

BRAZIL: A VICTORY FOR O ESTADO NOVO

A Thesis

Presented to

The Faculty of the Department of History

Sam Houston State University

In Partial Fulfillment

of the Requirements for the Degree of

Master of Arts

by

Lindley Neal Orr 1945-

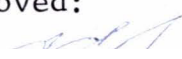
May, 1974

BRAZIL: A VICTORY FOR O ESTADO NOVO


by

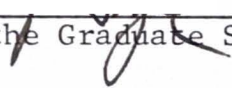
Lindley N. Orr

A THESIS

Approved: 

Approved: 

Committee 

Dean of the Graduate School 

ABSTRACT

Orr, Lindley Neal, Brazil: A Victory for O Estado Novo. Master of Arts (History), May, 1974. Sam Houston State University, Huntsville, Texas. 97 pp.

Purpose

The purpose of this thesis was to ascertain certain aspects of pre-World War II Brazil in order to obtain information regarding the massive aid given Brazil by the government of the United States and offers by Germany for Brazil's friendship. The establishment of O Estado Novo by Getúlio Vargas during the 1930's was a major consideration as was the effect of the world-wide depression upon the economy of Brazil. Of additional consideration was the ascertaining of aspects of Brazil's geographical position and the ethnic mix as factors that involved the major powers of the United States and Germany.

Methods

A major portion of this thesis was based upon information derived from primary sources. Of special importance was the Caffery Papers, a donation of United States' Ambassador Jefferson Caffery of Iberia Parish, Louisiana. These papers, housed in the Library of the University of Southwestern Louisiana, and other documents were extensively used. Published and official diplomatic papers of the United States and Germany were also utilized

extensively. Sources in Portuguese were used whenever possible after translation. These sources included official diplomatic correspondence of Brazil.

An analysis of the German population in Brazil was required and made. An additional study of the Brazilian economy was also made with special attention given to factors attracting interest from both Germany and the United States.

Findings

The establishment of O Estado Novo as a nationalistic government by Getulio Vargas brought about many significant changes. The pre-World War II coffee economy of Brazil was sluggish while German demands for cotton and other raw materials were high. The United States considered several plans to halt German economic interest in Brazil, but free trade practices prohibited extensive growth of trade based on economic motives alone; Brazil's exports found eager markets in Germany while her traditional exports to the United States were little desired in depression-struck North America.

The United States changed its propositions to Brazil once it was evident German military strength in Europe and Africa posed a double threat to security of the Western Hemisphere when one considered the added factor of strong pro-German elements in Brazil.

Getúlio Vargas took advantage of fears in the United States that Brazil might fall into the German orbit as a result of either economic inducement or military actions. This fear was used to obtain massive military, technical, and economic aid from North America so that O Estado Novo would be a viable and solid flank in hemispheric defense. A policy emerged from diplomatic activities between pre-war Brazil and the United States. The North Americans were willing to trade massive aid for the good will and friendship of an underdeveloped nation; this policy bears strong similarities with other policies and decisions made by the United States from that time on in Latin America.

Approved:

C. E. Frazier
Supervising Professor

TABLE OF CONTENTS

CHAPTER	PAGE
I. THE GREAT DEPRESSION AND GETÚLIO VARGAS.....	1
II. <u>O ESTADO NOVO</u> AND NAZI GERMANY.....	11
III. WORLD WAR II: DENOUEMENT.....	39
IV. CONCLUSIONS.....	85
BIBLIOGRAPHY.....	92
VITA.....	97

Chapter I

THE GREAT DEPRESSION AND GETÚLIO VARGAS

Any examination of the German-United States' conflict in Brazil prior to World War II must be considered against the backdrop of the Great Depression of the 1930's and the rise of Getúlio Vargas to the presidency of the largest Latin American nation. These two factors brought about radical changes in the Brazilian economy and in the expectations of certain groups regarding the role of the federal government. The conflict, which developed in Brazil between the United States and Germany as World War II neared, found its roots a decade earlier as the Depression caused drastic changes in Brazil.

The drastic economic changes which affected Western nations had severe consequences in Brazil's production of a luxury item, coffee. The price of coffee, an item often eliminated from tables in Depression-hit American homes, dropped from 23.2 cents per pound in 1927-1928 to an economically shattering 8.7 cents per pound in 1930-1931.¹ Even before the collapse of the coffee economy, Brazil had several additional problems, the most important of which was the repayment of a large foreign indebtedness. Total indebtedness by the federal government and by the state governments to foreign nations was over \$900 million in 1929. Annual payments of

\$170 million had to be made just to cover the interest.² Brazil needed a favorable trade balance and good coffee prices to pay debts already accumulated.

The decline of coffee prices increased speculation regarding the presidential elections of 1930. President Washington Luís favored Julio Prestes to succeed him. As coffee prices declined on the world market, so did the popularity of Luís and Prestes. To add to the decline in popularity, Luís had not had sufficient stature in banking circles of the United States and Europe to secure loans for the rich state of São Paulo even before the advent of the Depression. Embarrassed by his own lack of influence, Luis refused to help São Paulo obtain its loan abroad after the summer of 1928, although the state government tried as late as November, 1929, to secure such loans.³

Amid the confusion of falling export values and the failure to obtain important loans, the Governor of Rio Grande do Sul, Getúlio Vargas, announced his candidacy for the presidency. He heaped charges upon the Luís administration of favoring a small but rapidly growing industrial complex at the expense of coffee interests. Vargas, fighting a rather low-keyed campaign, lost the March elections, which proved a technicality to him, since power would be his in any case. Still believing that major changes were needed, the congenial

Vargas congratulated Luís' candidate, Prestes, following the close election. Vargas then allowed events to take their course as a deepening coffee crisis approached Brazil. The elections were over, but some important decisions were yet to be made.

Governor Vargas began publicly to demand relief from the federal government for the coffee interests. One plan made public by Vargas in April of 1930 called for a per-bag subsidy for coffee. Vargas pointed out that in some cases low market prices for coffee were not enough to cover transportation from the fields to the ships. President Luís and President-elect Prestes noted an all-time high in coffee production for the growing year 1929-1930. The executives claimed that support of this industry, which had just produced 29,000,000 bags, would be ruinous on the per-bag basis proposed by Governor Vargas.⁵

Unable to bolster the main exporting industry, Luís also faced a gold drain. The gold reserves of Brazil began to decline as chances for acquisition of foreign gold in the form of exports lessened. Brazil's gold reserves stood at a solid \$100,000,000 in 1929; two months after Vargas' defeat in the March, 1930, elections the gold reserve was at only \$70,000,000.⁶ Luís showed great concern for the decrease of gold reserves but said the drop came from payment of the national bank to foreign

bondholders. Vargas soon expanded his attack on Luís from that on poor administration to a more personal one.

Vargas hinted broadly that Luís' elevation to national office caused him to forget that he was from South Brazil and that coffee was a way of life there. With over half of Brazil's population concentrated in six southern states, Vargas' charge that the interests of South Brazil were being made secondary was a serious one. In truth, however, Luís had changed his attitudes little. As a former governor of São Paulo, Luís had a long history as an opponent of national subsidy for private industry. This had been an acceptable stand in a state where the industry was thriving and one could not foresee a time when coffee planters and exporters would need to call on the centralio government in Rio de Janerio for help. The twenty-nine Brazilian states could even secure loans from abroad without approval of the federal government. Now the rich southern states could borrow no money and Luís' opposition to federal aid to industries appeared ill advised. The coffee planters and exporters saw Luís' proposals to develop non-luxury industries with the nation's limited funds as inconsistent with Brazil's immediate needs of replenishing the gold supply and keeping alive its largest industry.⁷

As Vargas and Luís argued in speeches and the press over the best action to boost the economy, more than a million people

directly connected with the coffee industry were severely affected by adverse conditions in the states of São Paulo, Minas Gerais, Rio Grande do Sul, and Rio de Janeiro. Thousands of landless laborers suffered as planters cut labor costs to the minimum. A general feeling of unrest developed.⁸ New slums mushroomed in southern cities as thousands of rural workers poured in looking for work. Although people everywhere were on the move, there appeared to have been no major public disorders prior to October 3, 1930.

The Revolution of 1930, like other major events in the history of Brazil, came quickly and almost bloodlessly. The smiling Vargas and his colorful gaucho armies advanced in an almost carnival-like fashion across the 1,100 miles from Rio Grande do Sul to Rio de Janeiro. Street demonstrations in favor of relief from massive unemployment and half-hearted appeals from President-elect Prestes for calm marked Vargas' easy advance on Rio.⁹ Thus, an uneventful coup by a congenial gaucho unseated a bewildered administration.

Once in Rio, Vargas assumed nonideological and pragmatic roles. The provisional government which was established on November 3, 1930, included the popular and loyal personal friend of Vargas, Goes Monteiro, as commander-in-chief of Brazil's armed forces. Bralilio A_çao was to serve as his assistant. Brazil's underdeveloped military class accepted

these popular figures as leaders. They saw the appointment of men who were close personal friends of the new President as a signal for increased prestige and spending for the military.¹⁰ The support of the military would be needed by Vargas as he attempted reforms.

Vargas realized that his power was consolidated sufficiently by January 6, 1931, to allow a major coffee reform. There were still many who preferred to see non-coffee related industries aided by the limited government funds. Industrial elements in the north noted that Brazil would not be in the situation in which she now found herself had Luis been allowed to develop diversified industries. The Decree Law 4815 put an end to the most vocal complaints by industrialists because it made Vargas' plan to aid coffee interests clear and carried with it the hint that even more drastic measures in favor of coffee would follow unless nation-wide support of this moderate plan was shown. The Decree Law 4815 placed marketing activities, stockpiling, and most harvesting of coffee in the federal hands of a Brazilian Coffee Institute. The elite of São Paulo became enraged; the thin support of Vargas had come in hopes of a blanket federal subsidy for coffee growers or of getting Rio to buy surplus coffee. Now the coffee industry became publicly regulated and chances for high profits by the elite were slim.¹¹

The alienation of the São Paulo elite proved a major problem for the revolutionary regime. Discontent flamed into a revolt in São Paulo which was crushed by Goes Monteiro in 1932. Support for Vargas actually increased in many areas of Brazil following the uprising of São Paulo. Many remembered the former São Paulo governor who had been president when the Depression hit Brazil's economy.¹² With this new support and with articulate dissatisfaction crushed, Vargas believed his position strong enough to call for a constitutional convention and for general elections to be held in 1934.¹³

Events preceding the promulgation of the new constitution on July 16, 1934, went quietly. The Vargas-chosen delegates who drew up the constitution included centralization of power, a legislature of fifty deputies from economic sectors as well as state-elected delegates, and a prohibition of presidential succession. It had been traditional in Brazil that a president not succeed himself.¹⁴

There was a quick series of events following the publication of the new constitution to the coup of 1937. Vargas saw the political advantages to be gained by working with the labor. Special attention went to lower income groups, the isolated people, and, of eventual importance, to the assimilation of minority Italian, Indian, and German groups into a solid

unified state. Vargas came to believe that the time had passed for the Rio government to be dominated by first one state and then another. To Vargas, the need was great for a federal government free from domination by one or two of the major states. While this, too, may have been a goal of Luís', Vargas sensed an "optimism as genuine as a certified tonic" sweep over Brazil after his assumption of power.¹⁵ The Vargas name came to be identified with the lifting of the worst signs of the Depression.

As economic conditions improved, fascist activities became a focus of the Vargas administration. Before the fall of 1937, Vargas and a group called the "Council for Forty" found themselves competing with each other for the loyalty of many of the city poor and the immigrants from Europe. The Council for Forty was a church-oriented and mystical order with economic support from the German embassy. The Council, along with other new but less well-funded conservatives, formed a group called the Integratistas, which glorified fascism and sought to publicize events in Germany and Italy.¹⁶ The unusual activities of the Integratistas and the chance that the presidency might be recaptured by some São Paulo state candidate were used by Vargas for his boldest step thus far. Unable to be a candidate himself in the elections set for 1938, Vargas sensed that to protect his gains and to assure

the creation of an ethnically unified state, his continuation as president was essential. Vargas' plans for his New State would alter much that was traditional in the entire hemisphere.

FOOTNOTES

Chapter I.

¹John Wilkinson Foster Rowe, "Studies in the Artificial Control of Raw Material Supplies," Brazilian Coffee, London: Royal Economic Society, 1932. P. 85.

²Agnes S. Waddell, "The Revolution in Brazil," Foreign Policy Association Information Service Bulletin, No. 26. Washington, D. C.: Foreign Policy Association, 1931. P. 498.

³Rowe, "Control of Raw Materials," P. 56.

⁴Jordan M. Young, The Brazilian Revolution of 1930 and the Aftermath. New Brunswick, New Jersey: Rutgers University Press, 1968. P. 74.

⁵Ibid., P. 75.

⁶New York Times, September 3, 1930. P. 4.

⁷Alexandre José Barbosa y Lima Sobrinho, The Truth About The October Revolution. London: Wickloe-Mise, 1933. Pp. 91-94.

⁸United States Department of State, Papers Relating to the Foreign Relations of the United States. (Noted hereafter as FRUS). Vol. XII. Washington: Government Printing Office, 1945. Pp. 439-443.

⁹Young, Brazilian Revolution of 1930. Pp. 77-80.

¹⁰Ibid., Pp. 82-83.

¹¹Ibid., P. 84.

¹²Isabele Dutra, Vargas On Brazil's New Role. Baton Rouge: University of Louisiana Press, 1934. Pp. 46-51.

¹³Rowe, "Control of Raw Materials," P. 53.

¹⁴Sobrinho, October Revolution. P. 105.

¹⁵Young, Brazilian Revolution of 1930. Pp. 88-89.

Chapter II

O ESTADO NOVO AND NAZI GERMANY

President Vargas announced the abolition of the Constitution of 1934 and proclaimed O Estado Novo, the New State, on November 10, 1937. On that morning, Brazilian legislators were turned away from the area around the Senate and Chamber of Deputies buildings by mounted police. Strangely the morning's political developments caused little excitement; the people of Rio de Janeiro calmly went about their usual business.¹

Vargas simultaneously introduced a new constitution which appeared much like those of Poland and Portugal because of an essentially corporatist make-up.² Through skillful wording, however, the document placed executive and legislative authority in the hands of the President for as long as the chief executive thought a "State of Emergency" existed in the nation. Elections were not to be held until Vargas chose to hold them. According to the new constitution, this built-in State of Emergency clause could be canceled only by the President, who could rule by decree until the State of Emergency was over.³

There was general agreement with the coup from the military⁴ and from those fearful that Brazil might undergo the first really violent revolution in its history. Revolutions

had occurred in some other Depression-struck nations.⁵ Most Brazilians believed that Vargas' emphasis on care for the lower classes would not have been continued, no matter what group won legitimate elections in 1938.⁶ Of these supporters, possibly the most important was the Brazilian military, which had been pro-Vargas since 1930.⁷ General Goes Monteiro, still a popular Chief of Staff, and General Eurico Gaspar Dutra, the new Minister of War, were more nationalistic and idealistic than Vargas. These two very important supporters believed that authoritarian control was probably the best step in a direction that would increase Brazil's selling and trading position in the world. Election of someone else in 1938 might have resulted in reduced military spending or lowering the prestige of Vargas' Tenentismo, a group of socially sensitive revolutionaries working for Vargas' programs within the armed forces.⁸ There were several reasons, therefore, for the military and for other sectors of Brazilian society to accept this bold move by Vargas.

