’, in *The Economic History of Latin America since Independence* (New York: Cambridge University Press, 2014), 268; Bevan Sewell, ‘A Perfect (Free-Market) World? Economics, the Eisenhower Administration, Soviet Economic Offensive in Latin America’, *Diplomatic History* 23, no. 5 (2008): 841–68; Tobias Rupperecht, *Soviet Internationalism after*

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To stabilise their foreign accounts and avoid the domestic and international political repercussions of inflationary cycles, Latin American leaders required foreign capital. However, Washington, international banks and other foreign lenders usually made their loans conditional on an agreement with the International Monetary Fund (IMF). During 1952–62, Latin American countries negotiated several financial packages with the IMF, replacing Europe as the main recipient of IMF credit. Latin America became the first region where conditionality programmes were introduced. These programmes usually lasted one year, during which borrowers could withdraw funds if they complied with a set of mutually agreed-upon economic policy adjustments or ‘conditionalities’, under the terms of their standby agreement.² The IMF strongly influenced the debate on Latin America’s economic development by requiring the implementation of almost identical fiscal, credit and exchange-rate policies to correct balance-of-payments disequilibria.³

Among the Latin American countries that engaged in international financial negotiations in the late 1950s, President Juscelino Kubitschek’s Brazil (1956–61) was the only country that interrupted talks with the IMF. Like other leaders, Kubitschek sought the Fund’s financial assistance to access foreign loans, signing Brazil’s first standby agreement in 1958. However, while leaders such as Chile’s Carlos Ibáñez (1952–8) and Argentina’s Arturo Frondizi (1958–62) seemed committed to comply with IMF policies, Kubitschek unilaterally halted financial negotiations with the institution in June 1959 amid discussions over a second standby agreement. He did not resume these negotiations until the end of his term in January 1961. This was despite the country’s dire financial situation, the fact that Brazil was an IMF founding member, and had been a close ally of the US government (the IMF’s largest shareholder) in Latin America since the Second World War.⁴

What prompted Kubitschek’s Brazil to interrupt its negotiations with the IMF in June 1959? Historians, economists and policy scholars have discussed the determinants of the Fund’s lending behaviour, as well as the factors motivating member countries’ participa-

Stalin: Interaction and Exchange between the USSR and Latin America during the Cold War (New York: Cambridge University Press, 2015); and Bevan Sewell, *The US and Latin America: Eisenhower, Kennedy and Economic Diplomacy in the Cold War* (London: I.B. Tauris, 2016).

²The term ‘conditionalities’ was only popularised a few decades later. For more on the IMF’s conditionality programmes, see Dominique Carreau, *Le Fonds Monétaire International* (Saint Michel: Armand Colin, 1970); and Margaret Vries, ‘Objectives’, in *The International Monetary Fund 1945–1965: Twenty Years of International Monetary Cooperation*, ed. Keith Horsefield, vol. II (Washington DC: International Monetary Fund, 1969), 19–35.

³Jon Kofas, ‘Stabilization and Class Conflicts: The State Department, the IMF, and the IBRD in Chile, 1952–1958’, *International History Review* 21, no. 2 (1999): 352–85; Jon Kofas, ‘The IMF, the World Bank, and the U.S. Foreign Policy in Ecuador, 1956–1966’, *Latin American Perspectives* 28, no. 5 (2001): 50–83; Jon Kofas, *The Sword of Damocles: U.S. Financial Hegemony in Colombia and Chile, 1950–1970* (London: Praeger, 2002); Claudia Kedar, ‘Dependency in the Making’, in *The International Monetary Fund and Latin America: The Argentine Puzzle in Context* (Philadelphia: Temple University Press, 2013), 55; Raúl Heras, *El Fondo Monteiro y El Banco Mundial En La Argentina: Liberalismo, Populismo y Finanzas Internacionales* (Buenos Aires: Ediciones Lumiere, 2008); Pablo Nemiña and Juan Larraalde, ‘Etapas Históricas de La Relación Entre El Fondo Monetario Internacional y América Latina (1944–2015)’, *América Latina en la Historia Económica* 25, no. 1 (2018): 275–313; Noemí Brenta, *Argentina Atrapada: Historia de Las Relaciones Con El FMI, 1956–2006* (Buenos Aires: Ediciones Cooperativas, 2008); and Hal Brands, ‘The United States and the Peruvian Challenge, 1968–1975’, *Diplomacy & Statecraft* 21, no. 3 (2010): 471–90.

⁴For Argentina’s and Chile’s cases, see Kedar, *The International Monetary Fund and Latin America*, 55; Kofas, *The Sword of Damocles*. For why the USSR did not join the IMF, see Sumitra Chishti, ‘The Soviet Union and International Economic Organizations and Arrangements’, *International Studies* 29, no. 1 (1992): 1–15. For the close United States–Brazil relations at the beginning of the twentieth century and during the Second World War, see Bradford Burns, *The Unwritten Alliance: Rio-Branco and Brazilian-American Relations* (New York: Columbia University Press, 1966); Stanley Hilton, ‘The United States, Brazil, and the Cold War, 1945–1960: End of a Special Relationship’, *Journal of American History* 68, no. 3 (1981): 599–624; and Thomas Smith, *Brazil and the United States: Convergence and Divergence* (Athens: University of Georgia Press, 2010).

tion and compliance with IMF programmes. However, particularly during its formative years, the Fund's supervisory function in Latin American countries with balance-of-payments deficits has rarely been examined by students of IMF policies. Furthermore, whether the Fund has been an autonomous or a political institution – that is, if bureaucratic politics or the preferences of its largest financial contributors, such as the US government, determine the IMF's lending patterns – is still disputed.⁵ In turn, scholars analysing Kubitschek's tenure have focused on the results of IMF-Brazil relations (e.g. the economic policies implemented and their effects) without fully scrutinising the tenor of negotiations, the underlying policy-making endeavours, and the interactions between national and international officials. This literature also overlooks the influence of IMF-Brazil interactions on the deterioration of United States-Brazil relations and the diversification of Brazil's international ties in the late 1950s. Scholars have mainly examined the so-called 'independent foreign policy' of presidents Jânio Quadros (1961) and João Goulart (1961–4) in their attempts to explain Brazil's increasing interest in strengthening relations with communist and other developing countries. The role played by the Kubitschek administration in this key foreign policy transformation in Latin America's largest country has rarely been acknowledged.⁶

⁵Most scholars have examined IMF-Latin American relations from the 1980s onwards. For instance, Manuel Pastor, *The International Monetary Fund And Latin America: Economic Stabilisation And Class Conflict* (Boulder, CO: Westview Press, 1987); Manuel Pastor, 'Latin America, the Debt Crisis, and the International Monetary Fund', *Latin American Perspectives* 16, no. 1 (1989): 79–110; Michael Hutchison and Ilan Noy, 'Macroeconomic Effects of IMF-Sponsored Programs in Latin America: Output Costs, Program Recidivism and the Vicious Cycle of Failed Stabilizations', *Journal of International Money and Finance* 22, no. 7 (2003): 991–1014; Glen Biglaiser and Karl DeRouen, 'How Soon is Now? The Effects of the IMF on Economic Reforms in Latin America', *Review of International Organizations* 6, no. 2 (2011): 189–213; David Ortiz and Sergio Béjar, 'Participation in IMF-Sponsored Economic Programs and Contentious Collective Action in Latin America, 1980–2007', *Conflict Management and Peace Science* 30, no. 5 (2013): 492–515. Scholars who have analysed earlier periods include Karen Remmer, 'The Politics of Economic Stabilization: IMF Standby Programs in Latin America, 1954–1984', *Comparative Politics* 19, no. 1 (1986): 1–24; Brenta, *Argentina Atrapada*; Heras, *El Fondo Monetario y El Banco Mundial En La Argentina*; Kedar, *The International Monetary Fund and Latin America*; Kofas, *The Sword of Damocles*. For a comprehensive review of the literature on IMF policies, see Graham Bird and Dane Rowlands, *The International Monetary Fund: Distinguishing Reality from Rhetoric* (Cheltenham: Edward Elgar, 2016).

