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Banking on Development: Brazil in the United States's Search for Strategic Minerals, 1945-1953

VALENTIM BOUÇAS, AN economic adviser to the president of Brazil, Getúlio Vargas, explained to him in 1942 that 'there are two currents of [US] economic policy. The most prominent one is the Good Neighbor policy ... a departure from that antiquated policy of domination and subjugation.' The other is 'based on commercial and industrial profits, with the same old mentality of exploiting raw materials, which leaves us with holes in the ground and no industries'.¹ After the Second World War, the administration led by Harry S. Truman dismantled the Good Neighbor policy, redirected aid elsewhere in the world, and rigidly opposed Communism in the hemisphere, as historians of inter-American affairs have amply demonstrated.² The scholarly focus on the demise of the Good Neighbor, however, has deflected attention from the persistence of the current in US policy that so troubled Bouças. Although the new global priorities of the United States during the cold war altered hemispheric political relations, they also intensified the US search for strategic minerals in Latin America.

The completion in the 1940s of the United States's long transition from relative self-sufficiency in natural resources to becoming the world's greatest importer³ had a profound effect on the Truman administration's approach to Latin American economic development. In the quest to carry out global designs while accommodating particular national interests, Truman officials made compromises in foreign economic policy which are well covered by the historical literature.⁴ Yet few scholars appreciate how

I thank Stephen Bunker, John Kestner, Thomas McCormick, Emily Rosenberg, Michael Weis, and Edward Ingram for helpful criticism.

1 Bouças to Vargas, 23 Feb. 1942 [Rio de Janeiro, Centro de Pesquisa e Documentação de História Contemporânea, Fundação Getúlio Vargas], A[rquivo] C[etúlio] V[argas]. This and subsequent quotations have been translated from the Portuguese by the author.

2 B. Wood, *The Dismantling of the Good Neighbor Policy* (Austin, 1985); P. H. Smith, *Talons of the Eagle: Dynamics of US-Latin American Relations* (Oxford, 1996).

3 P. W. Bidwell, *Raw Materials: A Study of American Policy* (New York, 1958), p. 1.

4 See, e.g., R. Pollard, *Economic Security and the Origins of the Cold War, 1945-50* (New York, 1985);

D. Kunz, *Butter and Guns: America's Cold War Economic Diplomacy* (New York, 1997).

hard US officials struggled to reconcile their efforts to open up the world economy with facilitating US access to Latin American minerals.¹ Even scholars who apply dependency theory or the leftist critique of US foreign policy only hint at the relationship between US interest in raw materials and US financing of foreign development.²

This article explains how the relationship played out in the confrontation in Latin America between the US Export-Import Bank (Eximbank) and the fledgling International Bank for Reconstruction and Development (IBRD), later known as the World Bank. Their chief battleground was Brazil, the United States's long-standing 'junior partner' in the hemisphere and a key supplier of strategic minerals to US industry, especially manganese, a ferroalloy indispensable in steel-making.

Early in the cold war, Brazil's role as a supplier came into question. The growth of Brazilian industry, combined with a lack of foreign investment dating back to the Depression, impeded the development of minerals for export. Although historians of US-Brazilian relations acknowledge that the controversy over financing economic development in Brazil helped to erode the 'special relationship' between the two countries,³ their mistaken attribution of the controversy to US benign neglect slights both the role of the state-sponsored effort by Eximbank to leverage US interests in strategic minerals, and the influence of US finance capital in conditioning international lending through the IBRD.

In the late 1940s, the United States owned the largest share of the world's financial resources, while the rest of the world owned the minerals it needed. The global scarcity of capital, known as the 'dollar gap', frustrated the rejuvenation of the world investment, exchange, and trading system that had broken down in the 1930s,⁴ partly because worldwide political and economic instability in the aftermath of global war discouraged US foreign investment. The IBRD, one of the twin pillars (with the International Monetary Fund [IMF]) created at the Bretton Woods summit of July 1944 to promote productive and equilibrating flows of capital,

1 A. E. Eckes, Jr. produced two important studies in the 1970s, one on the Bretton Woods system, *A Search for Solvency: Bretton Woods and the International Monetary System, 1941-71* (Austin, 1975), and one on US mineral interests, *The United States and the Global Struggle for Minerals* (Austin, 1979). Strangely, these works do not speak to each other.

2 See P. A. Baran, *The Political Economy of Growth* (New York, 1957); G. Kolko, *Confronting the Third World: United States Foreign Policy, 1945-80* (New York, 1988); W. LaFeber, *Inevitable Revolutions: The United States and Central America* (New York, 1984).

3 See G. K. Haines, *The Americanization of Brazil: A Study of US Cold War Diplomacy in the Third World, 1945-54* (Wilmington, 1989), pp. 61-80; E. A. Cobbs, *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil* (New Haven, 1992), pp. 68-83; W. M. Weis, *Cold Warriors and Coups d'état: Brazilian-American Relations, 1945-64* (Albuquerque, 1993), pp. 48-70.

4 Technically, the dollar gap referred to persistent worldwide shortfalls in dollar accounts – the world's only convertible currency – caused by a surplus of American exports over American imports.

seemed to be overwhelmed by its mission. The cold war rivalry between the United States and the Soviet Union only sharpened what Thomas McCormick calls the 'structural crisis in post-war capitalism'.¹

Caught between global ambitions and institutional limitations, the Truman administration responded to the overlapping dollar gap and national security crises by creating new institutions and reworking existing ones. Owing to the failure of both private capital and the IBRD to make the large-scale investment in transport needed to ensure the uninterrupted delivery of strategic minerals from Latin America, US officials turned the Eximbank, founded in 1934 to promote exports, into an instrument for so-called 'development' lending. They used it to underwrite projects while the IBRD matured as a development bank.²

Turning the Eximbank into a development agency was not easy. The Republican leadership in Congress resisted authorizing large amounts of money for foreign aid. Furthermore, both treasury department officials and the IBRD objected to the Eximbank's encroachment, however temporary, into long-term lending. They feared that Eximbank loans with preferential terms and bilateral constraints would undermine the principle of multi-lateral trade enshrined at Bretton Woods and undermine the IBRD's *raison d'être*, the systematic development of raw materials for the world market. In deference to Wall Street, which floated the IBRD's bonds, the bank demanded that borrowing countries follow orthodox fiscal and monetary policies; that the projects it financed satisfy strict criteria of 'credit-worthiness'. The promise of IBRD loans under such conditions served to lure, if not lever, governments into opening up export sectors to foreign investment.³

In the late 1940s, many countries either refused, or could not meet, the IBRD's conditions. US officials, aware that the bank could not finance the extraction of minerals vital to US industry, wondered by 1948 whether, as a result, the endemic shortage of capital in Latin America would jeopardize US access to its strategic supplies. The outbreak in 1950 of war in Korea

1 T. J. McCormick, *America's Half-Century: United States Foreign Policy in the Cold War* (Baltimore, 1989), p. 72. Also see R. N. Gardner, *Sterling-Dollar Diplomacy in Current Perspective: The Origins and the Prospects of Our International Economic Order* (1956; rev. New York, 1980).

2 On the Eximbank, see H. Arey, 'History of the Operations and Policies of the Export-Import Bank of Washington', in US Senate, Committee on Banking and Currency, *Study of the Export-Import Bank and World Bank*, Hearings, 83rd US Cong., 2nd sess. (Jan.-Feb. 1954), pp. 86-132; R. F. Mikesell, 'The Export-Import Bank of Washington', *US Private and Government Investment Abroad*, ed. Mikesell (Eugene, 1962), pp. 459-82.

3 Among the many studies of the IBRD/World Bank, see E. S. Mason and R. E. Asher, *The World Bank since Bretton Woods* (Washington, 1973); C. Payer, *The World Bank: A Critical Analysis* (New York, 1982); J. Kraske, *Bankers with a Mission: The Presidents of the World Bank, 1946-91* (Oxford, 1996); D. Kapur, J. P. Lewis, and R. Webb, *The World Bank: Its First Half Century* (Washington, 1997).

only heightened the urgency of a problem with long roots. Most mineral development in Latin America had taken place between the 1890s and 1920s,¹ and the depletion of long-standing reserves combined with growing demand called for a new round of financing: existing railways, trunk roads, and ports needed modernizing, and new ones to be built to open up new areas.

Until the IBRD became an active international lender and investment capital became more mobile, the Eximbank offered a way to reach these objectives under US supervision. But before it could do so, it had both to obtain authority from Congress and show that it would not be subverting the IBRD's mission to supersede bilateral lending. US officials also had to sell a programme of loans to Brazil and other Latin American states with more ambitious hopes for economic aid. These challenges together revealed the unstable 'dualism of power' between international capital and the US state in the projection of US hegemony during the early cold war.²

* * *

The unprecedented meeting of forty-four states at Bretton Woods in 1944 led to a series of agreements that erected a new 'system' to revive global capitalism that rested on the supremacy of the dollar and the liberalization of trade and investment, supplemented by Keynesian provision for stable exchange rates, capital controls, and full employment policies. A select group of national central banks, led by the US Federal Reserve system, would monitor the Keynesian supplements, while the IMF and the IBRD opened up the world to trade and investment. The IMF would become the world's bailout manager, providing exchange credits to states which might otherwise be tempted to solve their economic problems, as they had during the 1930s, through 'beggar-thy-neighbour' trade restrictions and competitive currency devaluations. It would supply long-term credits to war-torn and developing countries as a complement to private investment.³

In the field of development, the IBRD's core functions were to centralize international public lending and spearhead a multilateral drive to increase the world market supply of raw materials: these efforts would anticipate rivalries between industrial countries over investment outlets that might lead to 'closed door' arrangements or improve the bargaining position of

¹ See H. F. Bain and T. T. Read, *Ores and Industry in South America* (New York, 1934), pp. 331-70; C. W. Wright, 'South America as a Source of Strategic Minerals', *Mining and Metallurgy*, xxi (1940), 283-6.

² S. Amin, C. Arrighi, A. G. Frank, and I. Wallerstein, *Dynamics of Global Crisis* (New York, 1984), pp. 55-108.