Vargas lost little time in explaining the reasons for the coup and the new political direction to be taken by O Estado Novo. The Brazilian Foreign Minister on November 10, 1937, explained to the ambassador from the United States that the establishment of O Estado Novo had been necessary to stop any possible revolution growing out of the forthcoming

elections.⁹ Vargas, taking advantage of international fear of communism, publicly stated that the existence of the Comintern made centralization of power a necessity, noting also that the new regime was not fascist. Acting Foreign Minister Mario de Pimentel Brandão told a news conference in Rio de Janeiro on November 13, 1937, that the new constitution was "neighborly and neither fascistic nor communistic, but democratic in the modern sense."¹⁰ The Acting Foreign Minister gave Ambassador Caffery assurances that the Brazilian government planned no changes in foreign policy, particularly as far as cordial United States'-Brazilian relations were concerned.¹¹

Some foreign changes were in store, however. The Brazilian Ambassador to the United States, Sulvio Aranha, was recalled. The next week, on March 5, 1938, he was appointed Foreign Minister. Washington interpreted this as evidence that Brazil would not enter the fascist camp, despite the ultra-conservative nature of Vargas' new constitution. The State Department of the United States, however, continued observation of groups openly sympathetic to fascism, such as the Acao Integralista Brasileira.¹³ The Integralista became a concern for Vargas as well.

The Integralista conflicted in a major way with plans by Vargas for the unification and amalgamation of Brazilian

minorities into one culture. The Integralista considered themselves as counterparts of fascist groups in Germany and Italy. Their sign was the Greek letter sigma. Members often wore green shirts and knee boots and used the motto "God, Country, and Family." The leader, Plinio Suárez, had been deliberately informed by followers of Vargas about the intentions of the coup. While the Integralista played little part in Vargas' coup, most of the ultra-conservative party approved the step toward what would probably prove to be a more conservative and authoritarian state. However, Vargas issued a decree on December 2, 1938, which abolished all political parties and prohibited future organized activity under the State-of-Emergency clause.¹⁶ Security police quickly conducted December raids on former headquarters of the Integralista as they had been the most obvious group of political activists outside the strict Vargas camp. Hidden arms caches were found along with extensive German and Italian propaganda.¹⁷ After the raids, Vargas commented that he had very seldom trusted the Integralista and that they were out to "hindenburgueza-lo" (Hindenburiize) the Brazilian government.¹⁸

Newspapers in Germany reacted with restraint concerning the activities against fascist groups in Brazil. Newspapers in Germany treated the establishment of O Estado Novo as a setback for international communism and said that Vargas'

revolt would prove upsetting to Franklin Roosevelt's Good Neighbor Policy.¹⁹ The newspapers' calm attitude was due in large part to the moderating influences of German Ambassador to Brazil, Karl Ritter. He voiced the opinion that Vargas' coup, while giving stiff treatment to purely-totalitarian elements, was a move toward general totalitarianism in O Estado Novo.²⁰

President Vargas personally disavowed any connection between O Estado Novo and the Axis Powers. He said it was "laughable to think that the Germans, Italians, or Japanese had any connection whatever with the recent movement."²¹ While hoping that there was no connection, the United States' Department of State asked its Brazilian Embassy to give a complete assessment of German and Italian influence. United States' consular officers were told to observe activities of German and Italian ethnic groups in Brazil.²² As a result of this surveillance, in late December of 1938, the United States' Ambassador in Rio came to believe the Vargas coup was not as totalitarian as Berlin and Rome had hoped and believed.²³

Substantiating Caffery's belief regarding the coup, reports of Brazilian interference in private German schools in southern Brazil began to cause German concern. Ambassador Ritter unofficially protested that local citizens were pulling down swastikas outside German schools. Vargas took no

action to stop such disrespect for German symbols, although Ritter believed the affront would be corrected if better personal friendship existed between himself and the President. Not wishing the destruction of German symbols to become a part of Brazil's new nationalism, Ritter decided to cultivate close friendships in the highest levels of O Estado Novo.²⁴

Ritter's fears regarding the growing Brazilian nationalism were well founded. Throughout the Vargas government, programs were launched to deprive, as Ritter termed it, Brazilian-Germans from their heritage. These nationalization plans, calling for lessening of non-Brazilian influence, were to produce tensions in German-Brazilian relations. These tensions came to play a major role in Brazil's activities during World War II and in her treatment of the 1,000,000 people of German extraction in southern Brazil.

These 1,000,000 Teuto-Brazilians lived in the southernmost states of Paraná, Santa Catharina, and Rio Grande do Sul. There was also a scattering of influential Germans in cities of the coastal north and sections in the central Atlantic. About 920,000, or twenty per cent of the population of the three southernmost states, were in complete or nominal support of Adolf Hitler's European aims in the early- and mid-1930's. Berlin considered 105,000 to be Reichsdeutsche (German citi-

zens).²⁶ Councils within the Nazi party recognized the potential worth of this concentrated Germanic enclave to the German cause. The Reich attached much importance to the Teuto-Brazilians and to the "importance of preserving the German colony in South Brazil."²⁷ Moreover, the Teuto-Brazilians were not only concentrated but produced some of the finest agricultural products, stock, and horticultural experiments in Brazil. Their standard of living was higher than that of Latin-Brazilians or Indians living in the same area.²⁸ This caused more than a few localized problems. The difference in living standards would play against the German minority later.

Though the Germans enjoyed many advantages and were industrious, the others (Luso-Brazilians) controlled local and national governments. These governments had been unable to provide Germans with the high standard of education desired by Germany and German immigrants.²⁹ Early German-speaking schools dated from 1863. These private institutions had kept alive Teutonic traditions and culture since they followed with interest the results of Pan-Germanism after German unification in 1871.³⁰ Contact with German educational agencies was extensive and schools grew in prestige and number. Vargas' home state of Rio Grande do Sul contained 2,845 private German schools. Of these, only twenty taught Portuguese,³¹ an indi-

cation that some degree of integration was needed to bring these people closer to Vargas' idea of a unified Brazilian culture. Through semi-secret cultural institutions, Germany lavished teachers, text books, and educational aids upon the German-Brazilian schools. Most of the money for such programs came from the German Foreign Ministry, not from the German Education Ministry. Teachers and educational materials attempted to stimulate hatred for the Versailles Treaty, stress study of German philosophy, and create a sense a unity between Germans all over the world.³² Aiding the overt educational programs of the German Foreign Ministry in Brazil were some 320 German cultural and social organizations active in Brazil in 1937. These organizations had a combined membership of about 15,000 and were targets of Nazi influence. Aside from the clubs, elements of the Brazilian Reichsdeutsche organized National Socialist associations to express German solidarity, especially through the press.³³

The German press in Brazil by the mid-1930's was extensive. The German reading public supported forty German language periodicals and ten daily newspapers. These publications came to support the Nazi cause through genuine sympathy, inducement of advertising, or coercion from the general readership. Transocean, the quasi-official German international news service, gave news coverage to German and Portuguese

presses on very pro-Nazi terms. Nazi sympathizers refused to advertise in any of the anti-German publications. Because of this, about eighty per cent of the press in the southern area was pro-German in 1938, while only twenty per cent followed the German line in the rest of Brazil.³⁴

A major development, to "degermanize" southern Brazil, soon materialized after a January, 1938, trip by Vargas to Rio Grande do Sul. He visited the scene of reports warning him that German solidarity might grow into a separatist movement. These reports had been circulated by old friends of Vargas who saw the problem of assimilating the prosperous minority into O Estado Novo. During, or shortly after, this trip, the President made the decision to suppress all German cultural and political activities in the southern states of Rio Grande do Sul, Santa Catharina, and Parana. This decision was fully supported by the loyal Brazilian military into whose hands fell most of the responsibility for its execution. The Brazilian government installed interventors in the three southern states. The interventor of Santa Catharina, upon the decision of Vargas, issued a decree abolishing use of German language teaching materials unless for instructional use in a German class. The use of Portugese was made mandatory in classes of the lower grades. The interventor also demanded the removal of several "offensive" German inscription on

buildings and forbade subsidization of private schools with foreign money as of January 1, 1938. Private schools with foreign connections in Paraná and Rio Grande do Sul met with similar restrictions, although they had more time to comply with the law. About 1,900 German schools had closed by February of 1938 because of repression by authorities or refusal to obey the new laws.³⁵

Measures aimed at non-educational areas began to occur. Laws in the three southernmost states banned the use of German from the pulpit except for brief quotations. Interventors required cultural and recreational associations to secure a permit for meetings from the Brazilian army. A much more anti-German press began to emerge in south Brazil following the actions of the Interventors. Local Luso-Brazilians read about irregularities always committed by their Teutonic neighbors. The press printed stories calculated to create anti-German feeling. Following publication of an article about Hitler, local citizens destroyed grave markers with German inscriptions in a small town. The article noted that Hitler had used such tombstones as proof of the Germanic character of the Sudetenland.³⁸

The German Embassy in Rio tolerated such matters as the Brazilian school regulation but vehemently protested action against membership and activities of German cultural societies.

After the arrest of Ernst Dorsch, a leading Nazi agent and cultural leader in Rio Grande do Sul, Herr Ritter insisted to the German Foreign Ministry that steps be taken to preserve German honor and prestige. As Dorsch was an official member of the Nazi party and had been active in recruiting in Brazil, Ritter viewed the matter seriously. Ritter believed that a German Ambassador was "first and foremost the representative of Hitler and the Nazi party and after that, of Germany." The arrest of Dorsch was a slap at Hitler, Ritter believed, and continued actions by Brazil of a similar nature could only result in a diplomatic break.³⁹ Discussing the matter with Vargas, the Ambassador declared that persecutions of the Nazi party were illegal because Brazilian law banned only domestic political parties; therefore the Nazi party should be permitted to function in Brazil. Vargas retorted simply that Nazi activities would not be condoned, suggested the German Ambassador convey further complaints in writing, and quickly terminated the interview.⁴⁰ Ritter subsequently became more conciliatory in his representations of party activities. Ritter's new position, as noted by United States' Ambassador Caffery, was that Germany wanted only protection for its legitimate cultural activities and would not push for freedom of political activities by Nazi party members.⁴¹

Ritter's hope to secure permission for cultural activities was in vain. A Brazilian executive decree of April 18, 1938, not only outlawed political activities by foreign parties and groups but allowed only thirty days for their dissolution. The law also placed all foreign social, educational, and cultural societies under the supervision of the Brazilian Ministry of Justice. Following the announcement of the Decree, Ritter sought to secure from the Ministry a permit for several pro-German cultural societies, but he was refused by the Justice Ministry.⁴²

Ritter suspected United States' involvement in the new German setbacks in Brazil. He surmised that the United States, though always competing with Germany commercially, had changed and extended the field of action to include the political area. Ritter believed that Vargas had become strongly dependent on Washington and that the Reich would have to contend for a long time with the fashionable anti-German attitude of the Brazilian press, military, and cabinet officers. Ritter opposed taking any strong action against Brazil in early 1938 because Brazilian-German troubles would only help the United States in driving Germany from Brazilian commercial markets.⁴³

Ritter's belief of a deep United States' interest or involvement in Brazil in early 1938 does not appear accurate. The United States' Department of State made a detailed survey

in February, 1938, of Nazi penetration into all of South America. The conclusion was that while Nazi influence was strong among German ethnic groups, it posed no threat of taking over any Latin American government at the moment. Various high ranking consular officials approved the report and the State Department decided to keep a "close watch" on future developments in South America but to take no additional measures.⁴⁴

While the survey was being made, Germany began to experience commercial difficulties with Brazil. Exports fell as licenses to Germany became hard to obtain by the late spring of 1938. Many Brazilian cabinet members urged Brazil to put higher import duties on German goods. The German press noted the growing uneasiness with which the Brazilian trade was being conducted. The Boersen Zeitung, official organ of the German foreign ministry office, in March, 1938, reported German minorities in Brazil were unable to buy things which were traditional in German homes. Those Germans, noted Boersen Zeitung, could expect Germany to protect them and to prevent any impairment of the "rights of Germans" and their organizations. The same issue of the Boersen Zeitung intimated that a third nation was inspiring the Brazilian trade difficulties.⁴⁵

Later in the spring, a new low in German-Brazilian relations grew out of an abortive coup staged by the outlawed

pro-German Integralista party on May 11, 1938. The coup was supported by factions of the Brazilian Navy leading other branches of the armed forces to give some small support. Naval leaders had admired the growing German navy and wished closer ties to it. The coup leaders staged simultaneous attacks on the President's residence, Guanabara Palace, and the Navy Ministry building in Rio. Attacks were alsomate, quick and in several places at the same time. Residences of various high-ranking officials in the suburbs around were attacked as well as locations in the center of Rio. By daybreak, the four-hour attack was under control and Vargas placed the country under martilista, martial law. The police arrested three hundred Integralistas the next day.⁴⁷ These arrests were treated with "shock and dismay" by the German communications system. Ambassador Ritter recommended that the German press give the attempted coup "sensational treatment." Ritter urged emphasis on the coup as evidence of mass Brazilian discontent with Vargas and his "complete submission to the orders of the United States of America" and of the "origin of the idea to suppress Integralista coming from the United States."⁴⁸

Unchecked rumors of German nationals being involved in the coup spread through Rio. Brazilian press reports openly named Germany as the true instigator of the Integralista coup. President Vargas said on radio that the coup had been conducted

with foreign help. During this speech, he pledged to combat extremists on the right as "unswervingly" as he had combatted extremists on the left.⁵⁰ Brazilian placards demanded the arrest of several German nationals in the course of the investigation of the coup. The Brazilian Foreign Ministry responded to formal German protests by explaining simply that "the police must have had good reasons for ordering the arrests and making them."⁵¹ German reaction to arrests of nationals was pointed and fast.