⁶See Maria Benevides, *O Governo Kubitschek: Desenvolvimento Econômico e Estabilidade Política, 1956–1961* (Rio de Janeiro: Paz e Terra, 1976); Maria Leopoldi, 'Crescendo em Meio à Incerteza: a Política Econômica do Governo JK (1956–60)'; Clóvis Faro and Salomão Silva, 'A Década de 50 e o Programa de Metas'; Gerson Moura, 'Avanços e Recuos: a Política Exterior de JK', in Ângela Gomes, *O Brasil de JK* (Rio de Janeiro: Fundação Getúlio Vargas, 1991), 23–99; Gesner Oliveira, 'Brasil-FMI em Perspectiva Histórica', in *Brasil-FMI: Frustrações e Perspectivas* (São Paulo: Bienal, 1993), 35; Ricardo Caldas, *A Política Externa do Governo Kubitschek* (Brasília: Thesaurus, 1995); Thomas Skidmore, *Brasil: de Getúlio Vargas a Castelo Branco (1930–1964)* (Rio de Janeiro: Paz e Terra, 2000); Celso Lafer, *JK e o Programa de Metas (1956–61): Processo de Planejamento e Sistema Político No Brasil* (Rio de Janeiro: Fundação Getúlio Vargas, 2002); Henrique Oliveira, 'O Conceito de Política Externa', in *Política Externa Brasileira* (São Paulo: Saraiva, 2005); Paulo Vizontini, 'A Política Externa do Governo JK (1956–1961)', in José Albuquerque et al., *Sessenta Anos de Política Externa Brasileira (1930–1990): Crescimento Modernização e Política Externa*, vol. 1 (Rio de Janeiro: Lumen Juris, 2006), 324–54; Pedro Malan, 'Relações Econômicas Internacionais Do Brasil (1945–1964)', in *História Geral Da Civilização Brasileira*, 4th ed., vol. 11, tomo III (Rio de Janeiro: Bertrand Brasil 2007), 67–134; Rodrigo Lima, 'A Política Externa Financeira no Nacional Desenvolvimentismo Internacional' (PhD diss., PUC-SP, 2011), 57–93; Sérgio Vianna and André Villela, 'O pós-Guerra (1945–1955)', in Fabio Giambiagi et al., *Economia Brasileira Contemporânea 1945–2010* (Rio de Janeiro: Elsevier, 2011), 1–24; Andrew Hurrell, *The Quest for Autonomy: The Evolution of Brazil's Role in the International System, 1964–1985* (Brasília: FUNAG, 2013), 28–41; Luiz Orenstein and Antonio Sochaczewsky, 'Democracia com Desenvolvimento: 1956–1961', in *A Ordem Do Progresso: Cem Anos de Política Econômica Republicana, 1889–1989*, ed. Marcelo Abreu (Rio de Janeiro: Elsevier, 2014), 171–95; Victor Young, *JK, Estados Unidos e FMI: da Súplia ao Rompimento* (São Paulo: Alameda, 2014); Paulo Almeida, 'O Brasil e o FMI desde Bretton Woods: 70 Anos de História', *Revista Direito GV* 10, no. 2 (2014): 469–96; Fernando Barbosa, 'Experiences of Inflation and Stabilization, 1960–1990', in *The Oxford Handbook of the Brazilian Economy*, ed. Edmund Amann et al. (New York: Oxford University Press, 2018), 105; Kassius Pontes, 'A Parceria Frustrada: JK e os Estados Unidos' (PhD diss., University of Brasília, 2019), 249–62. For the 'independent foreign policy' see Keith Storrs, 'Brazil's Independent Foreign Policy, 1961–1964: Background, Tenets, Linkage to Domestic Politics, and Aftermath' (PhD diss., Cornell University, 1973); Felipe Loureiro, 'A Política Externa Brasileira do Pós-guerra ao Golpe de 1964: Construindo as Bases da Diplomacia Brasileira Contemporânea', in *O Brasil Republicano. O Tempo da Experiência Democrática. Terceira República (1945–1964)* (Civilização Brasileira: 2019), 179–206.

An examination of IMF-Brazil negotiations also reveals Eisenhower's foreign economic policy in Latin America. Over the last three decades, scholars have examined the United States' Cold War geopolitical imperative to contain communist expansion as a way to understand the continuities and discontinuities of Eisenhower's foreign policy. They argue that during 1953–8, Washington focused on Cold War tensions in Asia and Western Europe, while neglecting Latin America's financial difficulties. US officials encouraged Latin American countries to pursue liberal trade practices and private investments to develop stable, self-sustaining economies that did not require continuous direct economic assistance. This attitude began to change after the mid-1950s, when Cold War tensions increased in the Global South, finally inserting Latin America on Washington's geopolitical map. Aware of growing political instability after Nixon's Goodwill Tour to South America in 1958 and the Cuban Revolution in 1959, US officials reviewed their foreign policy and implemented new economic initiatives to counter rising anti-US sentiment, such as establishing the Inter-American Development Bank in 1959 and the Social Progress Fund in 1960.⁷ However, recent studies have questioned these earlier accounts, since they mostly focus on Washington's geopolitical concerns while overlooking the key economic aspects of Eisenhower's foreign policy. According to Bevan Sewell, rather than a policy of neglect towards Latin America, Eisenhower prioritised the role of private capital while pushing US-style capitalism to restructure economic development, counter Soviet economic influence, and maintain long-term regional security and stability.⁸

Using US, Brazilian and recently declassified primary sources from the IMF, this study argues that Kubitschek's Brazil reached out to the Fund hesitantly and only did so under severe pressure from Washington. Instead of negotiating financial assistance directly with Brazil as in 1956–7, Washington made US loans conditional on an IMF agreement starting in 1958. Howard Cottam, minister for economic affairs at the US Embassy in Rio de Janeiro (1957–60), acknowledged that the United States used the IMF as a 'mantle of multilateral anonymity' in its financial negotiations with Brazil.⁹ From Washington's perspective, the US government used the Fund, and not the US State Department, to advance its foreign economic policy interests in Brazil. The United States maintained its tough stance of conditioning loans on an IMF agreement throughout 1958–9, despite concerns over Latin America's rising political instability and Kubitschek's threat to court the Soviets in the absence of direct US loans. The United States' stance suggests a continuity of Eisenhower's economy-centric policy during this period. Faced with the political advantages of continuing to support the Brazilian economy (maintaining cordial relations and avoiding USSR-Brazil rapprochement) and this policy's economic costs,

⁷For instance, Rabe, *Eisenhower and Latin America*, 84–99; Smith, *Brazil and the United States*, 130–62, Mark Gilderhus, *The Second Century: U.S.-Latin American Relations since 1889* (Wilmington: Rowman & Littlefield, 2000); Gaddis Smith, *The Last Years of the Monroe Doctrine* (New York: Hill and Wang, 1994); Cole Blasier, *The Hovering Giant: U.S. Responses to Revolutionary Change in Latin America 1910–1985* (Pittsburgh: University of Pittsburgh Press, 1985); Joseph Smith, *The United States and Latin America: A History of American Diplomacy, 1776–2000* (London: Routledge, 2005); Thomas Zoumaras, *The Path to Pan Americanism: Eisenhower's Foreign Economic Policy Towards Latin America* (Connecticut: University of Connecticut, 1987).

⁸Sewell, *Diplomatic History*; Sewell, *The US and Latin America*, 3–15.

⁹Despatch 303, American Embassy in Rio de Janeiro (hereafter Amembassy) to Department of State (hereafter Depstate), October 10, 1960, General Records of the Department of State (hereafter GRDS), Central Decimal File (hereafter CDF) 1960–63, Box 2412, Folder 832.00/8-560, Record Group (hereafter RG) 59, National Archives at College Park, MD (hereafter NARA): 12.

Washington chose to force Kubitschek to sign an IMF agreement. The United States wanted to avoid having to support Brazil's trade imbalances indefinitely and to eliminate the country's exchange-rate restrictions, which limited the free flow of the dollar internationally. For their part, Kubitschek and the politicians who supported his administration feared the negative consequences of IMF policies, particularly comprehensive exchange-rate reform, on Brazil's cost of living and its development programme, called the Targets Plan (*Plano de Metas*). In June 1959, discussions with the Fund reached an impasse and Kubitschek halted further talks. Less than six months later, the Brazilian president followed through on his threat and renewed trade relations with the USSR, which had been severed in 1947. IMF-Brazil negotiations thus provide us with a crucial window onto the deterioration of United States-Brazil relations and USSR-Brazil rapprochement before Quadros and Goulart pursued Brazil's 'independent foreign policy' in the early 1960s.

United States-Brazil economic relations, 1956–8

In January 1956, Kubitschek assumed the Brazilian presidency amid severe social, political and economic difficulties. Rising inflation, foreign debt, and public and external deficits left the Brazilian population and private sector increasingly discontented. To address these macroeconomic challenges, Kubitschek proposed a state-led, five-year, import-substitution programme, the Targets Plan, to promote economic development.¹⁰ However, increasing imports for Kubitschek's fast-paced industrialisation led to even lower savings and further balance-of-payments deficits in Brazil. Recognising foreign capital's crucial role in addressing these issues, US officials agreed to use the United States' lending power to encourage 'the Brazilian housekeeping necessary to give that country the status of a good credit risk'.¹¹ In January 1956, they invited Kubitschek to Key West, Florida, to discuss three policy areas: a balanced budget; credit expansion limits; and exchange-rate reform. US officials emphasised the need to simplify Brazil's multiple exchange-rate system to encourage long-term exports and ease the burden of subsidised imports on public accounts.¹²

To improve the prospects for increased US financial assistance, Brazilian officials suggested aligning national development with US policy towards Latin America.¹³ Accordingly, the talks in Key West were auspicious, with Kubitschek and Finance Minister José Alkmin (1956–8) promising to curb inflation and encourage private capital inflow as preconditions for economic development.¹⁴ In April 1956, Vice-President João

¹⁰Benevides, *O Governo Kubitschek*; Faro and Silva, *O Brasil de JK*; Lafer, *JK e o Programa de Metas (1956–61)*.

¹¹Memorandum of Conversation (hereafter Memocon), January 26, 1956, GRDS, CDF 1955–59, Folder 832.10/1-356, Box 4312, RG 59, NARA.

¹²Letter, Rodolf Cahn to Lyon and Henry Holland, October 14, 1955, Records of the Bureau of Inter-American Affairs, Subject Files Relating to Regional Economic Affairs, 1956–1959, Folder Latin American Economic Papers REA-Conover 1958, Box 5, RG 59, NARA.

¹³Memorandum, January 1956, Arquivo Roberto Campos (hereafter ARC), Folder RC 1955.05.02, Centro de Pesquisa e Documentação Histórica Contemporânea do Brasil, Escola de Ciências Sociais da Fundação Getúlio Vargas in Rio de Janeiro, Brazil (hereafter CPDOC-FGV).

¹⁴Memocon, January 6, 1956, Records of the Foreign Service Posts of the Department of State (hereafter RFSP), Classified General Records (hereafter CGR) 1941–63, Box 116, Folder 350 Brazil – Jan–May 1956, RG 84, NARA; Report, *Renegociação das dívidas brasileiras com os Estados Unidos da América – obtenção de recursos em dólares para o Programa de Desenvolvimento*, Arquivo Ernani do Amaral Peixoto (hereafter AEAP), Folder EAP emb 1956.04.13, CPDOC-FGV.