³ For a discussion of the development of formal US plans for a world bank, see R. W. Oliver, *International Economic Co-operation and the World Bank* (New York, 1975), pp. 92-9.

producers in relation to consumers.¹ Its view of multilateral lending had been prescribed by Eugene Staley, an economist on the New York-based Council on Foreign Relations, in 1937: 'The problems connected with foreign investment for the exploitation of raw materials cannot be "solved" once and for all,' he argued, alluding to the scramble for global resources during the 1920s and 1930s. The 'peaceful solution of investment problems is to denationalize investments and to substitute the supervision of permanent international agencies for national diplomatic protection'.² Staley, one of the earliest proponents of a world bank, was 'the man who more than any other brought the theme of economic development into the American discussion'.³

After Bretton Woods, a new cabinet-level body was given responsibility for setting US policy towards the new financial institutions. The Bretton Woods Agreement Act, passed by Congress in 1945, created a National Advisory Council on International Monetary and Financial Problems (NAC) – made up of the secretaries of the treasury, state, and commerce, the chairman of the board of governors of the Federal Reserve System, and the chairman of the board of the Eximbank (and later, administrators of US agencies for foreign aid) – to oversee all US government agencies making foreign loans. With de facto control over the new supposedly 'multilateral' banks, one of the NAC's most important functions was to co-ordinate IBRD and Eximbank lending.⁴

The NAC was born of a disagreement between New Dealers in the Roosevelt administration's treasury department and business internationalists over the orientation of the new lending institutions. The two groups agreed about the need for an international organization to stimulate the global movement of capital and goods after the war, especially to expand the circulation of raw materials.⁵ As the Bretton Woods conference approached, however, the US international bankers (represented by the American Bankers Association and the National Foreign Trade Council) worried that controls on capital likely under the IMF would induce macroeconomic policies lacking anti-inflationary discipline. Similarly, the bankers wanted to ensure that the IBRD would not displace private

1 M. Tanzer, 'Globalizing the Economy: The Influence of the International Monetary Fund and the World Bank', *Monthly Review*, xlvii (Sept. 1995), 1-15; R. W. Oliver, *Early Plans for a World Bank* (Princeton, 1971).

2 E. Staley, *Raw Materials in Peace and War* (New York, 1937), p. 243.

3 H. W. Arnt, *Economic Development: The History of an Idea* (Chicago, 1987), p. 45. Also see E. Staley's *War and the Private Investor* (Chicago, 1935); *World Economy in Transition* (New York, 1939); and *Raw Material Problems and Policies* (Geneva, 1946).

4 Mikesell, 'Export-Import Bank', pp. 464-5.

5 J. P. Young, 'Developing Plans for an International Monetary Fund and a World Bank', *Department of State Bulletin*, xxiii (13 Nov. 1950), 778-90.

capital. They thus blocked the efforts of the assistant secretary of the treasury, Harry Dexter White, the American most responsible for drafting the articles of agreement for the IBRD and IMF, to give the IBRD a liberal lending posture.¹

After the signing of the Bretton Woods agreement, the bankers and their allies in the state department and Congress closed ranks against the treasury department's economic planners. By creating the NAC, they stripped the treasury department of independent control over IBRD and IMF policy. Their worries about the influence of New Dealers in the treasury department over lending policy diminished, moreover, when Truman, almost immediately after taking office in April 1945, replaced them with more orthodox economic thinkers.

The IBRD's dependence on US capital markets for loanable funds made it the handmaiden of Wall Street. Most of the bank's bonds were denominated in dollars, and as the dollar was the world's only convertible currency, only US subscriptions to the bank could be loaned: during its first ten years, the IBRD functioned as a 'dollar bank'. Furthermore, Wall Street men and their financially conservative allies in Truman's treasury department soon controlled the bank. A Wall Street lawyer, John J. McCloy, who acquired the nickname of 'Mr Eastern Establishment', became president in 1947. His hand-picked US executive director, and successor in 1949 as president, was Eugene Black, vice-president of Chase National Bank. 'McCloy and Black were well known and respected in financial circles in the United States,' Jochen Kraske explains; 'their presence inspired confidence in the way the institution would be run.'²

As the IBRD was not ready when Germany surrendered in May 1945 to take on the responsibilities assigned to it, the Truman administration, improvising, turned to the Eximbank. When setting up the NAC, Congress also agreed to increase the Eximbank's lending authority from \$700 million to \$3.5 billion, enabling the bank to provide dollar credits to foreign countries until the IBRD became fully operational. On 31 July 1945, the same day he signed the Bretton Woods Agreement Act, Truman signed the Export-Import Bank Act.

Although the Eximbank had been created as a provider of short-term credit to US exporters, during the Second World War it also made a few project-based minerals and infrastructure loans under the oversight of the Federal Loan Agency.³ The Eximbank's loans were normally tied to

¹ Eckes, *Search for Solvency*, pp. 154-64.

² Kraske, *Bankers*, p. 53.

³ Exporter credits were loans made at the request of the US exporter with short-term maturity. Project loans, by contrast, were long-term authorizations, covering foreign exchange costs, to foreign purchasers, banks, or governments 'subject to the approval of specific transactions for specific projects'.

expenditures on US goods, equipment, and contractors, and its charter required US officials to control the development projects it financed: it retained first claim against them in the case of bankruptcy and influenced both management and contracting. Although the new act turned the Eximbank into an independent US government agency administered by the secretary of state and four presidential appointees, the Truman administration assumed that as soon as the IBRD was on its feet, the Eximbank would return to its former role as supplier of short-term commercial credit. As it was only to meet a short-term need, its role in lending for development would be guided by the NAC's foreign economic policy and the state department's strategic goals.¹

The NAC both supported the IBRD's mission to become the world's development bank and tried to mould the Eximbank into an agency to meet special needs. This required a delicate balancing act, as the NAC hoped that the Eximbank would not hinder the IBRD. 'With respect to long-term credits,' a NAC report from 1946 points out, 'it would ordinarily not be in the interest of the United States to have the Export-Import Bank assume singly the risks which the International Bank, in recognition of the general benefits realized from international investment, was designed to distribute among all of its members.'² At the NAC's early meetings, however, the state department, which orchestrated the Eximbank's affairs, argued that the NAC should allow the bank enough latitude to further important US economic or strategic interests. The NAC agreed to qualify its preference for the IBRD by allowing the Eximbank to make development loans to members of the IBRD, if a project were judged to have 'special' or 'general' interest to the United States.²

The Eximbank's first post-war assignments were in Europe in 1945-6, where it made over \$1 billion worth of loans.³ As the needs of European reconstruction became more pressing, the NAC proposed to raise the bank's lending authority by another \$1.5 billion. However, congressional opposition, and assurances in mid-1946 from the secretary of the treasury, John W. Snyder, that the IBRD would soon be able to assume 'primary responsibility' for financing reconstruction, killed the proposal.⁴ When the

Between 1934 and 1959, project loans accounted for the largest proportion of the total value of Eximbank authorizations: Mikesell, 'Export-Import Bank', pp. 470-1.

¹ Arey, 'Export-Import Bank', pp. 105, 110.

² Memo, summary of NAC consideration about the relationship between the lending activities of the Export-Import Bank the IBRD, encl., Martin to Arnold, 12 Dec. 1950 [Washington, US National Archives and Records Administration, Record Group 56, General Records of the Department of Treasury], N[ational] A[dvisory] C[ouncil on International Monetary and Financial Policy], [Subject Files 1946-53], box 11, fo. Roles of the IBRD and Eximbank.

³ Export-Import Bank of Washington, *First Semiannual Report to Congress* (July-Dec. 1945), pp. 16-19.

⁴ See Gardner, *Sterling-Dollar*, pp. 291-2.

IBRD announced that it would be open for business by the end of 1946, the Eximbank began to move out of European reconstruction.

Despite the ambitious US claims for the IBRD, the new bank, able to lend no more than \$3.2 billion, was not up to the monumental task given to it. The disruption to trade caused by the war and its aftermath had created serious imbalances in the world economy. When Europe's growing trade deficit with the United States and its depletion of dollar reserves threw the nascent Bretton Woods system into crisis, the Truman administration took two bold steps in 1947 to transfer military and economic aid to Europe: the Truman Doctrine and the European Recovery Programme (ERP) or Marshall Plan.

The IBRD used most of its mobilized capital to finance emergency needs in Europe before Marshall aid could be organized. Meanwhile, the Eximbank, withdrawing from Europe, shifted its focus to project, or development, lending in Latin America. The disruption of capital flows into Latin America that dated back to the 1930s, combined with net capital outflows after the war – consisting of repatriated European investments, external debt settlements, and the expenditure of currency reserves built up during the war on essential imports – had made Latin American regimes eager for economic aid,¹ partly to modernize road and rail systems run down while supplying raw materials to the Allies during the war. The first two post-war inter-American conferences – at Chapultepec, Mexico, in February 1945 and Rio de Janeiro in August 1947 – nonetheless postponed serious discussion of economic and technical aid. At Rio, Truman officials were wary of extending aid to Latin America, knowing that Congress would not agree to 'any heavy new burden' such as a Marshall Plan for Latin America.²

Instead, state department advice to Latin American leaders reiterated nostrums about 'self-help', technical co-operation, an open investment climate, and free trade.³ The Joint Brazil-United States Technical Commission (JBUSTC), set up in 1947 under the chairmanship of John Abbink, president of McGraw-Hill, stressed the need for private investment in its recommendations for spurring economic development in Brazil. The Truman administration saw the commission as a way to 'appraise the merits of specific projects' while avoiding discussion of aid or credits.⁴ The commis-

1 United Nations, Department of Economic and Social Affairs, *Foreign Capital in Latin America* (New York, 1955), pp. 10-11.

2 Quoted in S. G. Rabe, 'The Elusive Conference: United States Economic Relations with Latin America, 1945-52', *Diplomatic History*, ii (1978), 286.

3 See R. Trask, 'The Impact of the Cold War on United States-Latin American Relations, 1945-9', *Diplomatic History*, i (1977), 271-84; Rabe, 'Elusive Conference', pp. 279-94.

4 Lovett to Truman, 18 Dec. 1947 [USNA, RG 59, Records of the] J[oint] B[rrazil] U[nited] S[tates] T[echnical] C[ommission], box 1, personnel file.

sion's failure to obtain economic aid irritated Brazilian officials, even the most pro-American, and left them with the impression that Americans were merely trying to open doors for monopoly capital in Brazil. Brazilian nationalists and the country's growing Communist movement ridiculed the commission's chairman as 'Viceroy Abbink' and 'Dom João Abbink'.¹

Eximbank loans in lieu of grant aid offered a way, albeit limited and piecemeal, of appeasing Latin American governments. Even so, the bank did not focus on the region solely for such political reasons; tangible economic interests were at stake. A NAC report from June 1947 predicted that Eximbank loans 'would open up an additional supply of essential imports into the United States or require US equipment and services of kinds this country desires to export'.² By 1948, officials throughout the Truman administration began to reassess the strategic importance of project-based expenditures in Latin America. One of the most important tasks given to the Technical Commission had been the search for ways to increase US access to Brazilian mineral resources, especially manganese ore for the US steel industry.³

Latin American mineral production would provide a crucial hedge against shortages in the event of another world war, which seemed ever more likely as cold war tensions increased. Even more important, US officials were paying more attention to strategic minerals all over the world, not only for US consumption but also to supply the industries in western Europe to be rebuilt through the Marshall Plan, and Japan, where the Truman administration beginning in late 1947 exchanged pastoralization for vigorous industrial growth.⁴ As long as Europe and Japan imported large quantities of primary products from 'non-dollar' sources in Africa, the Middle East, and Asia to help to ease the dollar gap, US reliance on the Western Hemisphere for foodstuffs and raw materials would become more pronounced. In the minds of worried US officials, the protracted decline in foreign private investment in Latin America illustrated the adverse effects of capital shortages on the supply of strategic raw materials.