The German Secretary of State, Ernst von Weizsacker, personally telephoned Brazilian Ambassador José Moniz de Aragao in Berlin and requested a meeting, which was held in May. Weizsacker suggested that "great excitement in Germany" was being caused by the arrests. The Secretary told the Ambassador that continued good relations with Germany depended upon Brazil relaxing its repressive measures with police action against German elements and suppressing "inflammatory United States inspired anti-German propoganda."⁵²

At this time, Germany began an anti-Brazilian press campaign by directing insulting attacks at the person of the Brazilian Chief of State. One such attack noted strong anti-activist statements by Vargas and questioned ". . . in causing his newspapers to slander activists and Germany, does he mean Germans in Brazil?" The article noted that Germany did not

wish to become involved in Brazil's domestic problems, but noted also that the "Reich, however little it desires to entangle, will nevertheless not remained indifferent where Germans are concerned."⁵³

After a short delay, the Brazilian Ambassador delivered his government's response to Secretary of State Weizsacker's protest. Moniz de Aragao informed the Secretary that the articles in the Brazilian press were expressions of the publisher and not those of the general population or government of Brazil. The Brazilian official also informed the German minister that the Brazilian government had since taken measures to encourage a friendlier stance toward Germany.⁵⁴ Moniz de Aragao then asked the German Secretary of State to offer assurances that press attacks on President Vargas would stop. The Brazilian pointed out that the Brazilian press had not slandered the Führer.⁵⁵

Upon the halt of German press campaigns, the Brazilian government appeared to believe in the possibility of resolving most of the remaining German-Brazilian problems with little difficulty. The German government, however, demanded that the Brazilians issue an official denial by Vargas of any connection between Germans and the recent coup. The May 18 note said this Brazilian denial was a prerequisite to better relations. As a result, the Brazilian government re-

leased a note on May 21 to the effect that no conclusive evidence had been found proving German complicity in the coup.⁵⁶ The German press reported this Brazilian statement and relations between the two nations improved as far as press coverage was concerned.⁵⁷

Improved press relations failed to restore complete good faith in Brazilian-German relations because two additional incidents barred the way to an immediate accord. One of these events resulted in Ambassador Ritter being declared persona non grata. The other incident weakened the German argument that the Nazi party posed no threat to Brazilian internal affairs. Ambassador Ritter, visiting the offices of the Foreign Minister in Rio on May 21, 1938, refused to accept the Brazilian denial of German involvement in the Integralista coup. Ritter thought the discussion of German involvement was too vague in the note. He discussed the note publicly, even though the note was sent straight to the German Department of State and not to Ambassador Ritter. He also refused to accept a formal invitation to an official social function for the German Embassy staff. Ritter grounded his refusal on the fact that while German nationals, under suspicion for the revolt of May 11, remained in detention, it would not appear correct for a representative of the Reich to "dance at a ball of the Foreign Minister." The Brazilian Foreign Minister, Oswaldo Aranha, who was giving the

affair which Ritter refused to attend, responded that under the circumstances, he would be compelled to instruct the Brazilian representatives in Germany to decline any further invitations to official German social functions. Ritter, without authority from Berlin, replied to Aranha that his instructions to the Brazilian Ambassador in Berlin would be unnecessary because, until Brazil became far more tolerant of the activities of the Nazi party, Ambassador Moniz de Aragao would receive no further invitations from the German government. Ritter noted that Aranha "seemed to be rather taken aback and angry" from the exchange of remarks.⁵⁸

Ritter's strong action failed to get backing from the German Foreign Ministry. Foreign Minister von Ribbentrop requested that Weizsacker instruct Ritter to use more restraint in the future. Weizsacker informed Ritter that Berlin wished to avoid carrying disputes with other governments into the sphere of social relations. Ritter was instructed to notify the Brazilian Foreign Minister that Berlin had not placed the Brazilian Ambassador under social boycott.⁵⁹

Ambassador Ritter returned to Germany in August, 1938, for a conference with the Auslandsorganisation, the foreign branch of the Nazi party. Ritter also planned to attend the annual Nuremberg rally. With Ritter back in Germany, Brazilian Ambassador Moniz de Aragao acted upon instructions from Rio

and hinted the Brazilian government opposed Ritter's return to his post.⁶⁰ Brazil attempted to be diplomatic in these hints and used the months of August and September in an effort to obtain his removal gracefully. As time neared for Ritter's return to Rio, the German Foreign Minister had not acted upon de Aragao's whispered wish for a new German representative. On the eve of Ritter's return to Rio, the Brazilian Ambassador delivered notice to Weizsacker of Brazil's declaration of persona non grata status of Ritter. De Aragao asserted his country's friendship for Germany and explained Ritter's non-compliance with the "usual formalities and courtesy" as the major reason for requesting his recall. Three days later, Berlin ordered its chargé d'affaires in Rio to reciprocate against Moniz de Aragao at once.⁶¹

The second incident which marred the restoration of cordial relations following the May, 1938, coup occurred in late June, before Ritter's return to Germany. The Brazilian police arrested Otto Kopp on June 24. Kopp was a Brazilian national of German descent, who was also a prominent official of a Brazilian front organization of the Nazi party. Kopp, while under "strenuous" interrogation by the Brazilian police, reportedly committed suicide.⁶² A confidential investigation by Ambassador Ritter led him to believe that the German embassy had been compromised by one or more documents which were assumed to be in Kopp's poses-

sion at the time of his arrest.⁶³ One of the documents named the German Ambassador as the final arbiter of any disputes arising among the leadership of a proposed reorganization of Teuto-Brazilian youth groups. This new group would also extend associate membership to German nationals on the basis that "German-Brazilians and Germans must stand and work together since they share a common destiny."⁶⁴

The second document contained additional plans for a second Integralista uprising to be staged in the South of Brazil. Ritter, having no prior knowledge of the documents, feared the consequences of the incident and recommended the German press treat the matter discretely.⁶⁵

Despite the Ritter incident and the exposure of the compromising Kopp documents, the mutual economic importance and complimentary trade prevented a complete diplomatic break. Even while declaring Ritter unwelcomed in Brazil, Rio de Janeiro strongly expressed its desire to retain good trade and commercial relations with Germany.⁶⁶ The German Ministry of Economics demonstrated a similarly keen concern for maintaining strong economic ties with Brazil. The Economics Ministry considered Brazil to be "by far the most important South American country" for German industrial aims.⁶⁷ Moreover, the Economics Ministry observed that Brazil's importance would increase, particularly as a supplier of sorely needed cotton, an

industry Vargas had boosted in the northern states. Brazilian cotton sales to Germany had increased in almost direct proportion to a corresponding decrease in cotton sales by the United States to Germany.⁶⁸

The repercussions of the May Integralista putsch also produced a reassessment of German policy objectives in Latin America. The adverse developments in Brazil brought about a joint meeting of the German Chiefs of Mission to Argentina, Brazil, Chile, and Uruguay in late July, 1938. The diplomats noted unanimous concern over a growing conviction among several Latin American nations, particularly Brazil, that Germany was intent on establishing a power base in South America. The German diplomats in Latin America agreed that these fears must be allayed if Germany's cultural, and more significantly, economic aims in Latin America were to be achieved to any degree. At the meeting, specific recommendations were made. Some of these were to carefully define German nationals from Volksdeutsche, persons of German origin without German citizenship. The group also urged the exercise of public restraint by Nazi party members, and noted that the control of party activities was a responsibility of each Chief of Mission. The German diplomats had reached the point where they believed party zeal must be subordinated to the more practical policy of economic considerations.⁶⁹ Acting upon the wishes for Chiefs of Missions, Ger-

man Foreign Minister von Ribbentrop gave authority for the Chiefs of Missions to control the various activities of the Auslandsorganisation within their assigned areas.⁷⁰ The Vargas administration continued the nationalization program in the southern states, however, care was shown by the Germans to prevent political differences from spreading to economic planning.⁷²

Both Brazil and Germany made overtures toward the re-establishment of full diplomatic relations in early 1939. The German Foreign Minister showed great interest in restoring full relations with Brazil because a Chief of Mission of Ambassadorial rank could better offset influences of United States' Ambassador Caffery.⁷³ Confidential negotiations to effect an exchange of ambassadors began in mid-March, and on June 1, 1939, the German and Brazilian missions were restored to full Ambassadorial status.⁷⁴

In this way did the German-Brazilian diplomatic crisis of 1938-1939 pass. The mutual commercial interests of the two nations, especially regarding cotton, arrested further deterioration. The events of 1938 produced a German resolve to curb party excesses in Brazil and in other Latin American nations. To a Brazil working hard to pull out of the Depression, and to a Germany preparing for war, economics came first. Nazi party efforts never ceased, but following the summer of 1938, were conducted with far more caution.

The United States' government looked upon the returning warmth in Brazilian-German relations with discomfort. The Integralista coup had greatly increased apprehension in Washington over the possibility of German subversive activities in Latin America.⁷⁵ The State Department interpreted Brazil's rapprochement with Germany as indicative of a move by Brazil toward a more neutral stance in growing worldwide United States'-German rivalry. The United States also suspected that Brazil would likely bestow her favors on the highest bidder.⁷⁶ With heightened United States' fears over the German invasion of Poland, Washington displayed a growing willingness to outbid Germany for Brazil's good will.

FOOTNOTES

Chapter II.

¹Ernest Hamblock, "The New Regime in Brazil," Foreign Affairs, Vol. XVI. (April, 1938), P. 484; New York Times, November 11, 1937. P. 2.

²Gilberto Freyre, "Social and Political Democracy in Brazil," American Scholar, Vol. IX. (Spring, 1940), P. 233.

³Donals E. Worchester, "The Three Worlds of Latin America: Mexico, Central America, and South America," American Scholar, Vol. XXXII. (Fall, 1962), P. 264.

⁴Karl Lowenstein, Brazil Under Vargas. New York: Macmillan and Company, 1942. P. 24.

⁵Alzira Vargas do Amaral Peixoto, Getulio Vargas, meu pai, translation by Anghony Derouen. Rio de Janeiro: Editora Globo, 1970. Pp. 365-373.

⁶John W. F. Dulles, Vargas of Brazil: A Political Biography. Austin: University of Texas Press, 1967. Pp. 155-167; Thomas E. Skidmore, Politics in Brazil, 1930-1963: An Experiment in Democracy. New York: Oxford Press, 1967. Pp. 24-27.

⁷Nelson Werneck Sodre, Historia Militar do Brasil. Rio de Janeiro: Editora Civilizacao Brasileiro, 1965. P. 270.

⁸John J. Johnson, The Military and Society in Latin America. Stanford, California: Stanford University Press, 1964. P. 203.

⁹Ambassador Jefferson Caffery Papers (MSS in Southwestern Archives and Manuscript Center, University of Southwestern Louisiana, Lafayette, Louisiana), telegram, United States Ambassador Jefferson Caffery to State Department, Rio de Janeiro, November, 10, 1937.

¹⁰New York Times, March 6, 1938. P. 30.

¹¹Telegram, United States Ambassador Caffery to State Department, Rio de Janeiro, November 10, 1937. Caffery Papers.

¹²New York Times, March 6, 1938. P. 30.

¹³Telegram, United States Department of State to Ambassador Caffery, Washington, November 12, 1937. Caffery Papers.

¹⁴Lowenstein, Brazil Under Vargas. Pp. 165-166.

¹⁵Dulles, Vargas of Brazil. P. 123.

¹⁶Lowenstein, Brazil Under Vargas. Pp. 142, 144.

¹⁷New York Times, February 10, 1938. P. 9.

¹⁸New York Times, February 11, 1938. P. 11.

¹⁹New York Times, November 21, 1937. P. 12; Dulles, Vargas of Brazil. P. 173.

²⁰Letter, Prentiss Gilbert to Jefferson Caffery, Berlin, November 22, 1937. Caffery Papers.

²¹Letter, Allen Dawson to Jefferson Caffery, Hamburg, November 29, 1937. Caffery Papers.

²²Telegram, Ambassador Caffery to United States Department of State, Rio de Janeiro, November 13, 1937. Caffery Papers.

²³Letter, Jefferson Caffery to Allen Dawson, Rio de Janeiro, December 22, 1937. Caffery Papers.

²⁴Telegram, Ambassador Ritter to Foreign Minister, Rio de Janeiro, December 23, 1937. Caffery Papers.

²⁵Reinhard Maack, "The Germans of South Brazil: A German View," Quarterly Journal of Inter-American Studies. Vol. III. (July, 1939), P. 9.

²⁶Telegram, State Department to Jefferson Caffery, Washington, May 16, 1938. Caffery Papers; Telegram, State Secretary to Ambassador Ritter, Berlin, May 14, 1938, Documents on German Foreign Policy. (Noted hereafter as DGFP) Vol. V. P. 840; Lowenstein, Brazil Under Vargas. P. 161.

²⁷Bailey W. Diffie, "Some Foreign Influences in Brazilian Politics," Hispanic American Historical Review. Vol. XXX. (August, 1940), P. 406.

²⁸Edward Edumnd Turner, "German Influence in South Brazil," Public Opinion Quarterly. Vol. VI. (Spring, 1942), P. 60.

²⁹Diffie, "Foreign Influences," P. 407.

³⁰Alton Frye, Nazi Germany and the Western Hemisphere. New Haven: Yale University Press, 1970. P. 16.

³¹The London Times, September 2, 1937. P. 2.

³²Lowenstein, Brazil Under Vargas. P. 163.

³³Maack, "Germans of South Brazil," Pp. 15-16.

³⁴Lowenstein, Brazil Under Vargas. P. 164; Maack, "Germans of South Brazil," P. 16.

³⁵Dulles, Vargas of Brazil. P. 180; Dispatch, Counselor of Embassy to Foreign Ministry, Rio de Janeiro, January 2, 1938. DGFP. Vol. V. P. 889.

³⁶Memorandum, Berlin, April 29, 1938. DGFP. Vol. V. P. 832; Maack, "Germans of South Brazil," Pp. 18-19.

³⁷Political Report, Ambassador Ritter to German Foreign Ministry, Rio de Janeiro, March 30, 1938. DGFP. Vol. V. Pp. 824-825.

³⁸Louis de Jong, The German Fifth Column in the Second World War. Chicago: University of Chicago Press, 1955. P. 31.

³⁹Telegram, Ambassador Caffery to State Department, Rio de Janeiro, February 25, 1938. FRUS. Vol. V., Pp. 408-409.

⁴⁰Telegram, Ambassador Caffery to State Department, Rio de Janeiro, February 27, 1938. FRUS. Vol V., P. 409.

⁴¹Telegram, Ambassador Caffery to State Department, Rio de Janeiro, March 23, 1938. FRUS. Vol. V., Pp. 412-413.; Dulles, Vargas of Brazil. P. 181.