Goulart formally presented the new administration's anti-inflation programme, which would be implemented alongside the Targets Plan to address Brazil's macroeconomic challenges and create an appropriate environment for foreign investment. In exchange, the Export-Import Bank (Eximbank) would provide loans for development projects. The anti-inflation programme included cuts to public spending and limits to credit supply, but did not include policies to abolish exchange controls as US officials wanted.¹⁵

In the late 1950s, simplifying Brazil's multiple exchange-rate system was an intricate task. The system was made up of a free-market rate and a second tier for official payments, trade transactions, invisibles related to trade, and most registered capital (Table 1). Exports were divided into three categories, while preferential imports received government subsidies, and private imports were divided into five categories to be commercialised in public auctions. Institutional constraints precluded active credit, monetary and fiscal policies, leaving the multiple exchange-rate system as the government's sole instrument for adjusting economic policy. These multiple exchange rates protected national industries and were a powerful source of capital accumulation for private and public industries. Moreover, some imports, such as wheat and oil, were subsidised to lower the cost of living.¹⁶

Although the anti-inflation programme did not include the exchange-rate reform that the United States desired, US State Department's officials believed that the political risk of Soviet overtures to Latin America justified the financial concessions to Brazil. In early 1956, the leaders of the post-Stalin USSR offered to expand economic, political, cultural and technical cooperation with Latin America to increase Soviet influence in developing countries. Tightening links with Brazil – Latin America's largest country – was particularly important for their geopolitical interests. In 1956–61, Soviet diplomats actively sought their Brazilian counterparts and high-ranking Soviet officials welcomed Brazilian parliamentary missions to the Kremlin while leading similar missions to Brazil. To restore diplomatic relations, Soviet officials offered to supply equipment for strategic national development sectors such as oil and gas, and to barter wheat and oil, which were heavily weighted in Brazil's balance of payments, for Brazilian coffee. Such offers increasingly convinced high-

Table 1. Brazilian multiple exchange-rate system at the beginning of 1956.

Primary sector	Free market	Invisibles and non-registered capital transactions
Secondary sector	Preferential imports	Newsprint, oil and oil derivatives, wheat and capital goods considered to be essential for economic development and national security
	Private imports	Five categories
	Exports	First category
		Second category
		Third category
		Remaining imports ranging from essential to luxury
		Coffee
		Cocoa and cocoa derivatives
		Majority of exports

Source: Letter EBS/55/40, Acting Secretary to Members of the Executive Board (hereafter Exeboard), August 31, 1955, ARC, Folder RC e bn de 1955.05.26, CPDOC-FGV (elaborated on by the author).

¹⁵Despatch 1111, Amembassy to Depstate, May 4, 1956, GRDS, CDF 1955–59, Box 4312, Folder 832.10/5-456, RG 59, NARA; Letter, Lucas Lopes to José Alkmin, June 7, 1956, ARC, Folder RC e ag 1955.05.02, CPDOC-FGV.

¹⁶Leopoldi, *O Brasil de JK*; Felipe Loureiro, *Empresários, Trabalhadores e Grupos de Interesse: A Política Econômica nos Governos Jânio Quadros e João Goulart, 1961–1964* (São Paulo: Editora Unesp, 2017), 29–53; Carlos Lessa, *Quinze Anos de Política Econômica* (São Paulo: Brasiliense, 1983); Celso Furtado, 'As Colônias de Povoamento do Hemisfério Norte', in *Formação Econômica do Brasil* (São Paulo: Companhia das Letras, 2007), 67; Lourdes Sola, 'The Political and Ideological Constraints to Economic Management in Brazil, 1945–1963' (PhD diss., Oxford University, 1982), 142–89.

ranking Brazilian officials to approach the USSR to both alleviate the country's foreign-accounts crisis and serve as a bargaining chip in financial negotiations with the US government.¹⁷

Henry Holland, assistant secretary for the United States' Department of Inter-American Affairs, acknowledged that Moscow was 'engaged in an astute and aggressive campaign to expand diplomatic and commercial relations in Latin America'.¹⁸ In particular, he was aware of Soviet willingness to supply oil equipment to Petrobrás, Brazil's state-led oil monopoly, in stark contrast with the US position on the matter. Refusing to assist Kubitschek would fuel resentment and open the door to the USSR's economic assistance, which, in turn, would 'calamitously impair' the United States' position throughout Latin America.¹⁹ Based on these geopolitical concerns, the US National Security Council decided to finance development projects through the Eximbank in order to maintain close and friendly ties with Kubitschek as a key component of US foreign policy in the region. Positive support, however, would only be given while Kubitschek's administration strove to stabilise the Brazilian economy, encouraging free-trade practices, and the inflow of private investment.²⁰ United States-Brazil negotiations were concluded in mid-1956 on a positive note, with the Eximbank agreeing to finance development projects, contingent upon Brazil's implementation of its anti-inflation programme.²¹

Throughout 1956–7, however, Brazil struggled to stabilise its economy. Obstacles to the enactment of credit and fiscal policies abounded, while inflation continued to rise.²² US officials were concerned, considered Brazil's net public savings to be 'negligible', and believed that Kubitschek was not doing enough to encourage foreign private investment as he had promised.²³ Nevertheless, at the end of 1957, the US Embassy officials in Rio de Janeiro contended that Washington should continue to help Kubitschek through Brazil's economic difficulties, given the political risks in not doing so. While nationalism continued to rise with an 'anti-US bias', Kubitschek was 'ardently' being courted by the USSR, touting Soviet trade as a solution for the overproduction of coffee.²⁴

¹⁷Sewell, *Diplomatic History*; Sewell, *The US and Latin America*; Rupprecht, *Soviet Internationalism after Stalin*; Gianfranco Caterina, 'Getting the Modernization Recipe Right: Political Interactions between Brazil and the Soviet Union (1956–1961)', in *The Society for Historians of American Foreign Relations (SHAFR) Annual Conference*, 2018; and Gianfranco Caterina, 'Um Grande Oceano: Brasil e União Soviética Atravessando a Guerra Fria (1947–1985)' (PhD diss., Fundação Getúlio Vargas, 2019), 98–172.

¹⁸Office Memorandum (hereafter Offmemo), Henry Holland to Belton, June 7, 1956, GRDS, CDF 1955–59, Box 4312, Folder 832.10/5-456, RG 59, NARA.

¹⁹Ibid.

²⁰Report, Operations Coordinating Board, June 27, 1956, White House Office, National Security Council Staff: Papers, 1948–61, OCB Central File Series, Box 25, Folder OCB 091. Brazil (File #2) (2) [June 1956–January 1957], Dwight D. Eisenhower Presidential Library in Abilene, KS (hereafter EPL).

²¹Letter, Samuel Waugh to Lucas Lopes, July 20, 1956, ARC, Folder RC e ag 1952.11.24, CPDOC-FGV.

²²Despatch 379, Amembassy to Depstate, October 4, 1957, GRDS, CDF 1955–59, Box 4305, Folder 832.00/6-357, RG 59, NARA; Letter SM/58/7, Exeboard to Secretary, January 22, 1958, Executive Board Documents (hereafter EBD), Folder 1958-Staff Memoranda (SM), Archive of the International Monetary Fund in Washington D.C. (hereafter IMF); Memocon, September 28, 1956, Western Hemisphere Department Records (hereafter WHDR), Western Hemisphere Department Immediate Office Records (hereafter WHDIOR), WHDAI Country Files, Box 31, File 1, IMF; and Casimiro Ribeiro, *Casimiro Ribeiro I (depoimento, 1975/1979)* (Rio de Janeiro: CPDOC, 1981).

²³Offmemo, Bird to Files, April 15, 1957, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-757, RG 59, NARA.

²⁴Despatch 724, Amembassy to Depstate, December 31, 1957, GRDS, CDF 1955–59, Box 2469, Folder 611.32/2-355, RG 59, NARA.

At the beginning of 1958, Brazil's external economic burden peaked, and Brazilian officials once again turned to the United States for assistance. Brazil relied heavily on coffee exports and had maintained a policy of financing excess coffee production since 1951. Given the inelasticity of the global demand for coffee, arriving at a commodity price agreement for a suitable price had been both the challenge and objective of successive governments.²⁵ The weakening of the international coffee market alongside massive imports in 1956–7 were draining Brazil's foreign reserves and increasing its balance-of-payments deficits.²⁶ In February 1958, Brazilian ambassador Ernani Peixoto requested an Eximbank standby credit of US\$100 million.²⁷

US State and Treasury Department officials were aware that Brazil was 'key' to the USSR's campaign in Latin America, and that Soviet trade was a 'politically motivated instrument of diplomacy' to export communism.²⁸ However, they decided not to assist Kubitschek, blaming Brazil's macroeconomic crisis on ineffective fiscal management, as well as overspending in the earlier years. US officials assessed that engaging in standby negotiations and implementing severe disciplinary measures would strain the United States-Brazil friendship and encourage similar financial assistance requests from other allies. Thus, rather than providing direct US loans, US officials understood initiating IMF-Brazil negotiations to be the only realistic solution to Brazil's economic difficulties. They concluded that Washington's role should be limited to ensuring an agreement between Brazil and the Fund on effective stabilisation measures.²⁹

Kubitschek's negative response to the United States' policy change regarding the Eximbank loans in mid-1956 soured United States-Brazil relations. For instance, Kubitschek cautioned US ambassador Ellis Briggs that his 'administration [was] under great and growing pressure to deal with [the] Soviet Bloc'. The 'ability to resist that pressure might be affected by [the] extent to which [the] US [was] able to assist Brazil'.³⁰ This was the first time since the Second World War that a Brazilian president had directly threatened Washington to renew relations with the USSR – earlier than scholars generally assume.³¹ Secretary of State John Dulles took Kubitschek's threat seriously, but 'earnestly' recommended consultations with the IMF. He deemed advice from an international multilateral organisation politically more palatable than US interference in Brazil's domestic affairs.³² Despite his threat and having sent Senator Domingos

²⁵Furtado, 'As Colônias de Povoamento do Hemisfério Norte', 67; and Loureiro, *Empresários, Trabalhadores e Grupos de Interesse*, 29–53.