Truman's new national security bureaucracy thought long and hard about how to ensure a steady supply. The strategic minerals stockpiling programme, expanded in 1946 and run after 1947 by the National Security Resources Board (NSRB) and the interdepartmental Munitions Board –

1 Johnson to sec. state, 8 Oct. 1948, *Foreign Relations of the United States: 1948*, ix (1976), 366-7.

2 Memo, encl., Martin to Arnold, 12 Dec. 1950, NAC, box 11, fo. IBRD and Eximbank.

3 For more detail, see R. T. Priest, 'Strategies of Access: Manganese Ore and US Relations with Brazil, 1894-1953' (Ph.D. diss., Wisconsin, 1996), pp. 490-6.

4 W. S. Borden, *The Pacific Alliance: United States Foreign Economic Policy and Japanese Trade Recovery, 1947-55* (Madison, 1984), pp. 3-17.

both set up under the 1947 National Security Act – with advice from the state department and mining experts, was designed to make up for the US deficiency in minerals.¹ In late 1947, a triumvirate of officials from the NSRB, the Munitions Board, and the state department set out to discover the major obstacles to the increased production of strategic minerals in Latin America by conferring with US corporations.² The Truman administration took extensive inventories of the strategic minerals produced in the Western Hemisphere and enlisted US intelligence services in the surveillance of sources and facilities. The hemispheric defence pact (soon to be called the Organization of American States, or OAS) worked out at the Chapultepec and Rio de Janeiro summits, gave the United States a security framework that could be used to protect US access to these sources. But this was not enough. The inventories and discussions with corporations showed that increasing the extraction of minerals from Latin America would require large investments in transportation infrastructure.³

As private capital could not be counted on to invest in such sectors and the IBRD had not yet begun to lend for development, in the months before the Ninth Pan-American Conference, held at Bogotá in March 1948, both US and Latin American officials searched for other ways of stimulating capital flows to the region. The Latin American delegates stepped up the pressure for large-scale economic aid and the creation of a multilateral inter-American bank, to which the IBRD and Eximbank were both strongly opposed as an unnecessary competitor. The state department and the Eximbank proposed to the NAC instead that the US delegation at Bogotá should announce a \$500 million increase in Eximbank commitments to Latin America to ‘meet legitimate and pressing development financing requirements which are not being met at this time by private capital and the International Bank’.⁴

More than conciliation, the proposal sought to ‘help develop nearby sources of those essential raw materials which are becoming less abundant within our own territorial limits’. Given the escalating demand in the United States for tin, manganese, chrome, lumber, beryllium, mica, nickel,

1 J. A. Krug, ‘National Mineral Policies’, *Mining Congress Journal*, xxxii (Oct. 1946), 27. See also G. H. Synder, *Stockpiling Strategic Materials: Politics and National Defense* (San Francisco, 1966), pp. 38-45.

2 Memo, Atwood, 9 April 1948, *FRUS: 1948*, ix. 239; Lovett to Forrestal, 15 April 1948, *ibid.*, pp. 240-1; and James Boyd, 26 Nov. 1947 diary entry [Independence, Mo., Truman Presidential Library], Boyd Papers, D[iary] F[ile] 1950-1, box 4.

3 See, e.g., state dept., Office of Intelligence Research, report no. 4839, transport problems connected with the acquisition by the United States of manganese ore from Brazil, 15 Dec. 1948 [USNA], RG 330 [Records of the Department of Defense] M[unitions] B[oard], O[ffice of] M[aterial] R[esources, Vice Chairman for] P[roduction and] R[equirements], box 108, fo. strategic materials, 1941-53.

4 Martin to Snyder, 22 March 1948, NAC, box 11, fo. IBRD.

and mercury, large investments would be required to 'develop mines, transportation and power facilities, processing plants, and other installations' in order to meet the demand. Both Eximbank and the state department understood that an extra \$500 million in credits would do little to meet Latin America's overall financial needs.¹ They were unlikely to prise more out of Congress, however; nor were they interested in triggering structural change. A year earlier, Eximbank's vice-president, Hawthorne Arey, had candidly admitted that the bank 'does not want the job of developing these countries'; it preferred to act as the 'lubricant', not as the 'gasoline' in Latin America.² Although the bank tried to strengthen its case before the NAC by claiming that new credits would help to bring prosperity and rising living standards to Latin America, thus promoting inter-American trade, whereas continuing economic crisis caused by lack of investment might lead the Latin American states to adopt 'national economic policies' hostile to US commercial interests, the Eximbank's paramount concern was to lubricate the flow of minerals to US industry.³

The IBRD and its allies at the US treasury department and Federal Reserve Board objected to new Eximbank lending for Latin America.⁴ After renouncing the leading role assigned to it in European recovery, the IBRD moved into the development field for the first time in 1947 with two loans to the new right-wing government of Chile, which had just made an agreement to reschedule its debt with foreign bondholders.⁵ Latin American countries, which accounted for a high proportion of the IBRD's membership and could borrow dollars more easily than countries from non-dollar areas, were integral to the bank's new development business. Three weeks before the Bogotá conference, Black wrote to Snyder on 8 March 1948 protesting against the proposed increase in the Eximbank's lending authority in Latin America. He predicted that the Eximbank's 'easier terms', by undercutting the IBRD's strict credit policies, would damage the latter's credibility among borrowers.⁶

Competition from the Eximbank threatened not only the IBRD's credibility but also its reason for existence: to prevent borrowers from shopping around among lenders for preferential terms. The IBRD, which lacked a credit rating of its own, raised most of its loanable funds by marketing its bonds in the United States; hustling the funds to endear itself

1 Martin to Snyder, 22 March 1948, NAC, box 11, fo. IBRD.

2 Discussion meeting report, industrialization in Latin America, 17 Feb. 1947 [New York], C[ouncil on] F[oreign] R[elations Archives], Records of Groups, xxi, 1946/1947.

3 Martin to Snyder, 22 March 1948, NAC, box 11, fo. IBRD.

4 Szymczak to Snyder, 1 April 1948, *ibid.*

5 Mason and Asher, *World Bank*, p. 157.

6 Black to Snyder, 8 March 1948, NAC, box 11, fo. IBRD.

to investors. As the pledged capital of member countries did not offer enough security to entice big institutions to buy the bonds, it had to convince investors that its debtors would meet their obligations: 'We had to show that we were going to make sound loans, and that we were not going to just give the money away,' Black later recalled.¹

Furthermore, the IBRD was still in the process of lobbying both Congress to pass legislation classifying its bonds as 'exempt security', to enable commercial banks to deal in them, and state governments to pass similar legislation enabling insurance companies, pension funds, and savings banks to invest. To establish its legitimacy with creditors, at least until its bonds could be more widely marketed, the bank laid out rigid criteria for the financial 'soundness' of a given project and closely monitored the borrower's debt-bearing capacity.² If lending to a private corporation, it required a government loan guarantee, which involved drawn-out political negotiation and underwriting.³

The Eximbank, less constrained by such strict banking principles, borrowed its loanable funds from the treasury department at the current interest rate for US government bonds. Owing to the massive government spending during the war, the treasury department, to cut the cost of government borrowing, had dramatically lowered rates⁴ to a level significantly lower than the IBRD's rates linked to the private capital market. Although as vigilant in collecting bills as the IBRD, the Eximbank worried less about the immediate profitability of an investment or the creditworthiness of the borrowing country, and usually did not require a government guarantee when lending to a private corporation.⁵

For these reasons, the Eximbank was potentially more attractive than the IBRD to borrowers, especially anyone in Latin America who had dealt with it already and was accustomed to close bilateral relations with the United States. If the Eximbank's authority for long-term development projects were approved, Black feared that it would 'force [the IBRD] to choose between lowering its lending standards or withdrawing entirely from operations in the Latin American countries'.⁶

Despite Black's and the Federal Reserve Board's objections, the NAC

1 E. Black interview by R. Oliver, 6 Aug. 1961 [New York, Columbia University, Oral History Collection], W[orld] B[ank] Oral History [Project], p. 7; Kapur et al., *First Half Century*, pp. 916-23.

2 At this time, commercial banks could invest in IBRD bonds, but not trade or deal in them: Black interview, WB Oral History, pp. 10-11.

3 See Mason and Asher, *World Bank*, pp. 229-59, 295-334, 457-69.

4 J. A. Frieden, *Banking on the World: The Politics of American International Finance* (New York, 1987), p. 74.

5 W. D. Wittemore, 'A Review of Outstanding Loans of the Export-Import Bank', in US Senate, *Export-Import Bank and World Bank*, pp. 913-17.

6 Black to Snyder, 8 March 1948, NAC, box 11, fo. IBRD.

reasoned that 'there may be some purely American interests which would warrant the Export-Import Bank ... making long-term loans which would not be in competition with the International Bank.¹ When Truman, at the Bogotá conference, offered the \$500 million increase in Eximbank lending authority, subject to congressional approval, however, he did not impress Latin American heads of government. Taking for granted that their countries, like Europe's, should not have to use interest-bearing loans to meet their country's 'basic needs', they were expecting to be offered aid on softer terms.²

In April 1948, Truman made a formal request to Congress to approve the increased credit: 'It is in our mutual interest to help develop in the contours of the south those essential materials which are becoming less abundant in the United States, as well as others regularly imported from distant regions.'³ Although the senate passed a bill authorizing the increase, the house of representatives' Committee on Banking and Currency took no action on it before Congress adjourned during the presidential election. Truman, after his narrow victory, had to restart the campaign to increase the level of financial and technical aid to 'underdeveloped areas'.

By late 1948, uncertainty in Washington about supplies of foreign minerals had turned into grave apprehension. Gloomy forecasts about the diminishing supply of steel-making minerals, such as foreign manganese ore and iron ore from the Great Lakes, were heightened by the industry's reliance on foreign sources of chromite, nickel, cobalt, tin, tungsten, antimony, and molybdenum, all used in either specialized steels or 'superalloys', and many of which were found in Latin America. By the year's end, representatives from US steel and mining corporations were discussing with the NSRB the special measures that might be needed to ensure access to foreign minerals, especially manganese.