⁴²Dispatch, Ambassador Caffery to State Department, Rio de Janeiro, March 24, 1938. FRUS. Vol. V., Pp. 414.

⁴³Dispatch, Ambassador Caffery to Foreign Ministry, Rio de Janeiro, March 24, 1938. DGFP. Vol. VI., Pp. 825-827.

⁴⁴Fryere, "Social and Political Democracy," P. 78.

⁴⁵New York Times, March 22, 1938. P. 9.

⁴⁶Telegram, Ambassador Caffery to State Department, Rio de Janeiro, May 11, 1938. FRUS. (1938). Pp. 313-314; New York Times, May 12, 1938. Pp. 1-2.

⁴⁷Dispatch, Ambassador Ritter to Foreign Ministry, Rio de Janeiro, May 12, 1938. DGFP. (1938). Pp. 837-838.

⁴⁸New York Times, May 15, 1938. P. 5.

⁴⁹Ibid.

⁵⁰Ibid., May 14, 1938. P. 4.

⁵¹Telegram, Ambassador Caffery to State Department, Rio de Janeiro, May 13, 1938. FRUS. (1938). P. 414.

⁵²Telegram, State Secretary to Ambassador Ritter, Berlin, May 14, 1938. DGFP. (1938). Pp. 839-840.

⁵³Boersen Zeitung as quoted in N. P. MacDonald, Hitler Over Latin America. London: Jarrold's Press, 1940. Pp. 98-100.

⁵⁴Memorandum, Foreign Ministry to Ambassador Ritter, Berlin, May 18, 1938. DGFP. (1938). P. 844.

⁵⁵Ibid., Pp. 844-855.

⁵⁶Footnote, DGFP. (1938). P. 845.

⁵⁷Telegram, Ambassador Wilson to State Department, Berlin, May 27, 1938. FRUS. (1938). P. 419.

⁵⁸Dispatch, Ambassador Ritter to Foreign Ministry, Rio de Janeiro, May 25, 1938. DGFP. (1938). P. 853.

⁵⁹Footnote, DGFP. (1938). P. 854.

⁶⁰Memorandum, Ambassador Moniz de Aragao to German Ministry of Foreign Affairs, September 21, 1938. DGFP. (1938). P. 868.

⁶¹Telegram, Foreign Ministry to chargé d'affaires in Brazil, October 3, 1938. DGFP. (1938). P. 874.

⁶²Telegram, Ambassador Ritter to Foreign Ministry, Rio de Janeiro, June 27, 1938. DGFP. (1938). P. 860.

⁶³Dispatch, Ambassador Ritter to Foreign Ministry, Rio de Janeiro, June 29, 1938. DGFP. (1938). P. 861.

⁶⁴Footnote, DGFP. (1938). P. 861.

⁶⁵Dispatch, Ambassador Ritter to Foreign Ministry, Rio de Janeiro. DGFP. (1938). P. 860.

⁶⁶Memorandum, Foreign Ministry to Brazilian Ambassador Moniz de Aragao, September 30, 1938. DGFP. (1938). P. 873.

⁶⁷Memorandum, Ministry of Economics, October 4, 1938. DGFP. (1938). P. 874.

⁶⁸John Richard Huber, "The Effects of German Clearing Agreements and Import Restrictions on Cotton, 1938-1939," Southern Economic Journal. (April, 1940). Pp. 419-438.

⁶⁹Memorandum, German Chief of Mission to Foreign Ministry, Buenos Aires, August 2, 1938. DGFP. (1938). Pp. 863-865.

⁷⁰Dispatch, Counselor of Embassy von Levetzow to Foreign Ministry, January 2, 1939. DGFP. (1939). P. 887.

⁷¹Jong, German Fifth Column. Pp. 280-281.

⁷²Dispatch, Charge d'affaires to Foreign Ministry, Rio de Janeiro, October 25, 1938. DGFP. (1938). P. 881.

⁷³Dispatch, Counselor of Embassy von Levetzow to Foreign Ministry, Rio de Janeiro, January 3, 1939. DGFP. (1939). P. 888.

⁷⁴Footnote, DGFP. (1938). P. 893.

⁷⁵Jong, German Fifth Column. P. 25; Harper's Magazine, September, 1939. P. 361.

⁷⁶Dulles, Vargas of Brazil. P. 196.

Chapter III

WORLD WAR II: DENOUEMENT

As Hitler moved the world ever closer to the brink of war during 1938, the Brazilian plan of the United States began shifting away from its former essentially commercial objectives. This change was inspired partly by German commercial successes, partly by suspicions of imminent mass fifth column activities, and knowledge of German military strength. Many of the United States' policy makers saw the ultimate motives of the Reich as being the establishment of German economic and political control over the South American continent.¹ As a consequence, the Hull-Aranha Washington Conferences of 1939 were conducted within the framework of a grudgingly conceded recognition that United States' interests could no longer be achieved solely through the world's return to a liberal economic regime. The agenda for the discussions revealed some willingness to lend assistance in the fulfillment of Brazil's economic aspirations as quid pro quo for closer United States'-Brazilian cooperation in commercial and military matters.²

Present Vargas had listed broad economic objectives simultaneously with the founding of O Estado Novo. Improvements to the rail systems and the establishment of a major iron and steel works received top priority in the plans of the

new government. The steel project, to be constructed as a joint venture between foreign capital and the Brazilian government, would make possible the utilization of Brazil's vast iron ore resources, assist in the expansion of basic industries, and allow for future home production of arms for national defense. The President's announcement assigned equal importance to a rearmament role; Brazil would immediately acquire war materials from foreign sources.³ In January, 1939, pursuing these proposals, the Brazilian government announced a five-year plan calling for an annual expenditure of approximately \$150 million for public works and national defense.⁴ The possibilities of receiving aid from the United States in economic development were quite likely an influence in getting Vargas to agree readily to the Washington talks.

At the conclusion of the conference, the State Department and Aranha expressed satisfaction with the results. Washington held that the meetings had produced the most important agreements on economic and financial matters in the Western Hemisphere in recent times. Aranha visualized the beginnings of a new era and described the United States as "a creditor country which until now did not realize its position fully." The Brazilian foresaw "the beginning of a new international New Deal Policy" by which the United States would actively participate in promoting recovery and expansion in Brazil.⁵

The agreements generated much less enthusiasm in the Brazilian cabinet. Although they promised future credits from agencies of the United States totalling approximately \$120 million, aid in creating a central banking system, and technical cooperation in agricultural and economic development, the accords required Brazil to make changes in some of its policies. The United States expected Brazil to realize need for payments on its indebtedness to bondholders in the United States. Vargas had suspended these payments in late 1937.⁶ This action would reduce a major source of governmental income and alter Brazil's balance of payments. Brazil would in essence relinquish the ability to satisfy its own economic needs in return for assurances of outside help.

In like manner, the outcome of the talks had a disappointing effect on the Brazilian military. The agenda prepared by the State Department included a discussion of ways and means in which the United States government could assist Brazil with its national defense program. Yet no concrete proposals had emerged from the meetings. Statutory limitations prevented the United States from supplying military equipment to foreign powers from governmental inventories. In addition, although the Neutrality Act of 1936 specifically exempted Latin American governments from arms embargo restrictions, private enterprise and the State Department alike frowned on supplying

Brazil's military with arms on a barter basis. As a result, the military accomplishments of the conference were limited to obtaining Brazil's reluctant consent to an exchange of official visits between the United States and Brazilian Armed Chiefs of Staff, General George C. Marshall and General Goes Monteiro.⁷

Following Aranha's return to Brazil, the press, the cabinet, and the military attacked the agreements, particularly with regard to the resumption of debt service. Brazilian newspapers editorialized on the importance of maintaining good commercial relations with Germany. According to Folha da Manhã, Brazil's only need for foreign exchange was to conduct international trade and to meet its debt obligations. As long as goods could be exchanged between Brazil and the Reich, Folha da Manhã asserted, and as long as debt service remained frozen, a foreign exchange shortage posed no problem. The controversy also led to a direct confrontation between Aranha and Finance Minister Souza Costa, an ardent advocate of German-Brazilian commerce. Pressures became so severe that the Foreign Minister, in a near state of collapse, took a month's leave of absence to recuperate. Over three minor press disputes and two months passed before Vargas could be convinced to resume even token debt payment, and then only after Aranha had resorted to one of his frequent

threats of resignation.⁸ All in all, Brazil's response to the initial United States' proposals was less than encouraging to Washington.

Indeed, the Hull-Aranha discussions intensified a foreign policy rift in the Vargas cabinet which remained more or less unresolved until Brazil's diplomatic break with the Axis powers in January, 1942. A pro-German wing gravitated to the leadership of General Dutra, Minister of War, and to Goes Monteiro; Aranha led the advocates of closer ties with the United States. The exuberant Foreign Minister had enjoyed exceptional popularity in Washington while serving there as Ambassador and had formed a close affinity with North Americans. The influential Aranha belonged to an extremely select group of Brazilians who enjoyed unlimited access to President Vargas. Aranha was even more of a rarity in that he could talk to Vargas with complete candor.⁹

Dutra, a staid professional who had risen through the enlisted ranks as a confirmed Germanophile, greatly admired the Wehrmacht, or German Army. As a result, relations began to cool between Dutra and Aranha since the latter's return from the Washington diplomatic post. They became even more cool following an incident rising from the Integralista coup when Dutra had the Foreign Minister's brother, Manuel, cashiered from the army for helping an implicated comrade gain

asylum in the Italian Embassy. The forthright Dutra also served as alter-ego to the somewhat devious Goes Monteiro, who has been critically described as "the prototype of the military politician."¹⁰ Goes Monteiro, like Dutra, leaned toward Germany, although perhaps not so adamantly.

The cabinet split produced an erratic, ambiguous tone to Brazilian foreign policy, a condition that Vargas successfully turned into his favor. The Brazilian President fully understood the concept "divide and rule," and the contentions arising between the two competing factions produced circumstances upon which the shrewd, wily leader could capitalize. Vargas, endowed with an acute sense of opportunism, vacillated, keeping the internal forces off balance and meanwhile extracting maximum advantage for Brazil from both the United States and Germany.¹¹ The onset of war in Europe made such a course possible.

With the beginning of hostilities in September, 1939, the nature of the position of the United States in Brazil began to change. The British Navy reduced German intercourse with Brazil to insignificance. Meanwhile, a diversion of Brazilian import orders to the United States became noticeable in the first days of September; during the first nine months of the war they rose by about seventy per cent as compared to a similar period in 1938-1939. The commercial directions created by the war caused the 0 Estado Novo

government to establish a National Economic Defense Council, granting it sweeping regulatory powers over trade matters.¹²

Admittedly, wartime conditions produced similar economic effects throughout much of Latin America, but no other Latin American nation had developed as complete an economic interdependence as had Brazil. This fact, combined with the initial German military successes and Brazil's strategic position in United States' plans for hemispheric security, allowed Brazil to play an important role in the development of a Pan American policy. The United States, searching for means to promote continental solidarity, soon altered its Latin American policy in a manner that drove commercial considerations far into the background.

Before 1939, the basic assumptions of the United States on hemispheric security were British naval control of the Atlantic and the cooperation of other Latin American countries in resisting any undue external threat. During early 1939, however, revised assessments of the European situation by United States' military planners gave Germany an even chance for victory in the war with Great Britain and France. Should Germany win, the United States could not be certain that British naval units would remain in the hands of friendly, or even neutral, forces. Moreover, the recent developments in Brazil indicated that the United States could not blindly rely on a

general willingness in South America to resist further German inroads, at least within the economic context.¹³

Consequently, United States policy towards Latin America in the early phases of World War II was adjusted to face the contingency of a German victory. The United States now sought to impress South American governments with the potential threat of overt German aggression in the hemisphere, to alleviate the dislocations to Latin Americans' economies produced by wartime loss of access to European markets, and to find means to cope with the threat of further economic penetration into Latin America by a German-dominated Europe.¹⁴

As the Wehrmacht piled up victories in the west, United States' observers detected changes in the overall Brazilian mood. Ambassador Caffery described the public, the government, and even the pro-United States Aranha faction as restive; the pro-German element was becoming "better organized every day." The news of each German military success set off a new round of lavish festivities among the ranks of the German sympathizers. The dealings of the German Embassy with the Brazilian Foreign Ministry were arrogant, and German residents of Rio de Janeiro openly hinted that Brazil might be next on the German list. German business interests began negotiations for renewed trade, promising deliveries of merchandise by no later than the coming September or October. Brazilian official-

dom grew uneasy over the possibilities of a new Integralista attempt on the government, and Brazil became more tolerant of German-inspired internal cultural and political activity.¹⁵

This display of German boldness in Brazil led Washington to anticipate a sustained effort by the Reich to eliminate the influence of the United States in South America in the event that Britain should capitulate. Assumptions such as these produced an outburst of new economic proposals. Many decided that halting Brazil's attraction to Germany depended upon adopting German tactics; maintaining the United States' position required the regimentation of the economies of both Americas.

Adolph Berle of the State Department urged drastic changes in economic policy at the peak of the German blitz of France. Berle proposed that the United States secure "an immediate agreement between the twenty-one republics that commercial negotiations shall be carried on not by individual countries but all of them in bloc." Berle also recommended that the State Department prepare legislative proposals designated to create a fund for the purchase and storage of the surplus export commodities of the Americas.¹⁶

A later study made by the State Department attacked the problem in more detail. This study revealed that the combined Latin American exports to Europe in recent years roughly av-

eraged \$1.069 billion; of this amount only seventy-five per cent could be absorbed as additional imports into the United States. An estimated additional \$90 million of the Latin American export trade could be disposed of by increased inter-American trade. The remainder could be marketed only in Europe or elsewhere.¹⁷ The report suggested several partial remedies to alleviate Latin America's wartime economic dislocations. Included among these were further United States tariff reductions, direct emergency loans to prevent financial collapse, purchase of surplus commodities for future resale or for redistribution through hemispheric relief programs, and development of new commodity production in Latin America complementary to the import requirements of the United States. This later measure, the report noted, might call for the United States to grant preferential trade treatment to "render Latin American production of commodities commercially feasible." Preferential treatment, however, would entail "a semi-permanent departure from existing trade principles."¹⁸ Yet none of these provisions, the report noted, would suffice to secure the position of the United States in Latin America.