²⁶Letter SM/58/7, Exeboard to Secretary, January 22, 1958, IMF; Telegram 1101, Amembassy to Depstate, February 27, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

²⁷Memocon, February 14, 1958; Telegram 938, Depstate to Amembassy, February 15, 1958; Memocon, February 25, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

²⁸Telegram 818, Depstate to Amembassy, January 17, 1958, General Records of the Department of the Treasury, Office of the Assistant Secretary for International Affairs, Subject Files, 1934–72, Entry 660,155, Box 39, Folder BRA/0/00 Soviet Economic Offensive, RG 56, NARA.

²⁹Memocon, February 14, 1958; Telegram 938, Depstate to Amembassy, February 15, 1958; and Memocon, February 25, 1958, NARA.

³⁰Telegram 1098, Amembassy to Depstate, February 26, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

³¹See Felipe Loureiro, 'The Alliance for Progress and President João Goulart's Three-Year Plan: The Deterioration of U.S.-Brazilian Relations in Cold War Brazil (1962)', *Cold War History* 17, no. 1 (2017): 61–79.

³²Telegram 984, John Dulles to Amembassy, March 3, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

Velasco to Moscow at the end of 1957 to expand contact with the Soviets, Kubitschek could not rely on Soviet financial assistance. By early 1958, as US officials had already concluded, talks on trade were still incipient and the USSR did not replace the IMF as a lender of last resort.³³ Left with no alternative, Kubitschek instructed Brazilian officials to negotiate with the Fund.³⁴

IMF-Brazil relations, 1958

The IMF mission to Brazil in mid-March 1958 was the first step towards assessing the possibility of signing a standby agreement with the Kubitschek administration.³⁵ The mission aimed at examining the causes of the country's inflation and external deficit and identifying whether the difficulties were driven by temporary causes, such as the slump in coffee prices at the end of 1957, or by structural causes, such as unsuitable budget, credit or exchange policies. IMF officials inferred that Brazil's post-war economic growth had been sustained by an inflationary context marked by credit expansion. In their view, the policy of financing coffee surpluses was the economy's major inflationary factor, and Brazil's foreign crisis was structural rather than temporary.³⁶ They concluded that even with higher revenues from coffee exports Brazil would not overcome its economic woes. Since the prevailing financial conditions were not promising, IMF officials determined that Brazil's financial plight would only be resolved through a programme that prioritised economic stability through budget, credit and exchange-rate policies. The Fund would sign a standby agreement if it approved Kubitschek's proposed programme.³⁷

Deputy director Gesualdo Costanzo from the IMF's Western Hemisphere Department, who headed the mission, stressed that IMF assistance would most likely be combined with US resources. Convincing Brazilian officials to implement the requested measures, however, was challenging, as they showed no intention of changing their existing policies. Finance Minister José Alkmin insisted that Brazil's foreign crisis was temporary, not structural, as IMF officials contended, attributing it to coffee exporters' speculation and the fall in international coffee prices. He explained the political difficulties in cutting public spending and reforming the multiple exchange-rate system. Nonetheless, IMF managing director Per Jacobsson reiterated: no stabilisation programme, no standby agreement.³⁸

³³Telegram 818, Depstate to Amembassy, January 17, 1958, NARA. For more on Senator Domingos Velasco's mission to Moscow see Caterina, *SHAFR*; Caterina, *Um Grande Oceano*, 98–172.

³⁴'Gestões junto ao Departamento de Estado'; 'Negociações com o Export-Import Bank'; 'Negociações com o Federal Reserve Bank'; 'Negociações com o Fundo Monetário Internacional'; Letter, Ernani Peixoto to José Alkmin, March 6, 1958, AEAP, Folder EAP emb 1958.03.06, CPDOC-FGV.

³⁵Letter EBS/57/58 Supplement 2, Secretary to Exeboard, September 30, 1957, EBD, Folder 1957-Executive Board Specials (EBS), IMF.

³⁶Offmemo, Jorge Del Canto to Per Jacobsson and Merle Cochran, March 7, 1958; Letter, Bruno Brovedani to Jorge Del Canto, December 1, 1958, WHDR, WHDOIR, WHDAI Country Files, Box 31, File 3, Folder Brazil, IMF.

³⁷Ibid.; Offmemo, Gesualdo Costanzo to Per Jacobsson, March 21, 1958, Country Files, Brazil, Box 10, Folder C/Brazil/810 Mission Costanzo and Staff March 1958, IMF.

³⁸'Negociações com o Fundo Monetário Internacional', CPDOC-FGV; Offmemo, Gesualdo Costanzo to Per Jacobsson, March 21, 1958; 'Minutes of the Meeting with Minister of Finance', March 10, 1958, Central Files, Country Files, Brazil, Box 10, Folder C/Brazil/810 Mission Costanzo and Staff March 1958, IMF.

During the IMF-Brazil negotiations, Alkmin wrote to US Treasury Secretary Robert Anderson and US Embassy and State Department officials requesting an urgent loan of US\$50 million. Brazil expected to reach the peak of its financial crisis with no foreign reserves within 15–20 days. Brazilian ambassador Ernani Peixoto re-emphasised that the country's economic problems were temporary, brought about by difficulties in the coffee market. US State Department officials' response to Alkmin's request remained the same: first, an IMF agreement and, later, talks with Washington, especially because other Latin American countries were also bound by the same policy to access US loans.³⁹ Anderson restated the Fund's reasoning behind the conclusion that Brazil's difficulties were structural.⁴⁰ For US ambassador Ellis Briggs, Brazilian officials' resistance to sign an IMF agreement was based on a 'conviction (or hallucinations)' that Brazil was a 'great power' in Latin America.⁴¹

After the second failed attempt to obtain direct US loans, resentment escalated. Kubitschek and Alkmin advised Briggs that Brazil's economic fragility was a 'heaven-sent opportunity for [the] "enemies of the United States"'.⁴² Briggs alerted the US State Department that IMF-Brazil negotiations could be diverging from US interests – contrary to their initial expectations. If the financial crisis worsened, Briggs explained, Kubitschek would most likely use Washington as a scapegoat for the country's problems and this would open the door for the Soviets.⁴³ Secretary of State John Dulles remained firm despite Briggs' geopolitical concerns: US assistance had to contribute to Brazil's long-term stability rather than the maintenance of current (and ill-advised) economic policies.⁴⁴ After learning about Washington's position from Briggs, Alkmin proposed a stabilisation programme to the IMF. If approved, Washington would be ready to discuss Brazil's long-term balance-of-payments problem.⁴⁵

Alkmin's proposal included cuts to public spending, limits to credit supply, and increases in exchange rates for preferential imports. Nevertheless, the Fund working group was not satisfied and demanded that the multiple exchange-rate system be simplified further.⁴⁶ Dulles concurred with the IMF's views and planned to maintain 'intimate confidential contact with [the] IMF via [the] US [Executive] Director in [an] attempt [to] assure [the] IMF presses Brazil [to the] maximum extent feasible to deal adequately with [the] payments problem and adopt [the] most constructive program possible'.⁴⁷ US Embassy officials hoped that Brazil and the Fund would reach an

³⁹Memocon, March 14, 1958; Telegram 1183, Amembassy to Secretary of State (hereafter Secstate), March 18, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

⁴⁰Letter, Robert Anderson to José Alkmin, March 21, 1958, Folder EAP emb 1958.03.06, AEAP, CPDOC-FGV.

⁴¹Telegram 1206, Ellis Briggs to Secstate, March 20, 1958, RFSP, CGR 1941–63, Box 115, Folder 350 Brazil 1958, RG 84, NARA.

⁴²Telegram 1224, Amembassy to Secstate, March 24, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

⁴³Telegram 1261, Amembassy to Secstate, March 28, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

⁴⁴Telegram 1107, John Dulles to Amembassy, March 29, 1958, GRDS, CDF 1955–59, Box 4313, Folder 832.10/1-1158, RG 59, NARA.

⁴⁵Despatch 1089, Amembassy to Depstate, April 2, 1958, GRDS, CDF 1955–59, Box 4314, Folder 832.10/4-158, RG 59, NARA.

⁴⁶Offmemo, Western Hemisphere, Exchange Restrictions and Legal Departments to The Managing Director, April 24, 1958, Central Files, Country Files, Brazil Files, Box 19, Folder C/Brazil/1760 Stand-by Arrangements, IMF.