The problem was general rather than particular to the steel industry, as the US economy relied increasingly on copper from Chile, bauxite from the Caribbean, lead and zinc from Mexico and Peru, and petroleum from Venezuela. The Soviet Union's embargo of chromite and manganese in January 1949 sounded an alarm in the already anxious national security bureaucracy, as Russia had been one of the largest world producers of manganese ore since the 1890s. The cold war confrontation between the United States and the Soviet Union that led to the embargo reinforced the urgency to start a new cycle of mineral development in Latin America.⁴

1 Memo, encl., Martin to Arnold, 12 Dec. 1950, NAC, box 11, fo. IBRD and Eximbank.

2 Rabe, 'Elusive Conference', p. 287.

3 Quoted in G. Wythe, *Brazil: An Expanding Economy* (New York, 1949), pp. 361-2.

4 C. K. Leith, 'Exploratory Report to the National Security Resources Board on the Adequacy of Mineral Supplies for Emergency Expansion of the Steel Industry', 15 Dec. 1948 [USNA], RG 304

During 1948-9, the Truman administration took steps to expand the production of minerals abroad. Marshall aid to western Europe offered one route. In drafting the necessary legislation in 1947, the NSRB inserted a clause allowing for US stockpile purchases, mineral exploration, and development of raw materials from European colonies to be paid for with so-called 'counterpart funds', set aside in local currencies and equivalent to five per cent of the aid received in US dollars. Owing to Europe's own need for raw materials, however, the strategic materials programme of the Economic Co-operation Administration (ECA) made only a slight contribution to the US stockpile and the global supply effort before 1950.¹

In January 1949, the Truman administration announced that it would stimulate foreign mineral production through a 'bold new program' to extend the benefits of US scientific and technical advances to the 'underdeveloped areas' of the globe. In his inaugural address on 20 January 1949, Truman described the programme as 'Point Four' in the multifaceted effort (along with the United Nations, the ECA, and NATO) to stimulate the world economy and defend it from the threat of international Communism. Although he linked US security to the need for rapid economic development in 'underdeveloped' areas, he promised a significant departure from 'the old imperialism' and 'exploitation for foreign profit': the programme would be a 'fair deal' for the whole world.²

As Gilbert Rist argues, Truman's address invented 'development' as a new socioeconomic concept by introducing 'underdeveloped' as a synonym for 'economically backward'. The Point Four declaration gave development a meaning 'which corresponded to a principle of social organization, while "underdevelopment" became a "naturally" occurring (that is, seemingly causeless) state of things'. Point Four replaced the colonizer/colonized dichotomy in North-South relations with a new world-view from the North in which underdeveloped was not the opposite of developed, 'only its incomplete form', a notion that would receive more formal expression in 1958 through Walt W. Rostow's evolutionist theory of 'modernization'. It posited the idea that the 'existence of industrial countries did not radically alter the context in which candidates for industrialization have to operate'.³

[Records of the] N[atational] S[ecurity] R[esources] B[oard], P[rocessed] D[ocuments] F[ile], Sept. 1947-Apr. 1953, box 30, fo. non-metallic minerals; 'US Ready to Prove It Can Do without Russian Manganese', *The Iron Age* (10 March 1949), pp. 151-2; Eckes, *Global Struggle*, pp. 147-73. For tonnage and value figures on individual minerals, see US Bureau of Mines, *Minerals Yearbook*, various years.

¹ See ECA, Strategic Materials Division, Monthly Reports, 1949 [USNA], RG 286 [Records of the Agency for International Development], S[trategic] M[aterials] 1948-50, box 1; and P[resident's] M[aterials] P[olicy] C[ommission], *Resources for Freedom* (Washington, 1952), v. 125-36.

² *Public Papers of the Presidents, Harry S. Truman, 1949* (Washington, 1964), pp. 112-16.

³ G. Rist, *The History of Development: From Western Origins to Global Faith* (London, 1997), pp. 74-5;

The Point Four declaration coincided with the breakdown of the previous structures of imperial domination, and responded to new thinking about national economic strategies that tried to explain how industrial countries had indeed altered the international context. Ideas spawned by the United Nations Economic Commission for Latin America (ECLA), in particular, encouraged less-industrialized countries and former European colonies to cease to rely on commodity exports and manufactured imports, which made for declining 'terms of trade', and to pursue state-led industrialization. The momentum behind economic change in Brazil, for example, already had shifted from the export of primary products to urban industries producing for the domestic market. Getúlio Vargas campaigned for the presidency in 1949 on the promise to 'transform into an industrial nation' a country 'paralysed by the myopia of rulers wedded to the existing monoculture and to the simple extraction of primary materials'.¹

Such promises challenged neo-classical trade theories that historically had justified Latin America's focus on exports. Although the US approach to overseas economic development in the late 1940s continued to preach the dogmas of comparative advantage and free trade, Americans had to recognize and take account of the yearning for self-reliant industrialization both in Latin America and elsewhere. 'If we want the raw materials,' confessed Staley, 'we had better encourage general development.'²

Differences of opinion existed within the US government about the long-term viability and desirability of industrialization in Latin America. Some New Dealers in the Truman administration, faithful to the loftier promises of the Good Neighbor policy, wanted the United States to promote manufacturing.³ Their critics wanted to discourage it: the United States should not feel obliged to help build a steel plant in every country that wanted one.⁴ Whatever their differences, US policy-makers agreed that Latin America needed improved transportation infrastructure, a view shared by the Latin Americans, who nevertheless were making their own plans. 'The inadequacy of transport is a refrain that runs through all discussions of economic problems in Brazil,' wrote George Wythe, chief of the American republics division of the department of commerce in 1949.⁵

Investment in infrastructure for the movement of raw materials to the coast was said also to remove 'bottlenecks' to local industrial development,

W. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge, 1960).

¹ G. Vargas, *A Campanha Presidencial* (Rio de Janeiro, 1951), p. 379.

² Staley, *Future*, p. 295.

³ See, e.g., Wythe, *Expanding Economy*.

⁴ See CFR, discussion meeting report, industrialization in Latin America, 17 March 1947, CFR, Records of Groups, xxi, 1946/1947.

⁵ *Ibid.*, p. 186.

enabling US officials and scholars to point, sincerely or not, to the mutuality of US and Latin American economic interests. ‘There is much more complementarity than conflict’, claimed Staley, ‘between the growing American need to get more raw materials from abroad and the interest of the underdeveloped countries in developing their industry and agriculture and achieving a rounded economic growth.’¹ Although specialization in one commodity might be undesirable, he elaborated, commodity exports were still the proper route to ‘general development’ for these countries.¹

These ideas, and the theories of resource-driven economic growth that evolved from them by the late 1950s, mistakenly conflated extraction with production by ignoring the unique spatial, physical, and market constraints on the former.² Specialized infrastructure in remote locations – an ore-carrying railroad leading from a mine to a port, for example – had little effect on general industrial development. Despite the rhetoric, US officials did not take up the cause of industrialization in Latin America. Their expressions of concern for the economic well-being of underdeveloped countries, echoed by European colonial officials, were merely an attempt to adapt to political changes in the Southern Hemisphere by severing the embarrassing link between investment in raw materials and colonial exploitation. ‘The solution’, as a recent history of the World Bank says of British colonial policy, ‘was to finesse the prickly distinction between economic and social objectives, and that between imperial self-interest and colonial welfare, by playing the “development card”.’³ Similarly, US officials assumed that to reconstruct the world economy they must preserve the division of labour between industrialized countries and their traditional suppliers of raw materials.

Point Four exemplified the division. Even if launched out of a mixture of altruism and self-interest, the latter proved stronger in the waning days of the Good Neighbor policy. Truman’s National Security Council saw the Technical Cooperation Administration (TCA), the administrative embodiment of Point Four, as a vehicle to ‘stimulate the development and production of strategic materials abroad’ without the ‘overt implication of a direct connection’ between the two.⁴ One secret TCA report to the president

¹ Staley, *Future*, p. 294. For similar formulations about development from this period, see R. F. Mikesell, *United States Economic Policy and International Relations* (New York, 1952), p. 330; E. S. Mason, ‘Raw Materials, Rearmament, and Economic Development’, *Quarterly Journal of Economics* (Aug. 1952), pp. 329–36.

² See S. G. Bunker, ‘Staples, Links, and Poles in the Construction of Regional Development Theories’, *Sociological Forum*, iv (1989), 589–611.

³ Kapur et al., *First Half Century*, p. 97.

⁴ Draft national security council study, 18 July 1951, *FRUS: 1951, i* (1977), 1654. For a discussion of how strategic considerations in Latin America prefigured Point Four, see C. E. Erb, ‘Prelude to Point Four: The Institute of Inter-American Affairs’, *Diplomatic History*, ix (1985), 249–69; Pollard, *Economic*

spoke in January 1952 of the need to develop power and transportation facilities in Latin America for 'pumping Latin America's mineral resources into our economic bloodstream'.¹ While Latin Americans identified economic development with state-directed, 'inward-looking' industrialization strategies,² US policy towards Latin America aimed at encouraging private investment in exports; Point Four merely tried to make the policy palatable to foreign countries by dressing it up in the ambiguous language of 'development'.³

Even so, Point Four failed to gain access to more foreign minerals. Mindful of Congress's resistance to foreign economic aid, Truman delayed asking for legislation until June 1949.⁴ Not until May 1950 did Congress pass Title IV of the Foreign Economic Assistance Act, and then appropriated only \$26.9 million, owing to opposition in the senate from neo-isolationists such as Robert Taft of Ohio, who mocked Point Four as a 'global WPA'.⁵ Many members of Congress, particularly those from western mining states, resisted the use of foreign aid to support the extraction of foreign minerals.⁶ As Dean Acheson later remarked acerbically on Truman's Point Four address, 'the hyperbole of the inaugural outran the provisions of the budget.'⁷

Point Four also rested on the mistaken assumption that technical aid programmes would precipitate US foreign investment. By the end of 1949, more officials within the national security establishment had begun to appreciate the urgency of state action in promoting investment in capital-intensive minerals extraction: large mining projects carry large fixed costs and long lead times. Before sinking huge sums into a project, mining corporations and their lenders and investors often sought generous concessions, infrastructural subsidies, and assurances about the projected market for the product. During a visit to Brazil in December 1948, the president of the US Steel Corporation, Benjamin Fairless, told US officials that his corporation was not willing to build railroads there, even though it might

Security, pp. 205-9.

¹ State dept., TCA, 'Report on the possibility of expanding production of strategic materials in Latin America by improving power and transportation facilities', 2 Jan. 1952 [Truman Library], Truman Papers, W[hite] H[ouse] C[entral] F[iles], C[onfidential] F[iles], box 42.

² See V. Bulmer-Thomas, *The Economic History of Latin America since Independence* (Cambridge, 1994), pp. 276-322.

³ See T. G. Paterson, 'Foreign Aid under Wraps: The Point Four Program', *Wisconsin Magazine of History*, lvi (Winter 1972-3), 125-6.

⁴ W. A. Brown, Jr. and R. Opie, *American Foreign Assistance* (Washington, 1953), pp. 388-99.