As an ultimate "defense against total economic aggression by one aggressive power," the report recommended that the United States establish a trade cartel to market "the entire production of the Americas. . . ." The cartel would be empowered to engage in bilateral trade practices remarkably sim-

ilar to those employed by Germany in Latin America in the pre-war era.¹⁹ Under the direction of an inter-American council, the proposed monopolistic trading corporation would purchase and dispose of surplus hemispheric market, stockpile adequate levels of strategic materials, and operate a Pan-American relief distribution program. The cartel would also regulate the use of dollars applied to economies of other Latin American republics for their surplus production. These funds could be used either to purchase United States' products or could be debited against imports obtained through the extra-hemispheric trading activities of the corporation. Finance ministers of various nations would inspect the corporations records. Finally, a system of hemispheric production controls would be introduced to prevent an abnormal buildup of surpluses.²⁰

The White House, using guidelines recommended by Nelson Rockefeller, formulated a similar hemispheric economic program. When introducing it to the Departments of State, Commerce, Treasury, and Agriculture, President Roosevelt stated that he considered governmental action in the economic sphere a matter of "great urgency." The President wanted immediate action on formulating a plan that would protect the interests of the United States in Latin America through methods which were "competitively effective against totalitarian techniques."

President Roosevelt warned, "Half-measures would be worse than wasted."²¹

The White House plan resembled those of the State Department in some aspects but went beyond them in others. Like the State Department plan, it called for the pooling of hemispheric surplus production for distribution through a single agency and also for tariff reductions. On the other hand, the Roosevelt-Rockefeller plan advocated tariff cuts to the point of virtual elimination, with subsidies to compensate for the losses of United States' agricultural and industrial interests. The White House plan also included provisions for subsidies to promote an improved hemispheric shipping and communications network, a coordinated capital investment program by the United States' government and by private financial interests, and cancellation of Latin American indebtedness to United States' bondholders with compensation to the latter.²²

Roosevelt revealed the hemispheric "cartel scheme" to the public on June 21, 1940. The President timed the news release in order to take advantage of the widespread anti-German sentiment generated by the May offensive and also to sound out public opinion before the inter-American Conference at Havana which was scheduled for July 20. The proposals failed to get widespread approval in either the United States or Latin America. Economists little favored the production control feature;

farm interests in the United States feared an influx of cheap Latin American commodities. Financiers pointed to its tremendous cost. The preponderantly negative Latin American attitude toward the plan stemmed from the fact that the acceptance of a cartel implied the certain loss of economic independence to the United States in order to escape the possibility of losing it to the Reich.²³

The German diplomatic missions and press worked energetically to promote Latin American resistance to Washington's economic proposals. The major German countermeasures centered around the themes of future economic importance of "Greater Germany" as a commodity market and "dollar imperialism."²⁴ Dr. Walter Funk, German Minister of Economics, stated in a press interview that, "The United States must give up the idea of forcing economic conditions upon Germany or Europe or the South American states." The German official also said, "We do not need North American mediation to conduct trade based on free arrangements."²⁵

The United States hemispheric cartel proposal was scrapped in favor of lesser measures. Meanwhile, President Vargas was busily engaged in leading the Reich to expect close relations between Brazil and Germany.

On June 10, 1940, the day after Italy joined Germany in dismembering the demoralized French forces, President Roosevelt,

speaking at the University of Virginia commencement exercises, morally committed the United States and, by implication, the rest of the Americas to the Allied cause. Drawing the attention to what he professed to be the foremost question in the minds of young adults, that of the "future of the Americans as a people," the President outlined the prevailing totalitarian expressions that gave rise to uncertainty.

Roosevelt continued, the presses noted, that the Americans could no longer remain "indifferent to the destruction of freedom" and, because of the threat to the democratic institutions of the world, the sympathies of the Americans weighed heavily against the Axis powers.²⁶

The next day Vargas delivered a speech to a group of Brazilian officers aboard the Minas Gerais. His remarks ran counter to the sentiments so recently expressed by Roosevelt. Vargas told the officers that he was certain:

Humanity is headed for a future different from anything we have known in the line of economic, social or political organization and we feel that the old systems and antiquated formulas have entered into a decline. It is not however the end of civilization. Vigorous peoples, ready to face life, must follow the line of their aspirations instead of wasting time in the contemplation of that which is tottering and falling into ruin. It is therefore necessary to understand our times and remove the hindrances of dead ideas and sterile demagoguery, useless individualism, and other traits. Has not the time passed for the era of improvident liberalism and useless demagoguery?"²⁷

Immediately following the address, Vargas asked Goes Monteiro's advice on releasing the speech to the general public. The

General favored censoring the address because to do otherwise might strain the good relations between Brazil and the United States. Vargas replied obstinately, "At the table, I read the complete speech to be heard by the General Officers of the Armed Forces. It is necessary to shake a tree with force together with determination to get the dry leaves to fall."²⁸

The State Department described the headlines produced by the speech in the United States as "frankly alarmist." An Associated Press account contrasted Vargas' remarks with Roosevelt's, adding that Argentina and Paraguay had strengthened their border garrisons. A New York Times article observed that Vargas "has not always been patient with American ways in foreign policy, especially with the delays in the democratic process." Washington refrained from direct comment, declaring only that relations with Brazil were at their zenith in terms of understanding, friendliness, and cooperation.²⁹

The United States Embassy in Rio initially interpreted the speech as intended to placate German and Italian minorities in the face of their potential threat to the government, but Ambassador Caffery quickly pressed the Foreign Ministry for an explanation. Goes Monteiro, summoned by Aranha for assistance, reassured Caffery by saying that the address was directed at conservative Brazilians and that Vargas was speaking in terms of change similar to the New Deal in the United States. Var-

gas later personally communicated essentially the same explanation directly to President Roosevelt, adding that the speech was in no respect intended as a personal affront. The State Department, anxious to gloss over the incident in the light of unfavorable press comment, requested that President Roosevelt, in his next news conference, say something good about Vargas.³⁰

Meanwhile, Vargas interpreted his June 11 remarks differently in a series of clandestine audiences with Curt Prufer, the German Ambassador. During the first of these sessions, Vargas expressed his regrets over interpretations in Brazilian policy. The President said he regretted the interpretation of O Estado Novo in the German press. The German trade, noted Vargas, had once been "Brazil's salvation." After discussing the possibility of drawing up a new commercial agreement before the war's end, Vargas concluded the interview by promising the German that officially Brazil would remain neutral, although he personally sided with the authoritarian cause.³¹ About this time a profuse number of placards bearing Vargas' signature appeared in Rio. These notices warned people to refrain from publicly expressing their personal feelings on the outcome of the European war. To do otherwise might "compromise" Brazil's neutrality.³²

A Vargas speech of June 28 convinced the Wilhemstrasse that Brazil anticipated British defeat and definitely intended to repudiate the leadership of the United States. Brazil would move

more closely toward the German orbit at that time. The defeat of the English, a real possibility, would cause major changes in Brazil's loyalties.³³

As an inducement to Brazilian neutrality, Germany offered to negotiate a new commercial agreement with Vargas personally. The pact would bind the Reich to import annually Brazilian goods valued at 300 million Reichmarks, about \$75 million. This would begin immediately at the conclusion of the war. The new agreement represented a large increase in value over previous German imports and was intended to offset Brazilian purchases of German armaments and railway equipment as yet undelivered. In addition, the German government announced its readiness to construct a Brazilian steel mill. An aim of the Germans in this proposal was to cancel the United States-Brazilian negotiations in progress on the same project.³⁴

Of all the announced objectives of O Estado Novo, the steel project commanded top interest. Vargas strongly desired to leave a completed steel industry as a legacy of his regime to the people of Brazil. As early as 1938, the Brazilian government requested bids on a steel works from German firms and in 1939 also sent emissaries to discuss the project with representatives of the United States Steel Corporation. A detailed study by the North American company concluded that the development of a steel industry in Brazil was feasible, but United States Steel soon thereafter lost in-

terest.³⁵ Brazil then petitioned the government of the United States for assistance.

In February, 1940, Carlos Martins Periera e Sousa, the Brazilian Ambassador, asked Secretary of State Cordell Hull to arrange an interview with President Roosevelt for the purpose of discussing the steel project. The Ambassador told Hull that President Vargas considered United States' participation in construction of the Brazilian steel plant an extremely important criterion of the Good Neighbor Policy. If United States assistance was unobtainable, Brazil would be compelled to "turn in other directions."³⁶

Roosevelt referred the matter to Jesse Jones, head of the Reconstruction Finance Corporation. Jones preferred either to influence United States Steel to reconsider the venture or to influence some other private steel firm to participate. He believed that, to succeed, the project needed the type of technical support that United States' private enterprise would best provide.³⁷

By May, 1940, President Vargas decided to make the steel project a purely Brazilian enterprise. He proposed the formation of a Brazilian corporation subscribed to by both private and governmental financial interests. The corporation would underwrite the construction costs from some internal stock issue. Vargas hoped to obtain a loan from the Export-Import Bank

for the purchase of equipment needed to begin the project.³⁸ A nationalistic administration was willing to take the financial gamble required for the status of the new steel mill.

By midsummer Washington had received the first information from the Embassy in Rio that the Brazilian military was pressing hard for Vargas to let the steel project contract to Germany. Later Ambassador Caffery advised that a successful conclusion of the steel negotiations was absolutely essential to prevent Brazil from entering the German sphere of influence. Without prompt action, Caffery concluded that it was "idle for us to hope to maintain our present position in Brazil." Under Secretary of State Sumner Welles passed information on to Jones; the details of the cooperation of the United States soon materialized.³⁹

In its final form, the steel agreement specified the capitalization of \$25 million would be required to include construction and installation costs. The Export-Import Bank would make an initial commitment of \$10 million, later to be increased to a total of \$20 million, to cover equipment purchases and engineering and technical services. To secure the loan, the Export-Import Bank acquired a first mortgage on the installation and also the privilege of selecting key operating and management personnel. The loan, bearing four per cent interest, was repayable in twenty semiannual installments beginning in September, 1943; the following January Companhia Sidurergica Nacional formerly came in-

to existence. In November Caffery wrote Jones that he was still receiving reports about "the excellent effect of the signing of the agreement here."⁴⁰

Resolving the problems surrounding the establishment of a Brazilian steel industry proved to be a relatively simple matter, but the United States faced a far more complicated test in Brazil's rearmament program. The goals set by O Estado Novo for modernizing and expanding its military forces became entangled with plans of the United States for hemispheric defense, and for a long time produced mutually frustrating problems. This deadlock remained unsettled until well after the Japanese attack on Pearl Harbor. Furthermore, it intensified with each success of German arms on the European continent.

The United States first began to consider the potential threat of the German war machine to the European minorities' economic and political aggressiveness in South America. The first concrete response to the German and Italian threat came with the establishment in April of the Interdepartmental Standing Liaison Committee, which was devised for improving communications between the State Department and the armed forces. The committee from its inception dealt almost exclusively with Latin American military questions. In November, 1938, President Roosevelt finally decided to commit the United States' armed forces to the defense of the Western Hemisphere. Planning began immediately.⁴¹ The Natal-Recife area of northeastern Brazil was vital.

Early assessments of the probability of German attack discounted the likelihood of an attempted sea-borne invasion in the New World but did not rule out the possibility of a limited airborne assault. A distance of no more than 1,600 nautical miles separates the extreme western tip of central Africa from the Brazilian coast. This proximity led the United States to consider the vulnerability of the area. Experts estimated that an aerial invasion of northeast Brazil, coordinated with a German-inspired insurrection in the south, could possibly succeed. In addition, a study conducted by the Army War College in March, 1939, concluded that taking the northeastern part of Brazil could be prevented only by forces of the United States. Consequently, securing the permission of Brazil to garrison troops from the United States in northeastern Brazil became a primary objective of the policy of the United States.

Military experts saw multiple advantages in stationing forces from the United States in northeastern Brazil. Such a force would create a bastion along the southern flank of any direct Axis assault in the Caribbean-Panama Canal Zone area and at the same time deny the enemy the most advantageous site for gaining a foothold on the South American continent. A relatively small, well-established garrison in the area would require a much larger enemy effort to dislodge it. By gaining access to this strategically located outpost, the United States could neutralize its value to Germany.⁴²

Brazil quickly converted United States' interest in the Natal area into a bargaining point for securing North American arms. The Brazilian intent to re-equip its armed forces sprang from a variety of sources. Vargas recognized the wisdom of staying in the good graces of the military as his principal base of support. Moreover, increasing the efficiency of the armed forces was compatible with the regime's emphasis on the centralization of power. Again, as in early observations of the trends in world events, the Brazilian President favored preparedness in anticipation that the conflict might spread to the Western hemisphere. Finally, a widespread conviction existed among Brazilians that the Argentine government intended territorial expansion at Brazil's expense.⁴³

Brazil's first step toward rearming its land forces came in the form of a contract placed with Krupp in March, 1938, for tanks and artillery valued at 105 million Reichmarks. The agreement called for deliveries to Brazil over a span of several years. Brazil could not secure as favorable terms in the United States because of higher prices and requirements of cash payments on delivery. Consequently, the State Department, in recognition of the crucial politicalization involved with the Brazilian cabinet, raised no objections.⁴⁴ The ground remained open for a closer understanding between the United States and the Brazilian military which the United States first attempted to achieve

with the visits between General Marshall and General Goes-Monteiro in the summer of 1939.