⁴⁷Telegram 1215, John Dulles to Amembassy, April 25, 1958, GRDS, CDF 1955–59, Box 4314, Folder 832.10/4-158, RG 59, NARA.

agreement so that Washington could discuss substantial and long-term loans in 'a better atmosphere, with the onus for most of the unpalatable conditions having already been placed upon an international body'.⁴⁸

Initially, the Kubitschek administration rejected all IMF requests, as further depreciation in exchange rates could double living and production costs and worsen Brazil's social and economic conditions.⁴⁹ Discussions became bitter. Finance Minister Alkmin was incensed by IMF managing director Jacobsson's 'intransigent, impatient [and] irritable' attitude, insisting on a more significant simplification of the multiple exchange-rate system.⁵⁰ Alkmin decided to present another counterproposal, but to no avail. Jacobsson remained unsatisfied with the exchange-rate policy.⁵¹ Pressed and without an alternative, Alkmin pledged to contain monetary expansion in 1958 and implement a unitary exchange-rate policy at some future time. Finally, on June 3, 1958, the Kubitschek administration signed Brazil's first one-year standby agreement of US\$75 million.⁵² Treasury Secretary Anderson reassured Brazilian ambassador Peixoto that financial negotiations between Brazil and the United States would now be 'easier' given the IMF-Brazil agreement.⁵³

A few weeks after reaching the agreement with the Fund and amid turbulent demonstrations against US foreign policy following Vice-President Nixon's Goodwill Tour in May 1958, Kubitschek launched the Pan-American Operation (OPA). This was a regional development initiative to press for US direct loans to counter rising anti-US sentiment and communist forces on the continent. Washington, however, shut down any prospects of economic cooperation.⁵⁴ Secretary of State Dulles said that upon announcing the OPA, Kubitschek had failed to refer to the need for 'self-help through marshalling domestic and foreign private resources and through effective fiscal measures'.⁵⁵

Despite the conclusion of the IMF-Brazil negotiations, Brazilian officials still faced obstacles in accessing US financial assistance when they requested Eximbank loans.⁵⁶ US Embassy officials noted that Kubitschek had replaced the 'irresponsible' Alkmin with Lucas Lopes, who previously presided over the Brazilian Economic Development Bank (BNDE), in the Ministry of Finance to 'enlist greater help from the US'.⁵⁷ Unlike Alkmin, Lopes agreed with the IMF and US officials on the need to tighten bank credit and reform Brazil's multiple exchange-rate system. He had only accepted the position of finance minister because Kubitschek committed to supporting him in unifying the multiple

⁴⁸Despatch 1256, Amembassy to Depstate, May 7, 1958, GRDS, CDF 1955–59, Box 4306, Folder 832.00/4-358, RG 59, NARA.

⁴⁹Remarks on the Aide Memoire of April 30, 1958', Central Files, Country Files, Brazil Files, Box 19, Folder C/Brazil/1760 Stand-by Arrangements, IMF.

⁵⁰Telegram 1509, Amembassy to Secstate, May 8, 1958, GRDS, CDF 1955–59, Box 4322, Folder 832.15/4-1855, RG 59, NARA.

⁵¹Letter, Otávio Paranaguá to Casimiro Ribeiro, May 17, 1958, AEAP, Folder EAP emb 1958.03.06, CPDOC-FGV.

⁵²Letter EBS/58/25 Supplement 3, Secretary to Exeboard, June 2, 1958, AEAP, Folder EAP emb 1958.03.06, CPDOC-FGV.

⁵³Telegram 1665, Amembassy to Secstate, June 3, 1958, GRDS, CDF 1955–59, Box 4314, Folder 832.10/5-258, RG 59, NARA.

⁵⁴Hurrell, *The Quest for Autonomy*, 28–41; Moura, *O Brasil de JK*; Rabe, *Eisenhower and Latin America*, 84–133; Ziventini, *Sessenta Anos de Política Externa Brasileira (1930–1990)*.

⁵⁵Telegram 1415, John Dulles to Amembassy, June 25, 1958, GRDS, CDF 1955–59, Box 4314, Folder 832.10/5-258, RG 59, NARA.

⁵⁶Letter, Ernani Peixoto to Samuel Waugh, June 5, 1958, AEAP, Folder EAP emb 1958.03.06, CPDOC-FGV; Despatch 1421, Amembassy to Depstate, June 10, 1958, GRDS, CDF 1955–59, Box 4314, Folder 832.10/5-258, RG 59, NARA.

⁵⁷Despatch 801, Amembassy to Depstate, January 19, 1959, GRDS, CDF 1955–59, Box 2469, Folder 611.32/1-258, RG 59, NARA.

exchange-rate system.⁵⁸ Nevertheless, US officials thought that no individual in the new Brazilian Ministry of Finance, including Lopes, was ‘acquainted with [the] provisions [of] Alkmin[’s] letter to [the] IMF’. For them, Lopes and the new technocrats working with him seemed unaware of Alkmin’s stabilisation commitments to the Fund. Therefore, the Eximbank demanded a new round of IMF-Brazil negotiations to reach a ‘clear and unambiguous agreement’ as a precondition for economic assistance.⁵⁹

In mid-July 1958, Lopes notified IMF managing director Jacobsson that circumstances had compelled the Brazilian government to change its policies. In particular, coffee exports were going to receive higher bonuses to incentivise coffee growers.⁶⁰ IMF officials were not at ease: if Lopes wished to revise Brazil’s coffee policy and request US financial assistance, exchange rates for preferential imports would have to rise even more to offset the economic effects of a revised coffee policy.⁶¹ Lopes committed before the IMF Executive Board ‘to make a complete review of the exchange system later in the year [1958]’, and the IMF approved the revised policies accordingly.⁶² With the IMF standby agreement back on track, United States-Brazil negotiations for new Eximbank loans resumed. Brazil obtained US\$100 million after the ‘successful’ conclusion of its negotiations with the Fund.⁶³ In 1958, the Kubitschek administration financed Brazil’s convertible currency deficit of US\$195 million with money from the IMF, Eximbank and US banks.⁶⁴ While US Embassy officials acknowledged Brazil’s financial plight and plea for economic assistance, as well as growing anti-US sentiment in Latin America, they claimed that Washington had worldwide responsibilities and could not have the ‘monogamous relationship that Brazil professes to want’.⁶⁵ That is, they could not give Brazil preferential direct financial assistance when other Latin American countries were also bound to participate in IMF programmes.

Lopes continued to face considerable obstacles in implementing the negotiated IMF policies. In the first half of 1958, when Alkmin was still finance minister, the budget deficit and bank credit had already exceeded their respective limits. Lopes managed to depreciate exchange rates for preferential imports but could not attempt an overarching exchange-rate reform because of rising political pressure due to price increases.⁶⁶ In November, Brazilian officials presented the Monetary Stabilisation Plan (PEM) to the IMF staff, which aimed at promoting economic development and price stability.⁶⁷ IMF officials were not satisfied because the PEM lacked comprehensive exchange-rate reform, and allowed for greater budget deficits and credit expansion than the standby agreement

⁵⁸Lucas Lopes, *Memórias do Desenvolvimento* (Rio de Janeiro: Centro da Memória da Eletricidade no Brasil, 1991): 230–3.

⁵⁹Telegram 1810, Amembassy to Depstate, June 27, 1958, GRDS, CDF 1955–59, Box 4314, Folder 832.10/5-258, RG 59, NARA.

⁶⁰Letter, Lucas Lopes to Per Jacobsson, July 8, 1958, ARC, Folder RC e bnde 1952.11.24, CPDOC-FGV.

⁶¹‘Minutes of Meeting with Brazilian Representatives’, July 21, 1958, WHDR, WHDOIR, WHDAI Country Files, Box 31, Folder Brazil, IMF.

⁶²Letter EBS/58/38, Secretary to Exeboard, July 25, 1958, Central Files, Country Files, Brazil, Box 5, Folder C/Brazil/420 Exchange Controls and Restrictions 1956–1959, IMF.

⁶³Export-Import Bank, January 1, 1959, White House Central Files, Official file, 1953–61, Box 155, Folder OF 15 Export-Import Bank of Washington 195-9-60 (1), EPL.

⁶⁴Memorandum, Maurice Bernbaum to Roy Rubottom, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁶⁵Despatch 43, Amembassy to Depstate, July 11, 1958, GRDS, CDF 1955–59, Box 2469, Folder 611.32/1-258, RG 59, NARA.

⁶⁶Offmemo, Jorge Del Canto to The Managing Director and The Deputy Managing Director, November 14, 1958, Central Files, Country Files, Brazil, Box 6, Folder C/Brazil/420 Stabilisation Program 1958–1960, IMF; Report, Superintendência da Moeda e do Crédito, ‘Análise da expansão de crédito bancários e dos meios de pagamento em 1958, e crítica da política monetária’, 1958, Arquivo Lucas Lopes (hereafter ALL), Folder 1957.12.23, CPDOC-FGV.

⁶⁷‘Programa de estabilização monetária para o período de setembro de 1958 a dezembro de 1959-recomendações, análises, apêndices estatísticos e anexos’, ARC, Folder RC e cd 1956.09.00, CPDOC-FGV.

foresaw. They were deeply disappointed with Brazil's stabilisation performance, given the excessive bank credit and budget deficits along with Lopes' failure to reform Brazil's multiple exchange-rate system as promised.⁶⁸ In December, Lopes told IMF managing director Jacobsson that he had not had sufficient time to implement all the agreed policies and fulfil the standby agreement because he took over the Finance Ministry only in mid-1958. Despite their frustration, IMF executive directors agreed to postpone the consultation from December 1958 to April 1959 so as to allow Lopes time to show effective results.⁶⁹ Given Brazil's poor stabilisation performance, US Embassy officials foresaw significant difficulties if Kubitschek were to request new US loans in 1959.⁷⁰ Indeed, the situation was not promising. Convertible reserves were expected to run out by February, with the IMF consultation to assess Brazilian stabilisation performance – a precondition for obtaining US loans – not scheduled to take place until April.⁷¹

Breakdown of relations

In mid-January 1959, Finance Minister Lopes and Roberto Campos, who had replaced Lopes as BNDE president, recommended that Kubitschek adopt a single fluctuating exchange rate for all exports and imports, except for coffee exports and oil imports. They acknowledged that without exchange-rate reform, the IMF would disapprove of Brazil's performance under the 1958 standby agreement in April and not provide further financial assistance. Moreover, in their assessment, ongoing exchange-rate reforms in Europe and Argentina justified reform in Brazil.⁷² At the time, European countries had restored exchange convertibility owing to an improvement in their foreign reserves. Argentinean president Arturo Frondizi too seemed committed to following IMF policies under the standby agreement he had signed in 1958.⁷³ For his part, Kubitschek feared the political implications of higher exchange rates and only agreed to a reform that increased rates slightly.⁷⁴

Since Brazil's foreign reserves would likely be exhausted before the IMF consultation in April 1959, Lopes asked the Eximbank for loans. Financial negotiations, however, were plagued by disagreement. Regardless of Lopes recently approved reform, US Embassy officials cautioned that new loans would likely be contingent on a second standby agreement between Brazil and the IMF. Given the urgency of Brazil's financial situation, Lopes asked the Fund for an urgent visit and Director Gesualdo Costanzo travelled to Brazil at the end of January.⁷⁵ Considering Argentina's efforts to promote economic

⁶⁸Letter, Jorge Del Canto to Merle Cochran, November 19, 1958; Letter, Jorge Del Canto and Irving Friedman to The Managing Director, December 4, 1958, WHDR, WHDOIR, WHDAI Country Files, Box 31, Folder Brazil, IMF.