⁵ Quoted in Paterson, 'Foreign Aid', p. 122.

⁶ See House Subcommittee on Mines and Mining, *Strategic and Critical Minerals and Metals: Part 5: Stockpiling*, Hearings, 80th Cong., 2nd sess. (Washington, 1948).

⁷ D. Acheson, *Present at the Creation: My Years in the State Department* (New York, 1969), p. 351.

wish to buy what they might carry.¹ Restrictions on the repatriation of foreign earnings and the risk of expropriation, especially after the nationalization of the oil companies in Latin America in the late 1930s, also deterred foreign investment.²

With the IBRD hamstrung by the US capital markets, few other sources of capital were available for financing minerals extraction and its infrastructure. Latin American governments and capitalists lacked the money, machinery, and technical ability to undertake such projects on their own, and even if they found a way, they might not give exports precedence over domestic consumption. US commercial banks refrained from making large loans for mining abroad and the Eximbank lacked the lending power to make up the IBRD's deficiency. Congress had rejected the increase in lending authority requested by Truman in April 1948.

The Truman administration tried to find other ways to encourage overseas investment. As an enhancement to Point Four, Truman proposed in the summer of 1949 an 'experimental program' by the Eximbank offering guarantees against certain risks 'peculiar to foreign investment' as well as loans 'for the economic development of underdeveloped areas'. The department of the interior and the Munitions Board lobbied for funds to enable stockpiling authorities to enter into long-term contracts with foreign mineral producers. These proposals, however, also never made it through Congress in 1949.³

In addition to congressional opposition to foreign economic aid, the IBRD's preferences continued to stand in the way of US government lending. In January 1949, McCloy, in a long memorandum to Truman, claimed that if new credits were made available for development, they would 'supplant International Bank loans and would in all probability force the International Bank largely to curtail, or perhaps even to suspend, its operations'.⁴ McCloy blamed the IBRD's slow progress on the incompetence of foreign borrowers and their 'lack of well-prepared and well-planned projects ready for immediate execution'.⁵ As Arturo Escobar explains, 'Latin American social scientists did not know what World Bank officials

1 'News of Industry: South Africa Seen as Best Source for Strategic Manganese Ores', *The Iron Age* (16 Dec. 1948), p. 134.

2 See B. C. Netschert, 'Point Four and Mineral Raw Materials', *Annals of the Association of American Geographers*, xli (1951), 133-45.

3 Eximbank, *Ninth Semiannual Report to Congress* (1949), pp. 2-3; M. Weiner, 'The Lending Policies of the Export-Import Bank', 2 June 1952 [USNA], RG 275 [Records of the Export-Import Bank], S[ubject] F[iles] 1933-75, fo. IBRD and development and Eximbank; Forrestal to Bruce, 22 Jan. 1949 [USNA], RG 286 [Records of the] A[gency for] I[nternational] D[evelopment], ECA [Deputy Administrator for Operations], S[trategic] M[aterials] 1948-50, box 1.

4 Kraske, *Bankers*, pp. 64-5. McCloy quoted in Mason and Asher, *World Bank*, p. 498.

5 J. J. McCloy, 'The Lessons of the World Bank', *Foreign Affairs* (July 1949), p. 554.

meant by *project*, nor were they conversant with the new techniques (such as surveys and statistical analyses) that were becoming part of the empirical social sciences in vogue in the United States.¹ The IBRD's real problem was its failure to sell itself to the US capital markets. Nevertheless, McCloy promised that the bank would be fully able 'to finance all [the] development projects of its member countries which will be ready for financing in the next few years'.²

One project in particular strained relations between the two banks: a large manganese mine developed by the Bethlehem Steel Corporation in Brazil. In a joint venture with a Brazilian partner, Bethlehem Steel acquired in 1949 a fifty-year, low-royalty concession to extract a rich deposit in the Brazilian territory of Amapá, near the mouth of the Amazon River. In early 1950, the joint venture was in the process of securing a \$35 million loan from the IBRD, guaranteed by the Brazilian government, to finance the mine and the supporting infrastructure. The advantageous terms of the concession and Bethlehem Steel's willingness to provide a 'continuous market for manganese, even above world prices if necessary', made the project very attractive to the IBRD, which was having trouble finding 'bankable' projects around the world.³

State department and Munitions Board officials opposed the IBRD's participation in the Amapá mine. Claiming that the bank's 'usual, involved, rather tedious underwriting investigations' would delay the project for almost a year, they wanted to give the partnership 'wider latitude' to apply for loans to the US government.⁴ Furthermore, large-scale extraction, based on the most recent estimates, which state department officials hoped would produce enough ore not only for Bethlehem but also for other US steel-makers hungry for manganese, would demand more money for a railroad and a deep-water port than the IBRD could supply. An Eximbank loan would be approved more quickly, and both give Bethlehem better terms and US government agencies the right to supervise the project more closely with less interference from the Brazilian government.⁵ First, however, the Eximbank had to receive additional lending authority. Bethlehem Steel refused to provide itself the extra capital needed for the expanded

1 A. Escobar, *Encountering Development: The Making and Unmaking of the Third World* (Princeton, 1995), p. 86.

2 Quoted in Kraske, *Bankers*, p. 65.

3 Memo, White, 31 Oct. 1950 [USNA, RG 59, Records of the Department of State, Edward G.] Miller files, lot 53 D 26, S[ubject] F[iles], Bolivia-Brazil.

4 Clark to Johnson, 28 July 1950 [USNA, RG 59], S[tate] D[eartment] D[ecimal] F[ile], 832.2547/7-2850; Clark to Dickerson, Rio de Janeiro, 7 Aug. 1950, SDDF 832.2547/8-450.

5 Encl., 'Manganese Development in Brazil Proposed by US Steel Corporation and Bethlehem et al.', Atterberry to Stenger, 8 March 1949, SDDF 832.6359/3-1049; Johnson to Clark, tel., 21 July 1950, SDDF 832.2547/7-2150; O'Toole to Johnson, 21 Aug. 1951, SDDF 832.2547/9-2151.

version of the Amapá project,¹ partly because it feared that, if the Soviets lifted the embargo and exported manganese again, it might be left sitting on a 'white elephant'. Lastly, Bethlehem wondered whether state department opposition to the IBRD loan might jeopardize Brazil's approval of it, and with it the whole project.

* * *

The impasse over the Amapá mine, and foreign mineral development in general, was symptomatic of the larger crisis in US foreign policy caused by the shortage of capital in the world economy. Despite the Truman administration's innovative attempts to plug the dollar gap through the Truman Doctrine, the Marshall Plan, and Point Four aid, too few dollars had moved abroad by the end of 1949 to speed the recovery of the world's industrial economies and stimulate the extraction of minerals in underdeveloped areas. Thus, economic recession at home, the Soviets' explosion of an atomic device ending the US nuclear monopoly, and the triumph of the Chinese Communist revolution, in Dean Acheson's words, gave 'real urgency to the problem of the dollar gap'.²

The Truman administration chose massive rearmament as the most effective solution to the integrated problems of the dollar gap, global industrial recovery, national security, and the extraction of larger quantities of strategic minerals. In April 1950, Acheson and the chief of his policy planning staff, Paul Nitze – a former investment banker who had been chief of the Board of Economic Warfare's metals and minerals branch during the Second World War – drafted National Security Council document 68 (NSC-68), which called for a sweeping reorientation of US foreign policy and an increase in the annual military budget from \$13 billion to \$50 billion. As such a large sum would be difficult to pry out of a Congress antagonistic to economic aid, it was attributed to the need to contain Soviet expansionism. The Soviet-supported invasion of South Korea by North Korea in June 1950 provided the international emergency needed to implement NSC-68.

The military build-up during the Korean War generated a stream of defence and foreign aid appropriations, along with new administration initiatives for stimulating the export of strategic minerals from the underdeveloped world. On 28 July 1950, a few days after the invasion, the state department's chief of the Brazilian division, DuWayne Clark, wrote to the US ambassador at Rio de Janeiro, Herschel Johnson, to say that he had

¹ Bell to Frank, response to questions for the PMPC, 3 Aug. 1951 [USNA], RG 275, G[eneral] R[eference] F[iles], PMPC, box 11.

² Quoted in Borden, *Pacific Alliance*, p. 39.

witnessed a 'sudden flurry of planning around Washington and everyone is now earnestly thinking about strategic materials'.¹

The flurry led to the Defence Production Act (DPA), passed by Congress in September 1950. Based on studies prepared by the NSRB, the DPA granted broad powers to the president to set production priorities and prices, buy and sell strategic minerals for current use, and offer incentives and loans to expand industrial production.² After Chinese troops joined in the Korean conflict in late November, two new offices were created, the Office of Defence Mobilization and the Defence Production Administration, to carry out rapid mobilization through centralized planning and operations.³

As mobilization officials agreed that finding new supplies of minerals for the US steel industry was crucial to the long-range prospects for industrial mobilization and rearmament, the Eximbank asked the NAC in December 1950 to approve a \$1.5 billion increase in the bank's lending authority.⁴ The request originated in recommendations by the Report on Foreign Economic Policy – also known as the Gray Report, after its chief drafter, Gordon Gray, special assistant to the president and former assistant secretary of the army. Told by Truman to find ways to plug the dollar gap, Gray's committee answered in November 1950 that in this 'new phase of foreign economic relations', the acquisition of strategic minerals from underdeveloped regions was the key to both sustaining the US rearmament programme and strengthening Western Europe's industrial and defence capabilities. 'It is not enough simply to buy existing supplies,' the report advised; 'new capital must flow into the raw material producing countries to increase production.'⁵ Although the use of private capital was preferable, the Gray Report admitted that 'under present conditions a heavy reliance on public lending must be recognized as essential for an aggressive development program.'⁶

The state department and the Eximbank claimed that increased US lending had become more important than ever. In late December 1950, the bank's chairman, Herbert Gaston, told the NAC that he 'anticipated considerable new business ... most of which would be directly related to the

¹ Clark to Johnson, 28 July 1950, SDDF 832.2547/7-2850.

² R. Rowntree, 'Financial Assistance by the Export-Import Bank for the Production Abroad of Strategic Materials, 1 July 1950, to 30 June 1953', in US Senate, *Export-Import Bank and World Bank*, pp. 926-7.

³ Many NSRB staff and functions were transferred to the new agencies. The NSRB was eventually abolished in 1953.

⁴ NAC, minutes, meeting no. 168, 26 Dec. 1950, *FRUS: 1951*, i. 1580-1.

⁵ 'Report to the President on Foreign Economic Policies' (the Gray Report), *Department of State Bulletin* (27 Nov. 1950), pp. 847-9.