The Brazilian officer corps received General Marshall warmly upon his arrival in Rio, arranging many military and social functions in his honor. When the United States' Chief of Staff broached the subject of military cooperation, General Dutra assigned Goes Monteiro the responsibility for negotiating the arrangements. To complete the negotiations, he accompanied Marshall back to the United States. While there, the Brazilian General traveled extensively and was highly honored by officials in Washington. Even President Roosevelt tried to impress on Goes Monteiro the danger Hitler posed to the New World, but the Brazilian remained largely non-committal. He had a strong reservation about the psychological and military preparedness of the United States to engage in war.⁴⁵

Goes Monteiro, while in Washington during the summer of 1939, laid down the basis for Brazilian cooperation in a series of military conferences. The Brazilian stated that circumstances required the bulk of Brazil's ground forces remain concentrated in the southern areas; thus the added burden of defending the Natal area would require considerable assistance from the United States. Popular defense measures, the General continued, necessitated the construction of naval and air installations in the area as well as coastal and anti-aircraft artillery for

their defense, and a sizeable increase in armaments for Brazil's land forces. If the United States would agree to lending financial and technical assistance to base construction, cooperate in keeping the coastal sealanes between the south and the northeast open, and supply sufficient arms, then Brazil would permit the United States to use the base facilities in the very possible event of an external threat to the hemisphere. Brazil's first priority arms requirements included "156 heavy artillery pieces, 196 anti-aircraft guns, 102 combat aircraft, 41 tanks, 252 armored cars, and 722 automatic weapons of various types." The discussions clearly demonstrated the reluctance of the Brazilian Army to rule out their own wishes. The Brazilians were slow to turn over duties of territorial defense to an external force. The Brazilian Army leaders seemed more agreeable to accepting outside naval and air support than to collaborating with United States' ground forces. Although the talks ended inconclusively, the planners of the United States Army assumed that stationing units in Brazil depended upon supplying munitions to the Brazilian Army.⁴⁶

The United States made its first direct offer of arms to Brazil shortly after the German drive into Poland. President Roosevelt, disturbed over intelligence reports that Germany intended to seize the Brazilian island of Fernando de Noronha for a submarine base, requested a report on Brazil's defense prepara-

tions. While the Vargas government responded that it had taken precautions for the island's security, it used the occasion to restate Brazil's need for military supplies, particularly the artillery for coastal defense. Roosevelt gave the request his personal support.⁴⁷

The President first considered selling surplus military stocks to a private United States' citizen who would immediately resell them to Brazil. A re-examination of the legal implications disclosed that the President held discretionary powers in the sale of surplus arms to foreign governments. Thus empowered, the United States' Army in November, 1939, sold the Brazilian government a considerable quantity of surplus coast artillery at a token price. The transaction, however, was not entirely satisfactory to the Brazilian military; it was still attempting to put many of the guns in firing condition as late as February, 1942.⁴⁸

The German attack on the Western front in May, 1940, revived interest in the United States in Brazilian arms problems. The realization of an imminent Nazi victory again focused the attention of the United States' Joint Chiefs of Staff on northeastern Brazil. They determined that a rapidly executed German penetration into West Africa and across the Atlantic into Brazil, timed with a series of Latin American internal disturbances, was the most crucial danger to the security of the United States. The

current plan of the United States, designed to meet such a contingency, called for a reinforced division to deploy to Brazil the moment that war appeared probable. Yet the United States lacked a clear-cut agreement with Brazil to execute the plan.⁴⁹ Thus, the United States, hoping to capitalize on the impact of Latin American opinion caused by the German sweep through the neutral Low Countries requested a renewal of military discussions with Brazil while opening similar talks with other Latin American republics.⁵⁰

President Vargas responded to these overtures by calling a special joint meeting of the cabinet and the Brazilian Chiefs of Staff in early June, 1940. The participants agreed to cooperate with the other American republics in resisting external aggression and to collaborate generally with the United States in military matters. Minister of War Dutra, however, noted difficulties in procuring military supplies from the United States.⁵¹

In conveying the decisions of the joint discussion to Ambassador Caffery, Aranha pointed out the strong doubts of the Brazilian military about receiving United States' arms because of legal barriers and lagging munitions production. The Brazilian Ambassador added that the United States must find some means of furnishing Brazil with modern weapons as the best safeguard against a Nazi-inspired insurrection. Caffery later

learned that Brazil expected to buy United States' military wares on extended credit and that if the United States military provisions could not supply Brazil's arms needs, they would be obtained, possibly free, from Germany at the war's end. Colonel Lehman W. Miller, representing the United States Army in discussions with the Brazilian General Staff, reported that Brazil's arms request amounted to approximately \$180 million and that an arms agreement must precede mutual defense discussions. United States' planners immediately conditioned themselves to revisions in the Latin American arms policy.⁵²

On August 1, President Roosevelt approved a revised Latin American arms supply plan prepared by Colonel Matthew Ridgway of the Army War Plans Division. This plan assigned first priority to Brazilian needs and brought the United States arms policy more closely in line with Brazilian desires. The United States agreed to supply Brazil with sufficient arms to "insure her ability to defend herself against a major attack from neighboring countries or from overseas, and against internal disorder, until armed aid can arrive from the United States in sufficient force to insure success." The plan also specified that financial terms should suit the ability of Latin American countries to pay, that United States economic relations with Latin America would be adjusted to secure political cooperation, and that the financial adjustments necessary to accomplish this goal "should be made on

the basis of accepting the loss as a problem and a charge against our national defense."⁵³

A series of staff conversations conducted between Colonel Miller and General Goes Monteiro reflected a change in attitude in the Brazilian military brought about by the revised United States' arms delivery policy. Some confusion over the timing of the first substantial delivery of arms led Goes Monteiro to place in Miller's hands a formal secret pledge to join the United States in mutual hemispheric defense pact.⁵⁴

In October, 1940, the Brazilian general journeyed to Washington to outline Brazil's terms for cooperation. Brazil and the United States would agree to take military action in case any member nation of the Pan American Union came under attack from any non-hemispheric state. Brazil's wartime cooperation would include making its bases a vacant but available group of installations to friendly forces and would grant its allies the right of transit across Brazilian territory. To facilitate preparedness, Brazil would furnish strategic materials to the United States and would also begin immediately to mobilize both economically and militarily. In return, the United States would promise to defend the northeast coast, help Brazil procure manufactured goods and arms and other things necessary to mobilization, and accept raw materials in payment. The United States agreed in principle.⁵⁵

A warm spirit of cooperation had seemingly been established during the staff conversations of late 1940. The Brazilian military, however, soon discovered that surmounting technical and legal obstacles in Washington failed to produce the expected results. The burgeoning demands of United States' mobilization, combined with aid to Great Britain (and Russia later), made it virtually impossible to meet Brazil's request immediately.

The Brazilian Army named General Amaro Bittencourt to work out the final arrangements for procuring United States' arms, and discussions began in Washington in January, 1941. Brazilian arms requests had risen in value to \$250 million because the new list included items that had not been obtained from Germany. The Brazilian representative showed disappointment when United States' officers quickly pared the list down to \$80 million and promised a later delivery schedule. Bittencourt stated that Brazil now had a better picture of what to expect from the United States in the way of armaments.⁵⁶

For the next several months, the two military establishments made a series of recommendations, counterproposals, and veiled threats in striving to secure their respective objectives. The staff officers of the United States devised several schemes to make North American troops in Natal acceptable to Brazilian sensitivity. The Brazilian military representatives fended off overtures and recalled Washington's attention to German readiness to arm Brazil on favorable terms. During this time Bittencourt

sent a confidential message directly to Vargas saying that the United States would forcibly occupy the Natal area if necessary. Meanwhile, President Vargas and the inner circle of Brazilian generals unsuccessfully used the threat of spreading United States' influence to induce the German government into renewing arms shipments. German interests spread the rumor that Brazil could expect to receive only obsolete equipment from the United States.⁵⁷

Events in Europe intensified the Brazilian defense question. Marshal Petain announced on May 15, 1941, the approval of a plan that would bring closer collaboration between the Vichy government and the Reich. As part of the agreement, Germany received permission to use the French facilities at Dakar as a submarine base beginning in the middle of July as well as consent to station land and air forces in that area in the near future. Although Vichy reversed its stand on June 6, the incident thoroughly shocked President Roosevelt and his top military advisers. Washington believed the action confirmed its suspicions of German interest in South America. Even if this was not true, the German presence in Dakar at the very least would have a disturbing effect on the Brazilian attitude. One group recommended that aid to Britain be deferred so that the United States could better safeguard the hemisphere from attack; the proposals did not meet with Roosevelt's approval. Even more than a full-scale German attack, the United States feared subversive pro-German elements in Brazil. General Marshall

thought the greatest danger would be rapid seizure of the Brazilian military bases in the northeast through coordinated action by subversive elements in Brazil and a small German strike force. Roosevelt, reacting under a sense of urgency, ordered his military experts to commence immediately on plans a large army to defend the Brazilian coast. General Marshall dispatched Colonel Ridgway to Rio de Janeiro to secure Vargas' permission to station 9,300 troops in the Natal area by mid-July.⁵⁸

Both Aranha and Goes Monteiro advised against making such a request. Since the United States had failed to supply the arms requested by the Brazilian military, the issue might permit pro-Germans and ardent nationalists to topple the regime. Ambassador Caffery also dissented because "the moment has not arrived when Vargas could agree to this proposal and get away with it."⁵⁹

With the June 22 German drive into Russia, alarm in Washington subsided. Secretary of War Henry L. Stimson referred to the attack as an "almost providential occurrence." But the army strategists looked at the invasion of Russia as merely a temporary respite and continued to press for a 9,300 man garrison in Brazil. The State Department, however, adamantly opposed forcing the issue with Vargas; it insisted that arms deliveries to Brazil should begin first. Yet the army would

go no further than to promise that Brazil would receive first priority for munitions over all other countries not actively opposing the Axis powers. In this light, President Roosevelt hesitated to make a direct request to Vargas for the entry of troops from the United States into Brazil.⁶⁰

The last and, perhaps, the most dramatic incident concerning United States-Brazilian military relations occurred in late October, 1941. Colonel Miller, freshly returned from consultations in Washington, engaged in a harsh exchange with General Dutra over northeast Brazil. Miller began by insisting on fuller utilization of the harbor facilities in the area by the United States. He also insisted on expansion of supply dumps and staffing aircraft repair stations with military personnel from the United States. Dutra quickly objected. Miller countered with a statement that the United States might be obliged to occupy the northeast in order to meet its minimum security requirements. Dutra retorted angrily that Brazilians "would rather live in the most primitive conditions" than lose their sovereignty. He threatened to fire on the first United States' soldier that landed on Brazilian soil without permission. Miller then demanded that General Dutra's "pro-Nazi advisers" be removed and implied that Brazil could expect economic reprisals within twenty-four hours if the requests of the United States remained ungranted. Vargas summoned Ambassador Caffery for an explanation of the affair.

Caffery denied that Colonel Miller had proper authority to make the statements. Shortly afterwards, Miller became persona non grata, and in November rumors of an imminent occupation of the Brazilian northeast enveloped Rio.⁶¹

Though initially unsatisfactory from the Brazilian viewpoint, the arms discussions set the pattern for all later arms policy for the United States and Latin America. Indeed, the problems connected with supplying arms to Brazil foreshadowed and even partly influenced the Lend-Lease program of the United States. At the very minimum, Brazil's large and persistent arms demands were decisive in securing Roosevelt's approval of Latin America's eligibility for Lend-Lease assistance. Moreover, of the first \$400 million in Lend-Lease aid budgeted to Latin America, Brazil's share amounted to a quarter of that amount. The original agreement with Brazil called for a repayment of only a small portion of the total value in six annual installments beginning in June of 1942. Before the Lend-Lease program was phased out with World War II, Brazil received a total of \$331,661,005 in assistance; the next highest American republic, Mexico, received only \$38,617,037.⁶²

When the Japanese attacked Pearl Harbor, Brazil faced the hour of decision. Two options lay before the Vargas government. It could lend solid support to the United States, thus honoring spoken commitments to the United States and to principles of hemispheric solidarity established at the inter-American confer-

ences. Or, it could retreat to some position of quasi-neutrality and get near-certain consequences. Brazil, moreover, had volunteered to be host for the next inter-American Conference. The Foreign Ministers of the American republics would assemble in Rio in January for the crucial deliberations over the course of action to be jointly taken against the Axis powers.⁶³ Brazilian vacillation under these circumstances might prove to be doubly unfortunate. Brazil finally decided to support the United States, but not without some misgivings caused primarily by the long-standing arms controversy.

On the day after the Japanese attack, President Vargas wired President Roosevelt that, in an extraordinary session, the Brazilian cabinet declared unanimously in support of the United States. After the meeting with the cabinet, General Goes Monteiro openly declared that he anxiously awaited the opportunity to prove by his actions that he was more "pro-United States" than other cabinet members. With Germany's declaration of war on the United States, however, the ardor of the Brazilian military cooled appreciably. The German Ambassador requested Brazil to remain neutral on the grounds that the United States, because of its covertly aggressive acts against the Reich, was to blame for German actions.⁶⁴

Sumner Welles, designated as the delegate from the United States to the Rio conferences, expressed his pleasure with the

location of the forthcoming meeting because the pro-United States Aranha would preside. Indeed, the Brazilian Foreign Minister worked diligently in the pre-conference maneuverings to promote support for the United States. Aranha's investigations revealed that Argentina might sway Peru, Chile, Uruguay, and Bolivia to a position of neutrality. He instructed his missions in these countries to work diligently in the interest of the United States.⁶⁵

Argentine recalcitrance posed a problem to the objectives of the United States at the Rio conferences. The paramount goal, then, was to obtain, without straining hemispheric solidarity, a unanimous break in relations between the Latin American republics and the Axis powers. Argentina, traditionally aloof to North American leadership and also under the direction of a new government, opposed the course of action desired by Washington. The State Department considered Argentine support, together with that of Brazil and Chile, as being especially crucial. If these countries failed to break with the Axis, Washington reasoned, the extremity of South America could become a hotbed of Nazi intrigue and influence. At the very least Germany could boast that Pan American solidarity had been broken. Chilean indecisiveness stemmed mostly from fears of a Japanese naval threat to its sprawling coast. Brazil, militarily unprepared and suspicious of Argentine expansionist tendencies, did not want to antagonize its southern neighbor. Chile's wavering stance made Brazil's policy even

more cautious.⁶⁶ It was Brazil's own interests, rather than a selfless assistance to the cause of the United States, however, that formed Brazil's policies at the conference.

Despite uncertainties over the outcome of the pending conference, Vargas called the cabinet together to discuss the Brazilian position. The President informed the assembled ministers that in Brazil's best interest he had decided to stand firmly behind the United States. The decision by Vargas met objections from General Dutra and General Goes Monteiro, who stressed Brazilian unpreparedness for a war which, the generals said, was largely due to laxity of the United States. Neither favored Brazil's loss of the future economic ties with Germany, and both were reasonably convinced of German invincibility. Vargas overruled the generals, pointed out the sympathy of the Brazilian people for the United States, and made it clear that his decision was final. The civilian populace alone, Vargas emphasized, could neutralize any subversive Axis threat. Goes Monteiro and Dutra offered their resignations, but Vargas refused them; the decision was made.⁶⁷

The Rio conferences opened amid rumors dramatizing the implication of Argentine neutrality, and Aranha received a personal note from Ambassador Prufer that told of his concern over the recent developments in the light of their mutual amity. The German Ambassador indicated that a diplomatic break with the Reich would

be interpreted as a warlike act and would likely lead to actual war. A war between two countries whose interests were so complementary, Prufer indicated, was totally senseless. Aranha replied that he regretted that Germany placed such an extreme interpretation on a break in relations, but German acts were German responsibilities.⁶⁸

These German threats were not overlooked. Aranha and Vargas both made major efforts to implant a simple spirit of cooperation in the Argentine Foreign Minister. Vargas also outlined Brazil's plight to Sumner Welles. Vargas explained the jeopardy to Brazil caused by its decision to support the United States at the conference. The Brazilian government faced not only the Argentine threat but also the possibility of war with Germany as well. Brazil, the President continued, could not be regarded as an insignificant Central American republic but must be regarded as a viable ally of the United States. The Brazilian Army needed the arms promised it under the Lend-Lease agreement to defend the nation.⁶⁹ Welles cabled President Roosevelt immediately following the conversation with Vargas, and efforts to expedite the arms flow to Brazil soon improved slightly.⁷⁰ This appeared especially remarkable in the face of new demands on all fronts for arms from the United States.