⁶⁹Letter EBS/58/81, Secretary to Exeboard, December 12, 1958; Draft Minutes, Executive Board Meeting 58/58, December 18, 1958, AEAP, Folder EAP emb 1958.03.06, CPDOC-FGV.

⁷⁰Despatch 687, Amembassy to Depstate, December 17, 1958, GRDS, CDF 1955–59, Box 4315, Folder 832.10/11-358, RG 59, NARA.

⁷¹Letter to Juscelino Kubitschek, February 10, 1959, AEAP, Folder EAP emb 1958.03.06, CPDOC-FGV.

⁷²Roberto Campos, *Lanterna na Popa: Memórias* (Rio de Janeiro: Toopbooks, 2004, 2nd ed.); Dilson Ribeiro, *O Repórter e o Estadista JK: O Rompimento com o FMI* (Brasília: Projecto, 2002); Despatch 743, Amembassy to Depstate, January 6, 1959, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁷³Barry Eichengreen, 'The Bretton Woods System', in *Globalising capital: a History of the International Monetary System* (Princeton: Princeton University Press, 2008, 2nd ed.), 91. After a brief period of improved economic conditions in 1960–1, a military coup ousted Frondizi from power in 1962 amid rising inflation rates and mounting public criticism against austerity measures. See Kedar, *The International Monetary Fund and Latin America*, 55.

⁷⁴Campos, *Lanterna na Popa*; Ribeiro, *O Repórter e o Estadista JK*; Despatch 743, Amembassy to Depstate, January 6, 1959, NARA.

⁷⁵Despatch 779, Amembassy to Depstate, January 13, 1959, GRDS, CDF 1955–59, Box 4315, Folder 832.10/11-559, RG 59, NARA.

stability, Costanzo asserted that Brazil would have to present a ‘very complete and well-integrated program for domestic monetary stabilization’ before signing a second standby agreement. Lopes exchange-rate reform, approved in January, did not fulfil this requirement: all imports and exports would have to be channelled through the free market. Lopes resented Costanzo’s response because he knew that Kubitschek ‘strongly opposed’ comprehensive reform. Indeed, the president was determined to control internal price increases, as he perceived this to be the most important factor influencing the 1960 presidential elections.⁷⁶ Kubitschek was affiliated with the centrist Social Democratic Party, but workers and communists also supported his administration. João Goulart from the Brazilian Workers Party was elected as vice-president and Luís Carlos Prestes from the (at the time illegal) Brazilian Communist Party supported Kubitschek’s campaign.⁷⁷ Rising internal prices owing to lower subsidies on preferential imports threatened Kubitschek’s chosen successor’s electoral chances in 1960 and his own possible re-election in 1965.

Officials from Eximbank and the State and Treasury analysed Lopes’ request for credit and, considering Costanzo’s views, concluded that unless Washington wished to continue to provide loans indefinitely, Brazil would have to access US resources ‘*pari passu* with [the] IMF’s contribution’, like other Latin American countries.⁷⁸ Director Maurice Bernbaum from the US Office of South American Affairs acknowledged the political risks of taking this tough stance: Kubitschek’s government could fall owing to stringent economic conditions, the Soviet Bloc would go on the offensive and Washington would become a scapegoat, which would severely damage United States-Brazil relations. However, he maintained that Washington had to face these geopolitical risks unless it wished to continue to cover Brazil’s external deficit indefinitely.⁷⁹ Embassy officials concurred that aiding Brazil did not solve its basic economic problems and maintained that the IMF should not surrender to such political threats, particularly since Kubitschek needed urgent financial assistance and had no alternative sources, neither European nor Soviet.⁸⁰ Indeed, although the USSR’s offer to barter trade oil and wheat for Brazilian coffee would alleviate the burden on Brazil’s balance of payments, it could not replace IMF or US lending.⁸¹

At the end of January 1959, US Embassy officials notified Kubitschek that Brazil required a second standby agreement with the Fund to access US credit.⁸² Kubitschek insisted on discussing this directly with Eximbank, promising to undertake all the stabilisation steps Argentina was taking, except for exchange-rate reform, as this would

⁷⁶Despatch 849, Amembassy to Depstate, January 29, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁷⁷Rafael Ioris, *Qual Desenvolvimento?* According to the 1946 Constitution, president and vice-president were elected separately and immediate re-election was prohibited.

⁷⁸Letter, William Briggs to Ellis Briggs, January 23, 1959; RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA; Offmemo, Charles Adair to Thomas Mann, 10 February 1959; Letter, Thomas Mann to Charles Adair, February 16, 1959, GRDS, CDF 1955–59, Box 4315, Folder 832.10/1-559, RG 59, NARA.

⁷⁹Memorandum, Maurice Bernbaum to Roy Rubottom, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁸⁰Telegram 974, Amembassy to Depstate, February 26, GRDS, CDF 1955–59, Box 4315, Folder 832.10/1-559, RG 59, NARA.

⁸¹Caterina, *SHAFR*; Caterina, *Um Grande Oceano*, 98–172.

⁸²Telegram 360, Depstate to Amembassy, January 31, 1959, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

increase prices nationwide and trigger social unrest. Ambassador Ellis Briggs, however, discouraged Kubitschek from approaching the Eximbank directly.⁸³ The Bank's president Samuel Waugh noted to US officials that Washington's attitude towards Brazil was actually 'hardening very rapidly' and that Kubitschek's OPA announced in mid-1958 had done 'nothing to soften' it. He instructed them to avoid becoming involved in IMF-Brazil negotiations and allow 'the Fund to tell the Brazilians all of the necessary unpleasant truths concerning what constituted effective programs'.⁸⁴

In March 1959, Director Casimiro Ribeiro from the Superintendency for Money and Credit and Director Paulo Pooch from the Bank of Brazil expounded a revised, 1959 version of the PEM to the IMF. Most of the budget and credit limits had increased and no further modifications to the exchange system were planned that year to avoid social and political unrest.⁸⁵ IMF directors Jorge Del Canto and Gesualdo Costanzo were not satisfied: failure to dismantle the multiple exchange-rate system meant 'not only the retention of the existing unrealistic rate structure but also the prospect that Brazil would continue to go from one exchange crisis to another'.⁸⁶ Along with the Fund, US Embassy officials remained firm: 'the stern exercise will soon begin, as it should'. Washington had played 'the first act of this little play' without 'trepidation' by successfully requesting an IMF agreement, again, guided by the notion that any concession to Brazil could undermine deals with other Latin American countries. It would then 'let the IMF huff and puff, breath fire, utter dire threats, and swashbuckler all through act one', being careful only not to see 'the second act curtain falling on the corpse of Brazilian-American relations', and avoid a 'nasty showdown in act two, with us [US] on stage and [the] IMF in the wings'. Washington had to be prepared to recognise the 'breaking point' after obtaining 'as much as we can get'. That was 'when the harming will have to stop. That is when the art of the theatre will have to begin'.⁸⁷ State Department officials agreed that 'the best option would be to stay behind the IMF and get the best terms Washington could'.⁸⁸

After Lopes failed to stop Brazil's financial haemorrhage using direct US loans, the sole option was to wait for the Fund consultation in April, hoping for a positive evaluation of Brazil's performance under the 1958 standby agreement. Far from this expectation, the IMF mission soon realised that Kubitschek would neither reform the multiple exchange-rate system nor comply with the PEM's fiscal and credit targets for 1959, as his government prioritised curbing inflation through administrative measures, including import subsidies.⁸⁹ IMF director Costanzo then met with US Embassy officials in Rio de Janeiro and explained that only an exchange crisis that obliged Kubitschek to reduce imports sharply would convince him to enact the exchange-rate reform. He then recommended

⁸³Telegram 1032, Amembassy to the Secstate, February 3, 1959, GRDS, CDF 1955–59, Box 4315, Folder 832.10/1-559, RG 59, NARA.

⁸⁴Letter, William Briggs to Ellis Briggs, February 12, 1959, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁸⁵Report, 'Programa de Estabilização Monetária para 1959', ALL, Folder LL mf 1957.12.23, CPDOC-FGV; Letter, Working Party on Brazil to The Acting Managing Director, March 12, 1959, WHDR, WHDOIR, WHDAI Country Files, Box 32, File 2, Folder Brazil, IMF.

⁸⁶Minutes of the Meeting, March 3, 1959, WHDR, WHDOIR, WHDAI Country Files, Box 32, File 2, Folder Brazil, IMF.