⁶ *Ibid.*, p. 849.

output of strategic materials'.¹ Even though the Eximbank still had over \$500 million in uncommitted funds, Gaston described an 'additional stand-by lending authority' as vital in the 'uncertain days ahead'.² In asking to raise the bank's ceiling from \$3.5 billion to \$5 billion, as the Gray Report recommended, Gaston told the NAC that 'the State Department had felt that the Bank needed to have additional funds because it was not clear as yet how strategic materials would be handled and a number of them, such as manganese in Brazil, would probably be the subject of Export-Import operations.'³ Gaston added that the bank was looking into projects for extracting manganese, cobalt, nickel, and sulphur; however, without the new lending authority, 'the difficulty of planning for the next two or several years accordingly appeared very great.'⁴

The NAC approved the recommendation to request from Congress the \$1.5 billion increase in lending authority, setting off a new round of protests from the IBRD. When the IBRD, with Snyder's support, began to fight the proposed expansion of the Eximbank's role in funding overseas development, Brazil's economic development programme became the chief arena of conflict in Latin America, not only between the two banks, but also between the state department and the treasury.

Proposed in the fall of 1950, the Joint Brazil-United States Economic Development Commission (JBUSEDCE) gave the TCA and the IBRD an opportunity to claim they were actually doing something about development. But Black (who succeeded McCloy in July 1949) warned that the IBRD would refuse to work with the commission if both the Eximbank's sphere of activity and the total amount of Brazil's dollar indebtedness were not limited. Black, who wanted the IBRD named as the exclusive agent for long-term lending in Brazil, insisted that Eximbank lending should be confined to short-term credits.⁵

Resenting the IBRD's 'bid for [a] monopolistic lending position in Brazil', state department officials worked to preserve a substantial role there for the Eximbank.⁶ In addition to its interest in the Amapá mine, the Eximbank was helping the US Steel Corporation with its plans for a large manganese mine in the state of Mato Grosso, just inside the border with Bolivia. US Steel's traditional source of manganese in Brazil – an old mine in the south-eastern state of Minas Gerais operated by a subsidiary since

¹ NAC, draft minutes of meetings no. 169, 28 Dec. 1950, *FRUS: 1951*, i. 1582.

² *Ibid.*, p. 1583.

³ NAC, draft minutes of meetings no. 168, 26 Dec. 1950, *FRUS: 1951*, i. 1581.

⁴ *Ibid.*, p. 1582.

⁵ Draft Agreement from Black, encl., Miller to Acheson, 30 Oct. 1950 and Miller, 'Brazil – Operating Spheres of Export-Import Bank and International Bank', to sec. state, 26 Oct. 1950, both in Miller files, lot file 53 D 26, SF, Bolivia-Brazil.

⁶ Stinebower to Thorp, 13 Dec. 1950, *FRUS: 1950*, ii (1976), 781.

1920 – was running out, lacked good transport, and its production had been earmarked by the Brazilian government for the use of the embryonic Brazilian steel industry. The Mato Grosso mine would require huge investments in either river transport or improvements to the Noroeste railroad, the latter of which fell under the jurisdiction of the Joint Commission.

While US Steel, like Bethlehem Steel, was wary of investing its own capital in the mine for fear that Soviet manganese ore should return to the world market, the project met thorny political problems as well as financial ones. Not least was a Brazilian law that required special approval from the Brazilian national security council for foreign investment within the 150-mile 'security zone' adjacent to an international border. Amidst all the uncertainty, however, the state department stood firmly behind the Eximbank as the guarantor of the US strategic interest.¹

The stand-off between the banks threatened US plans to obtain commitments on strategic minerals from the Latin American states at the Fourth Inter-American Conference of Foreign Ministers, which opened in Washington in late March 1951. Acheson, having called the meeting to persuade Latin Americans to mobilize troops for the Korean War, made special overtures before the conference to the newly re-elected Vargas, who had supported the United States during the Second World War.² Brazil held the key to the state department's hopes of procuring both more troops and demonstrations of inter-American solidarity with the United Nations. Its manganese was integral to US plans at the conference to 'obtain maximum co-operation from Latin America in increasing the production of strategic materials and expanding their flow into [the] defense program'.³

Sensing the opportunity to bargain with the Truman administration, Vargas and his foreign minister, João Neves da Fontoura, demanded 'economic reciprocity' in the form of credits for industrial development, guarantees that they would be allowed to import US machinery, and a higher price for coffee.⁴ They linked Brazil's co-operation with the United States on strategic minerals to funding a long-hoped-for programme through the Joint Commission.

When the assistant secretary of state, Edward G. Miller, travelled to Rio de Janeiro in early February to discuss these issues, a department brief

¹ Johnson to Harriman, 17 Sept. 1951, PMPC, FR5, box 125; Clark to Johnson, 26 July 1950, SDDF 832.2547/5-1150. For more on the US Steel project, see Priest, 'Strategies of Access', pp. 481-6, 506-12, 551-9.

² See F. D. McCann, Jr., *The Brazilian-American Alliance, 1937-45* (Princeton, 1973).

³ 'Economic Policy Paper', 12 Feb. 1951 [USNA], RC 43 [Records of International Conferences, Commissions, and Expositions, General Records of the US Delegation to the] 4th mtg. [of the Ministers of Foreign Affairs of the American States], box 2.

⁴ Fontoura to Vargas, 13 Jan. 1951, AGV; Fontoura to Johnson, 13 Jan. 1951, *FRUS: 1951*, ii. 1184-8.

prepared by the director of the office of regional American affairs, Ivan B. White, reminded him that US lending and minerals policies ought to 'go hand in hand in the field of the economic development of Brazil' and that the Eximbank should handle all 'essential transportation investment'. White added that Miller should be wary of agreeing to finance some of the industrialization projects Vargas was proposing, because they 'might turn out end products not exactly meeting our needs'.¹ Lacking the authority to make commitments on behalf of the banks, Miller gave neither ultimatum nor promise to the Brazilians. Neither did Neves da Fontoura to him. The two men only agreed on the general outlines of the Joint Commission.²

The state department's plan to use the Washington Conference as a public exhibition of hemispheric solidarity was marred by Brazil's albeit unsuccessful attempt to rewrite the script. The Americans planned to advance their strategic minerals and economic aid agenda through bilateral negotiations during the conference, confident that dealing with the Latin American countries one at a time would weaken their bargaining position and reduce the economic commitments that had to be given to the region as a whole. As Congress had yet to approve 1952's appropriation for Point Four programmes or for the increase in the Eximbank's lending authority, the US delegates were instructed to refrain 'from making or implying any commitment which we cannot fulfill'.³

At the plenary session on 26 March 1951, Truman asked the other states to give precedence to defence by postponing their plans for economic development. In response, Neves da Fontoura surprised and dismayed the US delegates by asking for US economic aid, on the grounds that economic development would be the most effective form of joint defence. As president of the conference's economic committee, Neves da Fontoura warned Latin Americans not to repeat 'the economic errors of World War II', when their wartime earnings were eroded by the post-war inflation hastened by the lifting of US price controls. To prevent this from happening again, he proposed periodic adjustments to commodity prices, a guaranteed supply of essential US capital goods, and more development and technical aid.⁴

Some American scholars interpret the incident as a conflict between the US focus on the present emergency and the Latin American focus on the future. According to Stanley Hilton, the Brazilians tried to turn the conference 'into a forum for advocacy of long-range economic development

¹ White to Miller, 31 Jan. 1951, Miller files, lot 53 D 26, SF Bolivia-Brazil.

² Fontoura to Vargas, 19, 21, 24 Feb. 1951, AGV.

³ Warren to Miller, 23 Jan. 1951, *FRUS: 1951*, ii. 934.

⁴ Minutes, inaugural session, 26 March 1951, RG 43, 4th mtg., box 2.

instead of rapid mobilization'.¹ In fact, the distinction between long term and short term is false. US proposals to develop Brazil's manganese deposits, for example, had less to do with rearmament than with the long-term supply of ore to US corporations. The mines, which would have a profound impact on Brazil's hinterland, would take years to develop and operate. At issue was not the postponement of economic development, but rather its shape and character.

As Brazilian scholars claim, the proceedings in Washington represented the diplomacy of unequal exchange.² Truman officials executed their 'divide-and-conquer' strategy by confining economic questions to bilateral negotiation. The tantalizing prospect of loans from the Eximbank and the IBRD and the United States's unassailable political position prevented any significant deviation from the script US officials had drafted. When other Latin American states hesitated openly to endorse Brazil's proposals, Neves da Fontoura withdrew them in order not to jeopardize the Joint Commission's funding. Officially, the conference produced only ambiguous resolutions, of which the key one both called for an increase in the production of strategic minerals and acknowledged Latin America's need for economic development programmes.³ 'Impeccably orthodox in general principle, conspicuously vague in detail', as one observer remarked.⁴

In talks near the end of the conference, US and Brazilian negotiators, stopping posturing, reached a series of provisional agreements. Although Neves da Fontoura turned down Acheson's request for Brazilian troops in Korea, he promised both to expedite the export of manganese ore and supply monazite sands (which contain thorium, a radioactive mineral from which uranium can be produced) to the United States. In return, the United States agreed to co-operate with Brazil's plans for petroleum development, to establish a Joint Group on Supply Problems at Rio de Janeiro to determine Brazil's needs for scarce equipment, and to hold talks on military co-operation. In separate discussions, the IBRD provisionally pledged to support the Joint Commission, Brazil's main objective at the conference. The bank gave a 'moral commitment' to meet the Joint Commission's foreign currency requirements up to \$300 million over the next

1 S. E. Hilton, 'The United States, Brazil, and the Cold War, 1945-60: End of the Special Relationship', *Journal of American History*, lxxviii (1981), 610; Weis, *Cold Warriors*, pp. 38-43.

2 See M. Bandeira, *Presença dos Estados Unidos no Brasil* (Rio de Janeiro, 1978), pp. 323-38; M. Hirst, *Ação e Pensamento de Política Externa Brasileira: O Segundo Governo Vargas* (Rio de Janeiro, 1982), pp. 22-9.

3 State dept., *Fourth Meeting of Consultation of Ministers of Foreign Affairs of the American States*, 26 March-7 April 1951 (Washington, 1953), conference resolutions xiii, xiv, xv, xvi, 74-5; unsigned summary of the 7th mtg. of the US delegation, members on committee III, state dept., 4 April 1951, *FRUS: 1951*, ii. 965-7.