Meanwhile, Aranha succeeded in arriving at a formula concerning a diplomatic break with the Axis that was worded loosely

enough to overcome Argentine objections, and the resolution carried unanimously. On January 26 the Brazilian Foreign Minister closed the conference with a dramatic speech in which he announced that the Brazilian government had formally broken with the Axis powers one hour previously. Shortly after the adjournment of the Rio conference, 355 members of the German diplomatic staff left Brazil.⁷¹

The United States, at the termination of more than six years of contention with Germany, finally triumphed. In the last stages of the conflict, however, security considerations altered the basic objections of the United States in Brazil. Changing objectives in turn required Washington to devise new methods for achieving the aims of the United States.

The new approach began with the Hull-Aranha meetings in early 1939. At this stage United States' policy considerations still revealed a large degree of commercial interest. Yet even then Washington readily agreed to lend direct assistance in solving Brazilian financial and economic problems. In the summer of 1940, largely because of the bitter experience gained in the prewar trade rivalry, the United States briefly entertained the idea of combatting German economic hegemony by adopting German methods. At the same time, Washington cooperated directly in the Brazilian steel project, setting a precedent for economic aid to underdeveloped nations. Almost simultaneously, the United States

reached the decision to supply Brazil with arms. Utilimately, under Lend-Lease, the United States' terms for military assistance surpassed those of Germany. Finally, Washington consented in principle to accept Brazilian strategic materials in exchange for goods of several types from the United States.

Brazil's decision to side with the United States, although largely determined by the sheer necessity of actual conditions, contained an air of suspense. In the later events of 1941, President Roosevelt felt certain of the full support of Vargas. Only the pro-German faction stood in the way of an open Brazilian commitment to the United States.⁷² Yet the German Foreign Ministry in April, 1942, informed Dr. Goebbels that Vargas, who actually leaned toward Germany, had acquiesced only under heavy pressure from the Aranha-dominated faction that favored the United States.⁷³

Vargas, however, maintained close personal contact with the German Embassy as late as November, 1941; previously, in June, 1941, the Brazilian President confidently suggested to Germany that he, in a state visit to Washington, mediate United States'-German differences within the year.⁷⁴

Vargas became a close observer of international tensions early in his tenure as the Brazilian Chief of State. During the Czechoslovakian crisis Vargas commented that President Roosevelt, rather than "waste words" on appeals for peace, should prepare for war. During late 1940, the Brazilian President sent Luíz Vergara,

his private secretary, to "vacation" in the United States. Vergara was actually to sample official and private opinion on the resolve of the United States to go to war. He reported that the opinion of the United States was preponderantly neutral.⁷⁵ Perhaps the indecisiveness of the United States partly influenced Vargas' non-committal stance. Moreover, hesitancy aided Brazil in achieving the basic objectives set down with the establishment of O Estado Novo.

FOOTNOTES

Chapter III

¹Bidwell, Economic Defense, P. 8; William L. Langer and Everett S. Gleason, The Challenge to Isolation. New York: Harper and Brothers, 1952. Pp. 12-13.

²Telegram, State Department to charge d'affaires in Brazil, Washington, January 16, 1939. FRUS. (1939). Pp. 349-350; Hull, Memoirs. P. 523; Welles, Seven Decisions. P. 12.

³New York Times, November 11, 1937. P. 12.

⁴Lorwin, National Planning. P. 130.

⁵New York Times, March 10, 1938. Pp. 1, 9.

⁶Note, Foreign Minister Aranha to Secretary of State Hull, Washington, March 8, 1939. FRUS. (1939). Pp. 353-354; Memoranda, Washington, November 11, 22, 1937. FRUS. (1937). Pp. 347-348; New York Times, March 10, 1939. P. 1.

⁷Telegram, State Department to charge d'affaires in Brazil, Washington, January 16, 1939. FRUS. (1939). P. 349; Brown and Opie, American Foreign Assistance, P. 7; United States Department of the Army, Office of Military History, United States Army in World War II. Vol. III. The Framework of Hemisphere Defense, by Stetson Conn and Byron Fairchild. Washington: Government Printing Office, 1960. Pp. 269-270.

⁸Telegrams, Ambassador Caffery to State Department, Rio de Janeiro, June 10, 28, 1939. FRUS (1939). P. 357-358, 360.

⁹Vergara, Fui Secretario. P. 83.

¹⁰Peixoto, Vargas, Meu Pai. Pp. 147-148, 192; Telegram, Ambassador Caffery to State Department, Rio de Janeiro, May 24, 1940. FRUS. (1940). P. 43.

¹¹Lowenstein, Brazil Under Vargas. Pp. 274-275; Hubert Herring, Good Neighbors: Argentina, Brazil, Chile and Seventeen Other Countries. New Haven: Yale University Press, 1941. Pp. 143-149.

¹²Telegram, Ambassador Caffery to State Department, Rio de Janeiro, September 9, 1939. FRUS. (1939). P. 400.

¹³Bidwell, Economic Defense. Pp. 7-8; Langer and Gleason, Challenge to Isolation. Pp. 137-139.

¹⁴William L. Langer and Everett S. Gleason, The Undeclared War, 1940-1941. New York: Harper and Brothers, 1953. P. 164.

¹⁵Telegrams, Caffery to State Department, Rio de Janeiro, May 24, 27, 1940. FRUS. (1940). Pp. 615, 617; Hull, Memoirs. P. 813; Lowenstein, Brazil Under Vargas. P. 195; Frye, Nazi Germany. P. 166.

¹⁶Memorandum, Washington, May 24, 1940. FRUS. (1940). Pp. 353-354; Hull, Memoirs. P. 814.

¹⁷Memorandum, Washington, June 10, 1940. FRUS. (1940). Pp. 360-361.

¹⁸Memorandum, Washington, June 10, 1940. FRUS. (1940). Pp. 362-365.

¹⁹Memorandum, Washington, June 10, 1940. FRUS. (1940). P. 366.

²⁰Memorandum, Washington, June 10, 1940. FRUS. (1940). P. 367.

²¹White House Memorandum, Washington, June 15, 1940, in United States' Office of Inter-American Affairs, History of the Office of Inter-American Affairs. Washington: Government Printing Office, 1947. P. 279.

²²Ibid.

²³Langer and Gleason, Challenge to Isolation. P. 643; Bidwell, Economic Defense. P. 55; Telegram, charge d'affaires to German Embassy in Argentina, Rio de Janeiro, July 16, 1940. DGFP. (1940). Pp. 145-146.

²⁴Memorandum, Berlin, July 16, 1940. DGFP. (1940). P. 229.

²⁵Strausz-Hupe, Axis America. P. 201.

²⁶Franklin D. Roosevelt, address at Charlottesville, Virginia, June 10, 1940 in H. S. Commager, Documents of American History. Vol. II. P. 430.

²⁷As quoted in Telegram, Ambassador Caffery to State Department, Rio de Janeiro, June 11, 1940. FRUS. (1940). Pp. 615-616.

²⁸Ibid.

²⁹Telegram, State Department to Ambassador Caffery, Washington, June 12, 1940. FRUS. (1940). P. 619.

³⁰Telegrams, Ambassador Caffery to State Department, Rio de Janeiro, June 11, 1940, State Department to Ambassador Caffery, Washington, June 12, 1940, and letters, Welles to President Roosevelt, Washington, June 12, 13, in FRUS. (1940). Pp. 616, 619-622.

³¹Telegram, Ambassador Prufer to German Foreign Minister, Rio de Janeiro, June 21, 1940. DGFP. (1940). P. 659.

³²Walter R. Sharp, "Brazil, 1940: Whither the 'New State'?", Inter-American Quarterly, October, 1940. P. 14.

³³Telegram, Ambassador Prufer to German Foreign Ministry, Berlin, July 3, 1940, and memorandum, Berlin, July 16, 1940, DGFP. (1940). Pp. 100-101.

³⁴Telegram, German Foreign Ministry to Ambassador Prufer, Berlin, July 10, 1940. DGFP. (1940). Pp. 177-178.

³⁵Peixoto, Vargas, Meu Pai. P. 273; Footnote, DGFP. (1940). P. 599; Letter, Secretary of State Hull to Secretary of Treasury Morgenthau, Washington, February 24, 1940. FRUS. (1940). P. 603.

³⁶Memorandum, Washington, January 22, 1940. FRUS. (1940). P. 600.

³⁷Memorandum, Washington, April 11, 1940. FRUS. (1940). P. 603; Telegram, State Department to Ambassador Caffery, Washington, May 23, 1940. Ibid. P. 606.

³⁸Telegram, Ambassador Caffery to State Department, Rio de Janeiro, May 22, 1940. FRUS. (1940). Pp. 605-606.

³⁹Telegrams, Ambassador Caffery to State Department, Rio de Janeiro, July 8, 16, 1940. FRUS. (1940). Pp. 606-608.

⁴⁰Telegram, State Department to Ambassador Caffery, Washington, September 26, 1940. FRUS. (1940). Pp. 612-613.

⁴¹Langer and Gleason, Challenge to Isolation. Pp. 38, 40-41.

⁴²Conn and Fairchild, Hemisphere Defense. Pp. 12-13; Hall, "Foreign Colonies of Brazil," P. 8.

⁴³Dispatch, Ambassador Ritter to German Foreign Ministry, March 30, 1938. DGFP. (1938). P. 826.

⁴⁴New York Times, April 15, 1938. P. 6; Dispatch, Ambassador Ritter to German Foreign Ministry, March 30, 1938. DGFP. (1938). $\frac{1}{2}$ / 826-827.

⁴⁵New York Times, April 16, 1938. P. 3.

⁴⁶Conn and Fairchild, Hemisphere Defense. Pp. 267-268.

⁴⁷Ibid., P. 269.

⁴⁸Telegram, Ambassador Caffery to State Department, Rio de Janeiro, June 7, 1940. FRUS. (1940). P. 440. Conn and Fairchild, Hemisphere Defense. Pp. 209, 211, 269-271.

⁴⁹Dispatch, State Department to Ambassador Caffery, Washington, May 8, 1940. FRUS. (1940). Pp. 440-443. Langer and Gleason, Challenge to Isolation. Pp. 274, 311.

⁵⁰Circular telegram of the German Foreign Ministry, Berlin, May 16, 1940. DGFP. (1940). Pp. 355-356.

⁵¹Telegram, Ambassador Caffery to State Department, Rio de Janeiro, June 7, 1940. FRUS. (1940). P. 445.

⁵²Ibid.

⁵³Memorandum, Washington, July 27, 1940. FRUS. (1940). Pp. 12-13; Conn and Fairchild, Hemisphere Defense. P. 276; Ibid., P. 277.

⁵⁴Conn and Fairchild, Hemisphere Defense. P. 276.

⁵⁵Telegram, Ambassador Caffery to State Department, Rio de Janeiro, September 23, 1940. FRUS. (1940). P. 451; Conn and Fairchild, Hemisphere Defense. Pp. 277-278.

⁵⁶Conn and Fairchild, Hemisphere Defense. Pp. 278-280.

⁵⁷Memorandum, Berlin, June 10, 1941. DGFP. P. 944.

⁵⁸Dispatch, State Department to Ambassador Caffery, Washington, June 18, 1941. FRUS. (1941). Pp. 498-501; Conn and Fairchild, Hemisphere Defense, Pp. 111-113, 121, 273.

⁵⁹Telegram, Ambassador Caffery to State Department, Rio de Janeiro, June 27, 1941. FRUS. (1941). P. 507; Langer and Gleason, Undeclared War, Pp. 602-603.

⁶⁰Conn and Fairchild, Hemisphere Defense. Pp. 293-298, 301; Telegram, State Department to Ambassador Caffery, Washington, July 10, 1941. FRUS. (1941). Pp. 504-506.

⁶¹Telegram, Ambassador Purfer to German Foreign Ministry, Rio de Janeiro, November 6, 1941. DGFP. (1941). Pp. 504-506.

⁶²Memoranda, Washington, April 7, June 28, 1941, circular telegram, Washington, May 20, 1941, and Lend-Lease Agreement with Brazil, October 1, 1941. FRUS. (1941). Pp. 134-141; Samuel J. Rosenman, ed., The Public Papers and Addresses of Franklin D. Roosevelt. Vol. X. New York: Harper and Brothers, 1950. P. 450; Langer and Gleason, Undeclared War. Pp. 255-256.

⁶³Circular telegram, Washington, December 9, 1941. FRUS. (1941). Pp. 118-119.

⁶⁴Telegram, President Vargas to President Roosevelt, n.d., Ministerio das Relacoes Exteriores, O Brasil. Rio de Janeiro: Imprensa Nacional, 1944. P. 236; Telegram, Ambassador Caffery to State Department, Rio de Janeiro, December 8, 1941. FRUS. (1941). P. 73;

⁶⁵Telegrams, Ambassador Caffery to State Department, Rio de Janeiro, December 8, 1941, State Department to Ambassador Caffery, Washington, December 14, 1941. FRUS. (1941). Pp. 73-74; Telegrams, Ambassador Caffery to State Department, Rio de Janeiro, December 31, 1941, January 5, 1942. FRUS. (1942). Pp. 9, 15-16.

⁶⁶Telegrams, Under Secretary Welles to State Department, Rio de Janeiro, January 24, 1942, Under Secretary Welles to President Roosevelt, Rio de Janeiro, January 24, 1942. FRUS. (1942). Pp. 36-38; Welles, Seven Decisions. Pp. 99-106.

⁶⁷Telegram, Under Secretary Welles to State Department, Rio de Janeiro, January 18, 1942. FRUS. (1942). P. 33; Welles, Seven Decisions. P. 97.

⁶⁸Welles, Seven Decisions. Pp. 98-99.

⁶⁹Telegrams, Under Secretary Welles to State Department, Rio de Janeiro, January 16, 18, 19, 1942. FRUS. (1942). Pp. 27-31, 33.

⁷⁰Telegram, State Department to Ambassador Caffery, Washington, February 21, 1942. FRUS. P. 647.

⁷¹Telegram, Under Secretary Welles to President Roosevelt, Rio de Janeiro, January 24, 1942. FRUS. (1942). Pp. 36-39; Welles, Seven Decisions. Pp. 119-120; Lowenstein, Brazil Under Vargas, footnote. P. 175.

⁷²Joseph Goebbels, The Goebbels Diaries: 1942-1943. Trans. and ed. by Louis P. Lochner. Garden City, New York: Doubleday and Company, Inc., 1948. P. 145.