⁸⁷Letter, Woodruff Wallner to William Briggs, March 13, 1959, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁸⁸Letter, William Briggs to Woodruff Wallner, March 23, 1959, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁸⁹Letter, Gesualdo Costanzo to The Managing Director and The Deputy Managing Director, March 27, 1959, WHDR, WHDOIR, WHDAI Country Files, Box 32, File 2, Folder Brazil, IMF.

that the Executive Board reject Brazil's request.⁹⁰ Christian Herter, the new US Secretary of State, agreed that a period of stalemate, during which Brazilian foreign reserves would decline, was the only effective way of persuading Kubitschek of the necessity for belt-tightening and the firmness of the United States' and IMF's positions.⁹¹

In April 1959, with IMF-Brazil negotiations deadlocked, Brazilian ambassador Ernani Peixoto and IMF executive director Octávio Paranaguá requested additional Eximbank loans to alleviate Brazil's exchange-rate crisis. They once again insisted that economic difficulties were temporary, rather than structural, and assured US officials that the Brazilian government intended to unify the country's multiple exchange rates but that depreciating them simultaneously – as the IMF demanded – would be unwise. US assistant secretary Roy Rubottom, however, advised that an IMF agreement was 'an essential prerequisite to discussions looking to [US] financial assistance'.⁹² Kubitschek then asked Finance Minister Lopes to elaborate a new exchange-rate reform proposal that was as close as possible to the Fund's requirements. He would decide whether the prescribed policies were politically feasible in Brazil regardless of their acceptability to other countries.⁹³

During US assistant secretary for Economic Affairs Thomas Mann's visit to Brazil in mid-May 1959, Kubitschek once again pushed for US economic assistance without a comprehensive exchange-rate reform that could lead to social turmoil and deteriorate United States-Brazil relations. Mann reiterated Rubottom's negative response, explaining that giving Brazil special treatment would trigger an avalanche of loan requests from other countries and that an essential part of US policy was to assist IMF experts in promoting economic stability worldwide.⁹⁴ Following Mann's visit, US State Department officials concluded that US assistance was only justifiable on political grounds. Economically, Kubitschek's argument that exchange-rate adjustments would raise the cost of living was not valid: expansionary credit and budget policies were the real causes of Brazil's high inflation.⁹⁵ In remaining silent about the socio-political consequences of slashing government subsidies on living and production costs, US officials decided 'not [to] intervene to attempt to influence the Fund in its decision, at least until we believe that a definite impasse has been reached'. In their view, Latin American countries had to perceive the IMF as an 'independent, objective, expert international organization' that acted autonomously regardless of the United States' political influence.⁹⁶

Denied access to US loans, Ribeiro and Poock (the Brazilian negotiators) proposed an exchange-rate reform to the Fund that was as close as possible to its demands.⁹⁷ Accordingly, most imports and exports would be channelled through the free market and exchange rates for preferential imports would rise gradually during a transitional

⁹⁰Despatch 1113, Amembassy to Depstate, March 26, 1959, GRDS, CDF 1955–59, Box 4316, Folder 832.10/3-259, RG 59, NARA.

⁹¹Telegram 926, Christian Herter to Amembassy, March 31, 1959, GRDS, CDF 1955–59, Box 4316, Folder 832.10/3-259, RG 59, NARA.

⁹²Memocon, April 8, 1959, GRDS, CDF 1955–59, Box 4307, Folder 832.00/3-359, RG 59, NARA.

⁹³Telegram 78, Woodruff Wallner to Secstate, May 6, 1959, RFSP, CGR 1941–63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

⁹⁴Amembassy to Depstate, May 12, 1959, GRDS, CDF 1955–59, Box 4316, Folder 832.10/5-259, RG 59, NARA.

⁹⁵Offmemo, Samuel Eaton to Charles Adair, May 21, 1959, GRDS, CDF 1955–59, Box 4316, Folder 832.10/5-259, RG 59, NARA.

⁹⁶Offmemo, Samuel Eaton to Charles Adair, May 15, 1959, GRDS, CDF 1955–59, Box 4316, Folder 832.10/5-259, RG 59, NARA.

⁹⁷Ribeiro, *Casimiro Ribeiro I (depoimento, 1975/1979)*.

period and receive subsidies until the end of Kubitschek's term in 1961.⁹⁸ IMF officials did not accept the proposal, insisting that subsidies for preferential imports end immediately.⁹⁹ After acknowledging the institution's response, US Embassy officials expected a 'strong emotional reaction' from Kubitschek and urged the US State Department to obtain the 'fullest possible information [on] this matter [the] soonest'. Otherwise, Washington would be 'seriously handicapped in dealing with a politico-economic situation which lies at [the] very heart of Brazilian-US relations'.¹⁰⁰ US State Department officials recalled that the IMF performed an 'extremely useful function of prescribing sometimes painful, but desirable, remedies in connection with balance of payments problems when we [the US] would not feel free to do so'. Not requiring a standby agreement with Brazil 'would invite invidious comparisons from other countries which we have held to this requirement and would also court pressures from still others for like easier treatment'.¹⁰¹ Officials from the Eximbank and US State and Treasury departments agreed that Washington should maintain the 'status quo temporarily, i.e. until 1961, at a price which we can afford to pay and in ways that will neither undermine stabilisation efforts on which we are embarked in other countries nor open the door to unbridled demands from other countries'. Rescheduling foreign payments was the single concession to Brazil.¹⁰²

On June 2, 1959, Kubitschek was informed that the IMF had rejected the proposal.¹⁰³ The following day, he instructed Ribeiro and Pooch 'to discontinue further conversations and return to Rio [de Janeiro]'.¹⁰⁴ Kubitschek announced to the press that the disagreements with the Fund were based on technical issues: Brazil rejected the proposed depreciation in exchange rates because of its potentially negative impact on the cost of living. Brazilian officials also hinted that they would seek trade with the USSR.¹⁰⁵ Discussions on the renewal of USSR-Brazil relations had been gaining ground in public circles since 1958.¹⁰⁶ On June 17, Kubitschek decided to halt negotiations with the Fund at the presidential Catete Palace, which had been surrounded by industrialists, Congress members, leftist leaders and protesters holding signs supporting trade and diplomatic relations with the USSR and China.¹⁰⁷

⁹⁸'Outline of Brazilian Government Program', June 1, 1959, Central Files, Country Files, Brazil, Box 5, Folder C/Brazil/420 Exchange Controls and Restrictions 1956-1959, IMF.

⁹⁹Offmemo, Staff members of working party on Brazil to Managing Director, June 1, 1959, Central Files, Country Files, Brazil, Box 6, Folder C/Brazil/420 Stabilisation Program 1958-1960, IMF.

¹⁰⁰Telegram 1746, Amembassy to Secstate, June 3, 1959, GRDS, CDF 1955-59, Box 4316, Folder 832.10/5-259, RG 59, NARA.

¹⁰¹Offmemo, Charles Adair to Thomas Mann, June 1, 1959, GRDS, CDF 1955-59, Box 4316, Folder 832.10/5-259, RG 59, NARA.

¹⁰²Letter, William Briggs to Woodruff Wallner, June 4, 1959, RFSP, CGR 1941-63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

¹⁰³Letter, Paulo Pooch to Juscelino Kubitschek, Lucas Lopes and Ernani Peixoto, June 2, 1959, AEAP, EAP emb 1958.03.06, CPDOC-FGV.

¹⁰⁴Ribeiro, *Casimiro Ribeiro I (depoimento, 1975/1979)*; Telegram 1746, Amembassy to Secstate, June 3, 1959, NARA.

¹⁰⁵O Estado de São Paulo (hereafter ESP), 'Kubitschek anuncia que não mandará emissários ao FMI', June 10, 1959: 34; Jornal do Brasil (hereafter JB), 'Virada na política econômica: missão à Rússia', June 10, 1959, ed. 133: 1; Press clipping, New York Times, June 11, 1959, Central Files, Country Files, Brazil Files, Box 19 File 7 Folder C/Brazil/1760 Stand-by Arrangements, IMF.

¹⁰⁶Caterina, *SHAFR*; Caterina, *Um Grande Oceano*, 98-172.

¹⁰⁷ESP, 'O Presidente evita fazer críticas diretas ao FMI', June 18, 1959: 48; JB, 'Manifestantes foram ao Catete apoiar o Governo no caso do F.M.I.', June 18, 1959, ed.140: 4; 'Presidência da República', Arquivo da Agência Nacional, Box Noticiário de Rádio, junho 1959, Folder 'A voz do Brasil' 17/6/1959, Arquivo Nacional in Rio de Janeiro, Brazil.

Kubitschek's bold move echoed throughout Latin America. In turn, Washington's position remained unchanged. *The New York Times* predicted 'a rebellion' against the IMF as this issue went 'to the heart of the relationship between economic crises and political instability in the hemisphere'.¹⁰⁸ Peru decided to suspend negotiations with the Fund temporarily.¹⁰⁹ US Embassy officials in Bogotá and Buenos Aires were concerned about the consequences of Kubitschek's act on stabilisation efforts in Colombia and Argentina, respectively.¹¹⁰ Allen Dulles, Head of the Central Intelligence Agency, described the Latin American picture as 'boiling [over] in many places'. Emphasising the significance of 'Kubitschek's breach' with the IMF, he noted that Frondizi could fall because, unlike his Brazilian counterpart, he was facing fierce opposition to fight inflation. Nevertheless, Dulles maintained that lending money without an IMF agreement 'could be very serious in its long-range consequences for US policy throughout Latin America'.¹¹¹ Along with him, US senator William Fulbright and assistant secretary Roy Rubottom criticised Kubitschek's attitude and stated that Washington should not lend assistance without an IMF programme.¹¹² Kubitschek was enraged and told US Embassy officials that he would make 'the United States, willing or unwilling, extend financial aid without politically onerous conditions'.¹¹³ In response, they feared that such statements could trigger 'a final straw driving Kubitschek to open conflict with [the] US Govt', aggravating anti-US emotions.¹¹⁴ A few days later, the Brazilian press announced that Kubitschek planned to lead a trade mission to Moscow.¹¹⁵

Regardless of Kubitschek's announcement, US officials agreed that the Brazilian government would have to sign an IMF agreement to preserve US-Latin America relations, but they allowed Brazilian officials to specify the content of this stabilisation programme.¹¹⁶ Accordingly, the US Embassy informed Brazilian officials that the Fund would be flexible in its credit and fiscal policies but remain rigid in exchange-rate matters.¹¹⁷ An indignant Kubitschek replied that he 'would not accept the IMF program because [it was] politically impossible and that his position on this score had wide popular support'.¹¹⁸ Brazilian officials, however, were aware that long-term, low-interest loans were not easily

¹⁰⁸Telegram 4530, Brazilian Embassy to the Ministry of Foreign Affairs, June 17, 1959, Missões Diplomáticas Brasileiras, Telegramas 1959 (Janeiro-Junho), Folder 52-1-6, Arquivo Histórico do Itamaraty in Rio de Janeiro, Brazil.