4 Quoted in Rabe, 'Elusive Conference', p. 293.

five years, providing that Brazil submitted well-prepared projects and that its balance-of-payments position and 'creditworthiness' remained solid.¹

With the IBRD's commitment to the Joint Commission still tentative, the agreements with Brazil pushed Truman officials, who could not allow the conflict between the banks to continue without its jeopardizing US objectives, to clarify US lending policy towards Latin America. Thus, the NAC met several times during April to work out a relationship between the banks that left the government as much flexibility as possible.² Although the NAC staff gave the IBRD precedence in the field of development lending, they argued nonetheless that 'in the field of strategic material development the Export-Import Bank rather than the International Bank should assume primary responsibility, especially where materials were being developed for US procurement.'³

These meetings, attended by senior officials from state, treasury, and the Federal Reserve Board, were contentious. Black, who accused various government departments of conspiring to plan development on a global basis, claimed that development was a domestic, internal process that 'can't be exported'. The limited capacity of underdeveloped countries to repay, Black argued, must limit their burden of obligations. A multilateral agency like the IBRD was 'in a better position than the United States Government to impose conditions on external assistance'.⁴ In riposte, the Eximbank and the NAC staff committee defended the need for 'broad planning' by the government and pointed out that 'borrowing capacity is in part a function of the uses to which borrowed funds are put and such effects can be judged only in the light of specific projects or programs'.⁵ In their view, the overall debt-load or credit rating of a given country should not weigh so heavily in US lending policy as the IBRD would require.

During the next months, the NAC took steps that allowed the Eximbank to work to advance US strategic interests in the development field yet to co-exist with the IBRD. First, it officially designated the Eximbank 'as the exclusive loan agency for the procurement and development of foreign strategic materials'.⁶ In late May, Truman asked Congress to authorize an increase in the Eximbank's lending authority from \$3.5 billion to \$4.5 billion, 'in order that full use may be made of the opportunities for loans,

¹ Fontoura to Vargas, 1, 3, 5, 6 April 1951, AGV.

² NAC, minutes, mtg. 172, 17 April 1951, and minutes, mtg. 173, 20 April 1951, NAC, SF 1946-53, box 11, fo. roles of IBRD and Eximbank.

³ NAC, minutes, mtg. 172, *ibid.*; NAC doc. 1127, memo, NAC staff committee to NAC, 18 April 1951, *FRUS: 1951*, i. 1609-12.

⁴ NAC, doc. 1125, 17 April 1951, *FRUS: 1951*, i. 1605-7.

⁵ NAC, doc. 1122, 12 April 1951, *FRUS: 1951*, i. 1598.

⁶ NAC, minutes, mtg. 173, 20 April 1951, *FRUS: 1951*, i. 1615-19.

especially to develop strategic materials'.¹ Owing to the setbacks in Korea, Congress did not dare to refuse. Second, after delineating the operating spheres of the banks, in June 1951 the NAC removed the most palpable source of friction between them: differences in interest rates and lending terms. It forbade the Eximbank to offer low interest rates and generous amortization schedules, or to accept repayment in the form of minerals.

An agreement made in March 1951 between the treasury department and the Federal Reserve, which gave back primary control over monetary policy to the latter, bolstered the NAC's position. Sensitive to the needs of private banks, the Federal Reserve made fighting inflation its top priority, pushing up long-term government interest rates and bringing Eximbank rates more closely into line with the IBRD's.² Therefore, the NAC could both maintain the commercial character of Eximbank loans and uphold the US commitment to multilateral lending through the IBRD. Behind these arrangements lay the fear that foreign borrowers might try to play the banks off against one another to obtain better terms: 'With several agencies operating in the field and in different geographical areas,' one NAC staff memorandum pointed out, 'lack of standardized terms would likely lead toward the lowest common denominator of terms through pressure from foreign producers and charges of unfairness and discrimination as between foreign countries or geographical areas and individual producers.'³

Despite the new lending authority, however, the NAC still searched for alternatives to subsidized credit or generous terms from the Eximbank as a stimulus to the development of marginal sources of minerals or expensive projects, such as Bethlehem Steel's in Amapá. After much discussion, the NAC decided in June 1951 that US procurement and stockpiling agencies could provide the stimulus by committing themselves to absorb minerals produced in excess of industry demand. In other words, the agencies would provide a guaranteed market.⁴ In August, Truman, by Executive Order No. 10281, set up a Defence Materials Procurement Agency

¹ Arey, 'Export-Import Bank', pp. 113-15.

² Frieden, *Banking*, p. 75. On 12 June 1951, Eximbank minimum rates were raised from 3.5% to 4% for public borrowers, and to 5% for private borrowers. The IBRD, which loaned only to governments or on government guarantees, charged 4.5%. NAC action 470, NAC 1151, mtg. 178, 12 June 1951, NAC, SF 1946-53, box 7, fo. Export-Import Bank; NAC, 'Financial Terms and Conditions for Facilitating Foreign Production of Critical Materials', 24 May 1951, NAC, SF 1946-53, fo. roles of the Eximbank and World Bank.

³ NAC, 'Financial Terms and Conditions', 24 May 1951, NAC, SF 1946-53, fo. roles of the Eximbank and World Bank. Also see R. Rowntree, 'Financial Assistance by the Export-Import Bank for the Production Abroad of Essential and Strategic Materials', in US Senate, *Export-Import Bank and World Bank*, p. 926.

⁴ NAC, minutes, mtg. 176, 16 May 1951, NAC, SF 1946-53, box 11, fo. roles of IBRD and Eximbank; action 470, NAC doc. 1151 and minutes, mtg. 178, 12 June 1951, NAC, SF 1946-53, box 11, fo. Export-Import Bank.

(DMPA) with the power 'to purchase and to promote expansion of production capacity of certain materials' and guarantee those purchases through the issuing of 'certificates of essentiality'.¹ Thus, the Eximbank could provide hidden subsidies for individual projects through guaranteeing sales of minerals to the US government, while offering standard interest rates similar to the IBRD's.²

These decisions mark a breakthrough in US lending policy. They preserved the versatility of the Eximbank to deal individually with critical minerals projects, while at the same time, by bringing the Eximbank's lending terms more in line with the IBRD's, they smoothed over the tensions between the two and demarcated their spheres of operation in Brazil. The Eximbank took control of strategic minerals projects and yielded to the IBRD the work of the Joint Commission. In July, the commission was officially installed, with a seconded IBRD official as chairman. The same month, Brazil's national security council approved US Steel's participation in the Mato Grosso manganese mine and, a few months later, Black and Vargas allowed the Eximbank to take over from the IBRD as lender for the all-important mine in Amapá.³ The fact that both US steel corporations had taken on Brazilian partners entitled to an equal share in the profits appeased the increasingly nationalistic Vargas administration. At last, Truman officials had clarified US lending policy, worked out financing for the manganese projects, and eased the diplomatic strains between the United States and Brazil over development aid.

Not everything went as planned, however. Once the Truman administration had reached its main objectives in Brazil, it left the Vargas government largely to rely on the IBRD to fund the Joint Commission's agenda, which focused on infrastructure and power projects relatively less important to the strategic interests of the United States.⁴ Before most of the projects could be financed, Brazil underwent in the latter half of 1951 a severe balance-of-payments crisis. Attacking foreign corporations for 'bleeding' Brazil by sending their profits abroad, in December Vargas set a limit to them and introduced legislation setting up a state oil monopoly, which alarmed both the IBRD and some US corporations operating in Brazil.

Throughout 1952, the bank responded by demanding that Brazil pass

¹ Rowntree, 'Financial Assistance', pp. 928-9.

² Action 470, NAC doc. 1151, and minutes, mtg. 178, 12 June 1951, NAC, SF 1946-53, box 11, fo. Export-Import Bank.

³ Johnson to Acheson, 28 July 1951, SDDF 832.2547/7-2851; encl. Kidder to Miller, 30 Jan. 1952, SDDF 832.2547/1-2252. For more detail, see Priest, 'Strategies of Access', pp. 541-2.

⁴ Memo, O'Toole, 3 March 1953, SDDF 832.2547/3-353; World Bank, *The World Bank and the IDA in the Americas: A Summary of Activities* (Washington, 1962), pp. 15-17; report of Joint Brazil-United States Economic Development Commission, *The Development of Brazil* (Washington, 1954).

legislation providing for free market exchange, open the oil industry to foreign investment, and reorganize the management of the state-owned railroads. As Brazil failed to meet these demands, the IBRD withheld funding for most of the Joint Commission's projects. In May 1953, the new US president, Dwight D. Eisenhower, withdrew US support from the commission.¹

Meanwhile, the Eximbank plunged aggressively into financing minerals extraction and infrastructure development in Brazil and elsewhere in Latin America. It approved a \$67.5 million loan for Bethlehem Steel's manganese project in Amapá and \$30 million for US Steel's in Mato Grosso. Between 1950 and 1952, the bank authorized loans worth \$288 million (of which Latin America's share was \$164 million) for expanding the production of cobalt, iron ore, manganese, copper, nickel, tungsten, uranium, zinc, and sulphur. Many of the credits financed the transport facilities required for the extraction of minerals in remote areas,² of which some ended up in the US stockpile (administered by the General Services Administration and the Munitions Board), most of the others consumed by US corporations. Between January 1952 and June 1953, 'certificates of essentiality' issued by the DMPA accounted for an additional \$57 million.³

During this period, Eximbank lending shaped economic development in Latin America to suit US needs. As one economist testified before the senate Committee on Banking and Currency, Eximbank infrastructure loans were necessary to 'give the United States some influence on the pattern of development abroad, i.e., encouragement of agriculture and raw material production as compared with inefficient pursuits such as public buildings, memorials, coliseums, etc.'⁴ Latin American governments accepted whatever financing they could obtain from the Eximbank, no matter how it was rationed. Although the bank's main business focused on strategic minerals, it also made other types of loans, credits to exporters and to cover balance-of-payments deficits, or justified for 'political' purposes.⁵ The bank even stepped in to finance a few of the smaller of the Joint Commission's projects to prevent it from becoming too big a political liability as its

1 See state dept. documents in *FRUS: 1952-4*, iv (1986), 595-605; 'Termination of Joint Commission', 20 May 1953, SDDF 832.00-TA/5-2053; Weis, *Cold Warriors*, pp. 48-56.

2 Memo, 'Brazilian Manganese Development', 18 Aug. 1950, SDDF 832.2547/8-1850. For a breakdown of Eximbank loans by country and by commodity, see W. D. Whitmore, 'A Review of Outstanding Loans of the Export-Import Bank', in US Senate, *Export-Import Bank and World Bank*, pp. 933, 936-7, 973.

3 Whitmore, 'Review', pp. 929-30.

4 J. N. Behrman, 'Toward a Foreign Lending Policy in the National Interest', in US Senate, *Export-Import Bank and World Bank*, p. 1193.

5 Memo, sec. of the NAC, basic policy governing extension of Export-Import Bank credits, 10 June 1953, RG 56, OASIA [files], box 48, fo. Eximbank lending policy.

programme crumbled. Lastly, as Brazil's balance-of-payments crisis approached, the bank made the government an emergency short-term loan of \$300 million in February 1953 to liquidate the arrears in its payments to its US creditors.¹ Unless normal trade were maintained between the two countries, development projects which relied on equipment imported from the United States would come to a standstill.