⁷³Welles, Seven Decisions. P. 110; Conn and Fairchild, Hemisphere Defense. P. 301.

⁷⁴Telegram, Ambassador Prufer to German Foreign Ministry, Rio de Janeiro, June 7, 1941. DGFP. (1941). Pp. 974-975; Telegram, Ambassador Prufer to German Foreign Ministry, Rio de Janeiro, November 29, 1941. DGFP. (1941). Pp. 895-896.

⁷⁵Welles, Seven Decisions. P. 113.

Chapter V

CONCLUSIONS

The trade programs of the United States failed to achieve the intended goal in Brazil. Instead of substantially improving its share of the Brazilian market, the United States struggled to retain the portion which it previously had. This development occurred despite the fact that Brazil at first appeared to fit ideally into post-depression commercial plans of the United States.

The Brazilian economy traditionally geared itself to the production of raw materials and commodities for export. In the pre-depression era, coffee rose to first position within this economic framework. As the world's leading coffee producer, Brazil depended heavily on the markets in the United States. Because of commercial purchases, especially coffee, the United States ranked first among all the nations of the world as buyer of Brazilian products. Brazil, on the other hand, met considerably less of its import needs of finished goods from sources in the United States. These conditions made Brazil logically suited as a nation in which to expand exports from the United States.

Brazil's trade position also appeared to be compatible with free trade principles embodied in the Hull Trade Program. Because it consistently sold more than it bought on the world market, the United States anticipated Brazil would eventually prefer a trade policy that called for all payments in freely negotiable

foreign exchange. Other systems would not bring monetary profits to the favorable Brazilian trade position. The world market, however, remained sluggish. During the 1930's, Brazilian export earnings never approached their immediate pre-depression levels. Lowered export profits in the meantime compelled Brazil to seek remedies through internal economic readjustments.

The coffee market collapse presented the Brazilian government with its most severe recovery problem. The prior importance of a single commodity forced Brazil to adopt costly programs to prevent severe internal economic dislocations. The government destroyed large quantities of coffee during the entire 1930's out of the knowledge that Brazil could never again have a share of the world market proportionate to its excessive production.

To lessen the country's dependence on coffee, the Brazilian government encouraged agricultural diversification. Cotton became an extremely important substitute crop, soon finding a substantial outlet in the German market. Indeed, cotton seemingly formed the strongest bond in the German-Brazilian commercial relations in the years before World War II. Because of their mutual interest in cotton, the two nations developed a thriving trade.

German trading methods offered many inducements in the light of Brazil's depressed economy. Brazil, without depleting its limited foreign exchange reserves, obtained needed imports. Germany, while offered merchandise was on competitive terms, also paid prem-

ium prices for Brazilian commodities. Brazil, by consenting to compensation trade with Germany, gained access to commerce that would have been denied on any other terms.

The United States could not effectively compete with German commerce in Brazil. The United States aimed primarily at increasing its sales on the Brazilian market, while Germany regarded Brazil as a source of supply. Germany made Brazilian sales conditional on purchases of few German goods. Liberal trade principles denied the United States similar recourse. It had no means of coercing Brazil to buy wares from North America. Without corresponding obligations to buy, Brazil enjoyed relative freedom to sell.

Thus the many representations made by diplomats from the United States to curb German trade in Brazil mattered little to Brazilians. Only in 1939 as a result of reconsiderations in policy did the United States arrive at a potentially effective means of improving its position. The commitments of direct economic and financial assistance to Brazil arrived at, however, did not grow from purely commercial considerations. They reflected a response from the United States to the changing nature of the economic race.

The position of the United States in the Hull-Aranha agreements of 1939 grew from developments that occurred following Vargas' establishment of O Estado Novo in November, 1937. The new authoritarian and highly centralized regime demonstrated a determination to effect basic economic improvements in Brazil. This determina-

tion sprang in large measure from feelings of economic helplessness closely related to the impact of the depression on the Brazilian economy.

An increased national consciousness also accompanied the political changes in Brazil. Nationalism collided dramatically in 1938 with German political and cultural activities conducted among the large Teuto-Brazilian population of the southern states. This, combined with the abortive Integratista coup of 1938 and growing indications of German aggressiveness in Europe, raised suspicions in the United States that the Reich might, through subversion, gain political as well as economic hegemony in Brazil. Beginning in the latter part of 1938, the United States gave more emphasis to the political and strategic aspects in its Brazilian policy.

With the outbreak of war in 1939, Germany ceased to be an immediate threat to the United States' commercial position in Brazil. German military success led the United States to fear the potential economic, political, and military dangers of a German-dominated Europe to the position of the United States in the South American continent.

The proximity of the African coast to northeastern Brazil made that area the key position to United States' plans for hemispheric defense. Until the Japanese attack on Pearl Harbor, the United States sought as its primary military objective per-

mission to station troops in northeastern Brazil. The United States feared that a limited attack in that area, timed with a revolt by subversives, might succeed in Brazil.

Brazilian nationalism and the prolonged neutrality of the Vargas regime frustrated this objective of the United States. Brazilians consistently fended off United States' attempts to provide direct military security for the Brazilian northeast as being incompatible with Brazilian sovereignty. Meanwhile, Vargas successfully played on fears of the United States regarding the German position in Brazil. This was used to extract many economic and military concessions. The Brazilian President accomplished this largely by covertly encouraging German diplomatic representatives in Rio to believe that his sympathies were with the cause of the Reich.

The position of the United States in Brazil finally prevailed with Brazil's break with the Axis powers in January, 1942. Relations that began as an attempt by the United States to improve its Brazilian commercial position ended in a series of economic and military accords that went far in meeting the more important announced objectives of O Estado Novo.

The German threat to United States' interest allowed Brazil to assume a more assertive role in the latter stages of pre-war conflict. A remark attributed to Oswaldo Aranha at a social gathering in Washington in 1939 indicates the irony of the im-

proved relations brought about between Brazil and the United States because of Germany:

When I go back to my country, I shall propose that we erect a statue to Herr Hitler. For it is Hitler who has at last succeeded in drawing the attention of the United States to Brazil.¹

The ultimate policy position in the long struggle with Germany revealed a readiness to grant economic concessions to a relatively underdeveloped nation in return for its good will. Many present-day policy considerations of the United States bear great similarity.

FOOTNOTES

Chapter IV

¹As quoted in "South America VI: Brazil," Fortune, June, 1939. P. 43.

SELECTED BIBLIOGRAPHY

Primary Sources

Published Diplomatic Papers

Germany

Auswaertiges Amt. Documents on German Foreign Policy: 1918-1945. Series C (1933-1937). Washington: Government Printing Office, 1949.

Documents on German Foreign Policy: 1918-1945. Series D. (1937-1945). Washington: Government Printing Office, 1949.

United States

Department of State. Foreign Relations of the United States, Diplomatic Papers, 1933-1942. Washington: Government Printing Office, 1949.

Official Publications of Documents

Brazil

Ministry of External Relations. Brazil, 1940-1941: An Economic and Social Survey. Rio de Janeiro: Ministry of External Relations, 1941.

United States

Department of Army. Office of Military History. United States Army in World War II. Vol. XII. Part. 1. The Framework of Hemisphere Defense, by Stetson Conn and Byron Fairchild. Washington: Government Printing Office, 1960.

Department of Commerce. Bureau of Foreign and Domestic Commerce. Foreign Commerce Yearbook, 1935-1939. Washington: Government Printing Office, 1935-

Department of State. Addresses and Statements by the Honorable Cordell Hull in Connection with His Trip to South America to Attend the Seventh International Conference of American States. Washington: Government Printing Office, 1935.

_____. American Foreign Trade Policies, No. 24. Washington: Government Printing Office, 1936.

_____. How Trade Agreements are Made, by Francis B. Sayre. Commercial Policy Series. Washington: Government Printing Office, 1937.

_____. Reciprocal Trade Agreements and Supplementary Agreements: the United States and Brazil and Exchange of Notes. Executive Agreement Series, no. 82. Washington: Government Printing Office, 1936.

National Resources Planning Board. National Planning in Selected Countries, by Lewis L. Lorwin. Technical Paper no. 2, Washington: Government Printing Office, 1941.

Pan American Union. Brazil. Washington: Government Printing Office, 1940.

Tariff Commission. The Foreign Trade of Latin America. Washington: Government Printing Office, 1940.

Non-Official Publications of Documents

Baynes, Norman H., trans. and ed. The Speeches and Addresses of Adolph Hitler: April, 1922-August, 1939. London: Oxford University Press, 1942.

Commager, Henry Steele, ed. Documents of American History Since 1898. 7th edition. New York: Appleton Century Crofts, 1962.

Jones, S. Shephard, and Myers, Denys P., eds. Documents on American Foreign Relations. Vol. II. Boston: World Peace Foundation, 1940.

Rosenman, Samuel Joseph., ed. The Public Papers and Addresses of Franklin D. Roosevelt. Vol. X., Harper and Brothers, 1950.

Manuscript Collection

Jefferson Caffery Papers. Southwestern Archives and Manuscript Collections Center, University of Southwestern Louisiana.

Memoirs and Personal Accounts

Hull, Cordell. The Memoirs of Cordell Hull. New York: Macmillan, 1948.

Schacht, Hjalmar. My First Seventy-Six Years. Trans. by Diana Pyke. London: Allan Wingate, 1955.

Welles, Sumner. Seven Decisions That Shaped History. New York: Harper and Brothers, 1950.

Newspapers

New York Times. 1930-1942.

Secondary Works

Baer, Werner. Industrialization and Economic Development in Brazil. Homewood Prine, Illinois: Irwin Press, 1965.

Barros, Jayme de. A Look at Political Brazil, 1930-1942. Rio de Janeiro: Editora Valverde, 1943.

Bello, Jose Maria. A History of Modern Brazil, 1889-1970. Trans. by James L. Taylor. Stanford, California: Stanford University Press, 1971.

Bidwell, Percy. Economic Defense of Latin America. Boston: World Peace Foundation, 1941.

Brown, William Adams, Jr. and Redvers, Opie. American Foreign Assistance. Washington: Brooking Institution, 1952.

Bullock, Alan. Hitler: A Study in Tyranny. New York: Harper and Row, 1962.

Dulles, John W. F. Vargas of Brazil: A Political Biography. Austin: University of Texas Press, 1967.

Eyck, Erich. A History of the Weimar Republic. Trans. by Harlan P. Hanson and Robeett G. L. Waite. Cambridge, Massachusetts: Harvard University Press, 1963.

Feis, Herbert. The Changing Pattern of International Economic Affairs. New York: Harper and Brothers, 1940.

Frye, Alton. Nazi Germany and the American Hemisphere. New Haven, Connecticut: Yale University Press, 1967.

Furtado, Celso. The Economic Growth of Brazil. Trans. by Eric Charles Drysdale. Berkeley, California: University of California Press, 1963.

Galbraith, John Kenneth. The Great Crash, 1929. Boston, Houghton-Mifflin, 1955.

Guerrant, Edward O. Roosevelt's Good Neighbor Policy. Albuquerque: University of New Mexico Press, 1950.

Gunther, John. Inside Latin America. New York: Harper Brothers, 1941.

- Herring, Hurling Hubert. Good Neighbors: Argentina, Brazil, Chile, and Seventeen Other Countries. New Haven, Connecticut: Yale University Press, 1941.
- Hicks, John D. Republican Ascendancy: 1921-1933. Ed. by Henry Steele Comager and Richard B. Morris. New York: Harper and Row, 1960.
- Hill, Lawe F., ed. Brazil. Berkeley California: University of California Press, 1947.
- Horowitz, Irving Louis. Revolution in Brazil. New York: E. P. Dutton, 1964.
- Johnson, John J. The Military and Society in Latin America. Stanford, California: Stanford University Press, 1964.
- Jong, Louis de. The German Fifth Column in the Second World War. Trans. by C. M. Gelyl. Chicago: University of Chicago Press, 1956.
- Langer, William L., and Gleason, Everett S. The Challenge to Isolation, 1937-1940. New York: Harper and Brothers, 1952.
- _____. The Undeclared War, 1940-1941. New York: Harper and Brothers, 1953.
- Leuchtenberg, William E. Franklin D. Roosevelt and the New Deal. New York: Harper and Row, 1963.
- Lowenstein, Karl. Brazil Under Vargas. New York: Macmillan, 1942.
- MacDonald, N. P. Hitler Over Latin America. London: Jarrold's Press, 1940.
- Skidmore, Thomas E. Politics in Brazil, 1930-1964. New York: Oxford University Press, 1967.
- Smith, Thomas Lynn and Merchant, Alexander O., eds. Brazil: Portrait of Half a Continent. New York: Dryden Press, 1951.
- Young, Jordan M. The Brazilian Revolution of 1930 and the Aftermath. New Brunswick, New Jersey: Rutgers University Press, 1967.

Articles and Pamphlets

- Berglund, Abraham. "The Reciprocal Trade Agreement Act of 1934." American Economic Review. Vol. XXV. (September, 1935). 411-425.
- Buell, Raymond L. The World Adrift. World Affairs Pamphlets. New York: Foreign Policy Association, October, 1933.
- Bidwell, Percy. "Latin America, Germany and the Hull Program." Foreign Affairs. Vol. XVII. (January, 1939). 374-390.
- "Cotton in Brazil." Bulletin of the Pan American Union. October, 1935.
- Diffie, Bailey W. "Some Foreign Influences in Contemporary Brazilian Politics." Hispanic American Historical Review. Vol. XX. (August, 1940). 402-429.
- "Financial Agreement Between the United States and Brazil," Bulletin of the Pan American Union. September, 1937.
- Hall, Robert K. "Foreign Colonies in Brazil." Inter-American Quarterly. Vol. III. (January, 1941). 5-9.
- Maack, Reinhard. "The Germans of South Brazil: A German View." Quarterly Journal of Inter-American Affairs. Vol. I. (July, 1939). 5-23.
- Martin, Percy A. "Federalism in Brazil." Hispanic American Historical Review. Vol. XVII. (May, 1938). 143-163.
- Ritter, Karl. "Germany's Experience with Clearing Agreements." Foreign Affairs. Vol. XIV. (April, 1936). 465-475.
- Trueblood, H. J. "Trade Rivalries in Latin America." Foreign Policy Reports, September 15, 1937. 154-163.
- Turner, Edward E. "German Influence in South Brazil." Public Opinion Quarterly. Vol. VI. (Spring, 1942). 57-69.
- White, Horace G. "Blocked Commercial Balances in American Foreign Policy." American Economic Review. Vol. XXIX. (March, 1939). 74-91.

Vita was removed during scanning