¹⁰⁹ESP, 'Per Jacobsson Preocupado'; 'A posição do Brasil constitui problema para o FMI e os EUA', June 16, 1959: 48.

¹¹⁰Telegram 668, American Embassy in Bogotá to Secstate, June 17, 1959, GRDS, CDF 1955-59, Box 4316, Folder 832.10/5-259, RG 59, NARA; Telegram 91, American Embassy in Buenos Aires to Amembassy, June 18, 1959, RFSP, CGR 1941-63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

¹¹¹Discussion at the 410th Meeting of the National Security Council, Thursday, June 18, 1959', June 18, 1959, Eisenhower, Dwight D.: Papers as President, 1953-1961, Ann Whitman File, NSC Series, Box 11, Folder 410th Meeting of NSC June 8, 1959, EPL.

¹¹²ESP, 'Relatório do Dep. De Estado sobre a situação do Brasil', June 21, 1959: 1; and Telegram 1903, Woodruff Wallner to Secstate, June 21, 1959, RFSP, CGR 1941-63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

¹¹³Letter, Roy Rubottom to the Acting Secretary, June 19, 1959, GRDS, CDF 1955-59, Box 2469, Folder 611.32/5-559, RG 59, NARA.

¹¹⁴Telegram 1888, Woodruff Wallner to Secstate, June 19, 1959, RFSP, CGR 1941-63, Box 128, Folder 501 Financial Matters. General January-June 1959, RG 84, NARA.

¹¹⁵JB, 'Presidente já dispõe de plano para orientar reatamento com a URSS', June 25, 1959: 1.

¹¹⁶Letter, Woodruff Wallner to Clare Boonstra, July 10, 1959; and Letter, Clare Boonstra to Woodruff Wallner, July 17, 1959, RFSP, CGR 1941-63, Box 129, Folder 501 Financial Matters. General July-December 1959, RG 84, NARA.

¹¹⁷Despatch 69, Amembassy to Depstate, July 21, 1959, RFSP, CGR 1941-63, Box 129, Folder 501 Financial Matters. General July-December 1959, RG 84, NARA.

¹¹⁸Telegram 135, Amembassy to Secstate, July 22, 1959, GRDS, CDF 1955-59, Box 2469, Folder 611.32/5-559, RG 59, NARA.

available.¹¹⁹ In October 1959, Brazilian officials finally approached the Fund hoping to obtain financial resources. The IMF rejected their request because of its stance on Brazil's credit, fiscal and exchange-rate policies.¹²⁰ In December, Bank of Brazil director Pook informed the US Embassy that Kubitschek was no longer considering initiating discussions with the institution or Washington. The government was 'living on a day-to-day basis and not giving any thought at all to the future'.¹²¹ A few days later, the Kubitschek administration signed a barter trade agreement with the USSR, renewing trade relations that had been dissolved by the Brazilian government in 1947.¹²² Considering the critical state of United States-Brazil relations, US ambassador John Cabot made a plea, to no avail, for assistant secretary Roy Rubottom to assist Brazil.¹²³

In September 1960, Cabot cautioned the US State Department that United States-Brazil relations 'are now, or will shortly be, at a crossroads'. Rio de Janeiro had opted to follow an 'independent foreign policy', which meant 'the breakdown of the inter-American system'.¹²⁴ He advised Secretary of State Christian Herter that the 'time has come [to] demonstrate [the] US Government [is] prepared [to] provide reasonable help to Brazil', and that the US government should not put the recently elected president, Jânio Quadros, 'in [the] position of finding [it] necessary to beg for US help immediately upon assuming office' in 1961.¹²⁵ Cabot's plea did not soften US State Department officials, who insisted that Quadros could say that 'such action shifts obligations forward to Kubitschek['s] advantage and Quadros['s] detriment rather than aiding country'.¹²⁶ By the end of his term in January 1961, Kubitschek's development programme had managed to expand Brazil's industrial infrastructure. However, his changes had left the economy vulnerable to high-interest, short-term foreign liabilities necessary to cover balance-of-payments deficits.¹²⁷

Conclusion

In 1958, Kubitschek sought financial assistance from the IMF under severe pressure from Washington. Faced with the dilemma of providing direct loans to Brazil or incurring the financial costs of a more lenient approach, US officials conditioned US loans on IMF standby agreements. Amid rising anti-US sentiment and political instability in Latin America, and despite Kubitschek's threats to reach out to the USSR, the US government leveraged its loans, consistent with Eisenhower's foreign economic policy of fostering free-market capitalism.

¹¹⁹Letter, Octávio Paranaguá to Ernani Peixoto, July 14, 1959, AEAP, EAP emb 1958.03.06, CPDOC-FGV.

¹²⁰Offmemo, Irving Friedman, Gesualdo Costanzo and Joseph Gold to The Managing Director, October 14, 1959, Central Files, Country Files, Brazil Files, Box 18 Folder C/Brazil/1710 Exchange Transactions, IMF.

¹²¹Despatch 591, Amembassy to Depstate, December 10, 1959, GRDS, CDF 1955-59, Box 4317, Folder 832.10-10.259, RG 59, NARA.

¹²²Despatch 741, Amembassy to Depstate, January 19, 1960, GRDS, CDF 1955-59, Box 1328, Folder 632.61/11-161, RG 59, NARA.

¹²³Stephen Streeter, 'Campaigning against Latin American Nationalism: U.S. Ambassador John Moors Cabot in Brazil, 1959-1961', *The Americas* 51, no. 2 (1994): 193-218.

¹²⁴Hilton, *Journal of American History*, 623.

¹²⁵Telegram 507, Amembassy to Secstate, October 11, 1960, GRDS, CDF 1960-63, Box 1584 Folder 732.5-MSP/1-2160, RG 59, NARA.

¹²⁶Telegram 505, Christian Herter to Amembassy, October 20, 1960, GRDS, CDF 1960-63, Box 1584 Folder 732.5-MSP/1-2160, RG 59, NARA.

¹²⁷Loureiro, *Empresários, Trabalhadores e Grupos de Interesse*, 29-53.

Given Brazil's poor stabilisation performance and the Fund's strict demands, especially on the exchange-rate issue, hostilities between Brazil and the IMF mounted and United States-Brazil resentment deepened.

This paper argues that the Eisenhower administration wore the IMF as its 'mantle of multilateral anonymity'. In the 1950s, Washington used IMF loans to pressure countries to support US economic foreign policy and eliminate exchange-rate restrictions that limited the free flow of the dollar internationally, since the institution was focused on ensuring that its members opened their foreign accounts. Like other Latin American countries, Brazil began negotiations with the Fund in March 1958 to sign its first standby agreement. At the same time, it repeatedly approached US officials to negotiate a financial assistance package directly with Washington. Nevertheless, Washington insisted that Brazil should first sign an agreement with the IMF, even at the risk of damaging United States-Brazil relations. From US officials' perspectives, two main factors guided their reasoning. First, although the USSR's barter trade offers could alleviate Brazilian external deficits, Soviet aid would be insufficient to replace the Fund as a lender of last resort. This encouraged US officials to take a hard stance, assuming that US financial leverage would force Kubitschek to cooperate. Second, Washington and the IMF doubled down on their demands towards Kubitschek because offering Brazil preferential treatment (i.e. providing direct financial support with low or no conditionality) could encourage similar requests from allies in Latin America that were party to IMF policies, such as Frondizi's Argentina. However, Kubitschek resisted, as he feared the austerity measures – particularly exchange-rate reform – would increase public discontent amid challenging economic conditions. In June 1959, the Fund and Kubitschek reached an impasse. A few months later, the Brazilian president followed through on his threat by renewing trade relations with the USSR.

This study's findings make three main contributions. First, they add to the literature on IMF policies, showing that in the 1950s, Washington based its lending decisions on the IMF's endorsement of economic policies in order to impose US preferred policy reforms on borrowing countries. Second, the argument that US economic foreign policy endured despite rising anti-US and communist forces and Kubitschek's threat to reach out to the Soviets in 1958–9 confirms that there was greater continuity in Eisenhower's foreign economic policy than scholars have generally assumed. It also signals the importance of economic considerations to make sense of continuities and discontinuities in US policy towards Latin America alongside the geopolitical concerns more commonly explored by the literature of the period. Finally, the in-depth analysis of IMF-US-Brazilian financial negotiations during Kubitschek's years suggests that these interactions were more layered than scholars in the field had initially assumed. It also shows that the deterioration of United States-Brazil relations and the renewal of USSR-Brazil trade in the late 1950s paved the way for presidents Quadros and Goulart to expand their trade relations and ultimately re-establish diplomatic relations with the Soviets in 1961, under Brazil's 'independent foreign policy'.

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Notes on contributor

Fernanda Conforto de Oliveira is a PhD candidate in International History and Politics at the Graduate Institute of International and Development Studies (IHEID) in Geneva, Switzerland, and a research fellow at the IHEID's Centre for Finance and Development, and at the University of São Paulo's LabMundi. Her PhD research examines the first adjustment programmes of the International Monetary Fund in Argentina and Brazil in the post-war era.

ORCID

Fernanda Conforto de Oliveira  <http://orcid.org/0000-0002-2142-5927>