The 'bailout' loan reignited the smouldering hostility of the IBRD towards the Eximbank. IBRD officials no longer regarded the Eximbank as a threat to their own bank's very existence, but they were annoyed that it had undermined their efforts to reform macroeconomic policy-making in Brazil and they took advantage of the change in administrations in January 1953 to press for limitations on the range of its activities. At their request, Eisenhower and his isolationist and anti-statist secretary of the treasury, George Humphrey, who struck a 'trade not aid' pose in foreign economic policy, reorganized the Eximbank, reducing its influence over policy and confining it to short-term commercial lending. After 1953, Eximbank lending to Latin America declined so steeply that, during 1954 and 1955, a net outflow of funds to the bank from Latin America occurred in the form of loan repayments.²

* * *

In accounting for the change in the US approach to foreign development under Eisenhower, scholars often overlook one crucial fact. By this time, the Eximbank had fulfilled its mission to generate a new cycle of strategic minerals development abroad. New areas of the world had been explored, new mineral deposits discovered, new projects undertaken. The abundance was owed in good measure to Eximbank lending and to a wave of US foreign investment in the early cold war years, fuelled by the global pump-priming of US overseas military and economic expenditures. At the end of the Korean War, as the dollar gap closed and the urgency to develop foreign minerals subsided, Eisenhower reoriented stockpiling towards domestic producers.³ But for lessening fears about a shortage of foreign strategic minerals, the withdrawal of the Eximbank from the development field would not have happened so rapidly.

The US policy shift and abandonment of the Joint Commission, after the Truman administration had used it as a bargaining chip to leverage US

¹ See H. Gonzalez, 'A Latin American View of the Making of Public Policy at Export-Import Bank', *Inter-American Economic Affairs*, xi (1957), 3; Arey, 'Export-Import Bank', pp. 92-102, 125, 129.

² See B. I. Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-61* (Baltimore, 1982), pp. 29-33; R. H. Wagner, *United States Policy toward Latin America: A Study in Domestic and International Politics* (Stanford, 1970), pp. 111-17; Hanson, 'Development Financing for Latin America: The Failure of the Exim Bank', *Inter-American Economic Affairs*, ii (Winter 1957), 71-86.

³ Snyder, *Stockpiling*, pp. 189-237.

access to strategic minerals, caused resentment in Brazil. The commission's chairman, Merwin Bohan, reported in January 1953 that the Brazilians had become 'perplexed and a little angry that [they] had been unable to get a seat on what it considered a gravy train that had carried uncounted millions in grant aid to all quarters of the globe except [their] own'.¹ Latin America became the only major region of the capitalist world not covered by a US aid plan and, naturally enough, political relations between Brazil and the United States went sour. Vargas charted a more 'independent' nationalist course for the country; staked out foreign policy positions less submissive to the United States; created the state oil monopoly; and used state intervention – multiple exchange rates, protective tariffs, and import licences – to promote domestic industrial development.² As anti-Americanism and Communism flourished throughout Latin America during the 1950s, and as alternative conceptions of development took hold in the emerging third world, Brazilian nationalists and leftists denounced the participation of US corporations such as US Steel and Bethlehem Steel in developing Brazil's natural resources.³

Although Brazil's traditionally friendly relations with the United States suffered during the 1950s, the United States retained influence in Brazil and a hand in economic developments there. Military aid under the new US Mutual Security programme, and the training of a generation of officers at the US-sponsored Escola Superior de Guerra (Superior War College), ensured the allegiance to the United States of powerful political élites. Furthermore, the Brazilian government, despite its rhetoric, still accepted US investment. The so-called 'nationalist' drive by President Juscelino Kubitschek (1956-61) to achieve 'fifty years of progress in five' depended on 'gentlemen's agreements' with foreign capital through tariff-hopping investment in the south-east industrial centres, as well as the encouragement of mining in the less-populated hinterland.⁴ In January 1957, Kubitschek himself pushed the button that began the loading of the first ship to export manganese from Bethlehem Steel's joint venture in Amapá,⁵

¹ Bohan to Mann, 29 Jan. 1953, SDDF 732.5/1-2953.

² On the origins of Brazil's 'independent' foreign policy, see Weis, *Cold Warriors*, pp. 89-139. On Brazilian industrial strategy in the 1950s and 1960s, see N. Leff, *Economic Policy-Making and Development in Brazil, 1947-64* (New York, 1968); P. Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton, 1979).

³ See A. da Cunha, *Quem Explorou Quem no Contrato do Manganês do Amapá* (Macapá, 1962); 'A política do manganês e o Sr Ricardo Jafet', *Correio da Manhã* (7 March 1951), p. 1; Sociedade de Intercâmbio Cultural e Estudos Geológicos, *Semana de Estudos Geológicos e Econômicos do Quadrilátero Ferrífero*, 18-23 Oct. 1960, no. 1-1961, Minérios de Ferro e Manganês (Ouro Preto, 1961).

⁴ B. K. Becker and C. A. G. Egler, *Brazil: A New Regional Power in the World-Economy* (Cambridge, 1992), pp. 72-81; Evans, *Dependent Development*; S. G. Bunker, *Underdeveloping the Amazon: Extraction, Unequal Exchange, and the Failure of the Modern State* (Chicago, 1985).

⁵ 'Inauguração do Pôrto de Minérios no Amapá', *Correio da Manhã* (6 Jan. 1957), p. 11.

which became one of the largest and most profitable mines in the world. It exported many millions of tons of ore during thirty-five years of continuous operation before shutting down in 1992, leaving the state of Amapá with massive holes in the ground, idled infrastructure, and poverty. US Steel did not, in the event, use its Eximbank loan for the Mato Grosso mine, choosing instead to develop a large deposit in the jungles of Gabon financed by the IBRD. A decade later, however, the corporation discovered and developed the largest iron ore mine in the world in the Brazilian state of Pará, another mega extractive project in the Amazon spuriously promoted as a harbinger of industrialization.¹

Beginning with the Eisenhower administration, US foreign policy relied more heavily on the IBRD to manage economic affairs in the underdeveloped world. During the 1950s, the bank broadened its investor base and upgraded its credit rating, thanks to conservative banking practices and successful lobbying for legislation that liberalized the marketing of the bank's bonds in the United States.² It began to issue more bonds in other currencies and lend increasingly to other parts of the third world. The IBRD also adopted a more flexible organizational structure, divorcing judgements about the technical merits of 'specific projects' from broader macroeconomic assessments of given countries. Two other multilateral agencies, the International Finance Corporation (IFC) in 1956 and the International Development Association (IDA) in 1960, made money more easily available to developing countries. Combined with the IBRD, they became known as the World Bank Group.³

Under pressure from US exporters in 1955, Eisenhower's NAC returned the Eximbank to long-term development lending, but on a relatively limited scale. By this time, the IBRD had established a strong enough financial footing and the needs of the underdeveloped world had grown to such an extent that there was more than enough room for both banks. US lending policy, nevertheless, gave the Eximbank a subordinate, supplementary role to the World Bank Group. Although the United States controlled over thirty per cent of the World Bank's votes and its presidents were always Americans, the bank's multilateral character enabled US administrations to avert domestic opposition to foreign aid and deflect the frustrations of recipient countries burdened by onerous lending conditions.⁴

¹ See B. A. Santos, *Amazônia: Potencial Mineral e Perspectivas de Desenvolvimento* (São Paulo, 1983); O. Valverde, *Grande Carajás: Planejamento da Destruição* (São Paulo, 1989).

² IBRD, *The International Bank for Reconstruction and Development, 1946-53* (Baltimore, 1954), pp. 101-3; Kapur et al., *First Half Century*, pp. 916-25.

³ Mason and Asher, *World Bank*, pp. 74-82, 192; Payer, *Critical Analysis*, pp. 87-115.

⁴ Mason and Asher, *World Bank*, pp. 503-3; Kolko, *Confronting*, pp. 120-2.

Still solicitous of investors, the IBRD continued to finance only 'credit-worthy' projects; it found most merit in 'self-liquidating' ones, that is, those that contributed to the development of minerals' exports which earned the foreign exchange needed for prompt repayment.¹ During Black's presidency, lending for health, education, or the alleviation of poverty was virtually non-existent. Nearly two-thirds of IBRD loans financed railways, ports, dams, and roads around the world that prepared the way for investment in primary products.²

The bank usually presented infrastructure projects to debtor countries as essential groundwork for private investment in industrial enterprises. One IBRD official candidly admitted that promoting projects in this way was important to addressing the fears felt by developing countries that commodity exports would 'maintain the quasi colonial status of their economy and keep them permanently dependent on the vagaries and exigencies of the foreign demand for their product over which they have no control'.³ These fears were enduring and well founded. The new institutional arrangements under US hegemony maintained economic inequalities in the capitalist world system between the producers and consumers of raw materials, and punished countries that did not play by the rules of the game.⁴ The World Bank hardly lent any money to Brazil after the dissolution of the JBUSEDC, until a right-wing military coup overturned in 1964 a left-leaning, democratically elected government. The new regime adopted more orthodox economic policies, and welcomed greater foreign investment; Brazil subsequently became one of the World Bank's largest clients.

* * *

During the early cold war, US and Latin American governments contested the meaning of economic development in the Western Hemisphere. The struggle between the two leading institutions for financing development in Latin America, however, was not over contested objectives. When both the Eximbank and the IBRD talked of development, they meant the export of raw materials; the difference between them boiled down to the competing tactical preferences of the US international banking community and the US

1 IBRD, brief description of the materials development loans which have been made (1952), PMPC, FRS, box 125, fo. projects – International Bank role in foreign materials development.

2 Kolko, *Confronting*, p. 120; D. Hilling, *Transport and Developing Countries* (London, 1996), p. 9; IBRD, brief description, PMPC, FRS, box 125, fo. projects – International Bank role in foreign materials development; PMPC, *Resources for Freedom*, pp. 116-18.

3 IBRD, brief description, PMPC, FRS, box 125, fo. projects – International Bank role in foreign materials development.

4 See *Fifty Years Is Enough: The Case against the World Bank and the International Monetary Fund*, ed. K. Danaher (Boston, 1994).

national security state when lending money to capital-starved areas of the world. Whereas the Eximbank focused on the overseas minerals required by US corporations, the IBRD had a larger global mission; the intrusion of the Eximbank into Latin America created a barrier to a new multilateral system of international credit. Truman's National Advisory Council addressed this dilemma by securing an increase in lending authority for the Eximbank as a part of the Korean War defence mobilization and by improvising an arrangement between the banks. Eximbank lending to Latin America facilitated US access to strategic minerals and maintained the viability of multilateral lending until the IBRD was better prepared, financially and organizationally, to bank on development in the underdeveloped world.

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