

(b)(1)  
(b)(3)  
(S)

~~SECRET~~

COPY NO. 74

OCI NO. 0409/62

23 March 1962

# CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~SECRET~~

APPROVED FOR RELEASE  
DATE: DEC 2000

35-12852

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

BRAZIL'S SIX MONTHS UNDER GOULART

Joao Goulart, who is scheduled to visit Washington on 3 April, has retained most of the authority theoretically transferred to a prime minister by the constitutional amendment passed last September when he succeeded to the presidency after Quadros resigned. Tancredo Neves, who became prime minister after the Brazilian congress adopted a parliamentary system of government to conciliate military opposition to Goulart's leftist tendencies, has not exercised the power conferred on this office.

At the same time, however, Goulart appears to have had no clear idea of what to attempt as president, beyond taking office and maintaining as much political patronage as possible. In his many years as political protegé of former dictator Getulio Vargas and as vice president under Kubitschek and Quadros, he had never really concerned himself with questions of national policy. In Goulart's first months in the presidency, the Chamber of Deputies passed a profits-remittance bill in effect excluding new foreign investment from the country, and the Senate initiated action to emasculate SUDENE, the organization established for the economic development of the potentially explosive northeast. Goulart, possibly because of his uncertain political position, took no action. In December he gave his active support to the pro-Communist slate which won the national labor confederation elections.

A steady rise in public criticism of the leftist tendencies of his presidency apparently caused Goulart to change his tack later in the month and

throw his influence against a threatened general strike in Sao Paulo. Public opinion also caused swift passage of SUDENE's master plan and first-year appropriations, despite the senators' opposition to the organization.

Goulart's efforts early this year to reassure the more conservative elements of the country appear to have had considerable success. In mid-January he met with representatives of the Commercial Association of Rio de Janeiro and listened to a presentation of their concern over Communist infiltration throughout the country. Subsequently, although Goulart had apparently only listened, the association president reported favorably on the meeting, calling Goulart "a man of the center."

Goulart also engaged in apparently effective conciliation talks with opposition governors in the states of Sao Paulo, Parana, and Rio Grande do Norte. On 21 February he received what was generally interpreted in Brazil as a display of growing military support for his administration when only about five of 81 general officers failed to appear at the celebration of an armed forces holiday. In recent weeks numerous influential Brazilians of pro-American and anti-Communist stamp have expressed the conviction that Goulart is resolved to pursue a domestic policy along moderate, progressive lines and an increasingly pro-American foreign policy. Goulart recently told a high-ranking Brazilian Foreign Ministry official that it was easy and even popular to be anti-American when he had no responsibilities, but that as President

~~SECRET~~

## CURRENT INTELLIGENCE WEEKLY SUMMARY

he knows it is essential to the country's future to work with the United States.

During this same period, however, Goulart insisted on meeting with Cuban President Dorticos immediately prior to the Punta del Este conference, gave no sign of breaking with his pro-Communist labor allies, and replaced an anti-Communist with a neutralist as head of Brazil's politically important petroleum monopoly, Petrobras. Moreover, Goulart has taken no action against Communists in the governmental structure.

#### The Return of Quadros

Quadros' return to Brazil on 7 March has been generally interpreted as a challenge to Goulart. Quadros apparently hopes next October to win election to congress--or a key governorship--and then to become prime minister, but his long-awaited television address on 15 March was widely appraised as meaningless bombast and evoked little favorable response.

Quadros, however, has on previous occasions recovered completely from seeming political oblivion, and for this reason open opposition to him in Brazil is likely to be restrained. In a campaign for federal deputy--which he would almost certainly win because of the proportional representation system--he may generate considerable support from continuing opponents of the regime and from those who support the belief--widely attributed to Quadros--that Brazil needs a dictatorship.

#### Status of Parliamentary System

The failure thus far of parliamentary government to

take firm root was highlighted on 15 March by President Goulart's public request to congress to hold a national plebiscite on whether to continue the system. Goulart almost certainly conceived his request as an effort to blunt Quadros' effort to become prime minister.

If prospects appear favorable for continuing the parliamentary system, the entire cabinet may resign soon, since, according to the constitution, cabinet ministers may not run for congress unless they resign at least three months prior to elections. Most of the incumbent ministers were chosen because they held seats in the Chamber of Deputies, and they can be expected to seek reelection even if their resignations threaten the country's political stability.

Under the parliamentary system, elections to the lower house will be harder fought than previously, since this house is the source from which ministers are most likely to come and is the body with power to oust the Council of Ministers. Gains in popularity made by leftist nationalist forces in Brazil in recent years could be reflected in a substantial increase and possible control by this element.

#### Foreign Relations

The Goulart government, like that of Quadros, seeks to appeal to Brazilian nationalism by demonstrating that its foreign policy is independent of US policy. Formulation of specific policies appears to be in the hands of Foreign Minister San Tiago Dantas--in the 1930s a high official of Brazil's fascist Integralista party and more recently the intellectual leader of the leftist Labor party. The regime has not

CURRENT INTELLIGENCE WEEKLY SUMMARY

indulged in the petty sporadic anti-US activities of the Quadros government, but neither is it interested in reasserting Brazil's traditional claim to be the best friend of the United States in Latin America. At the Punta del Este conference, Foreign Minister Dantas took the most pro-Castro position of any chief delegate. Dantas now is heading Brazil's delegation to the 17-nation disarmament conference in Geneva and appears inclined to take a more neutralist position than Mexico, the only other Latin American country at the conference.

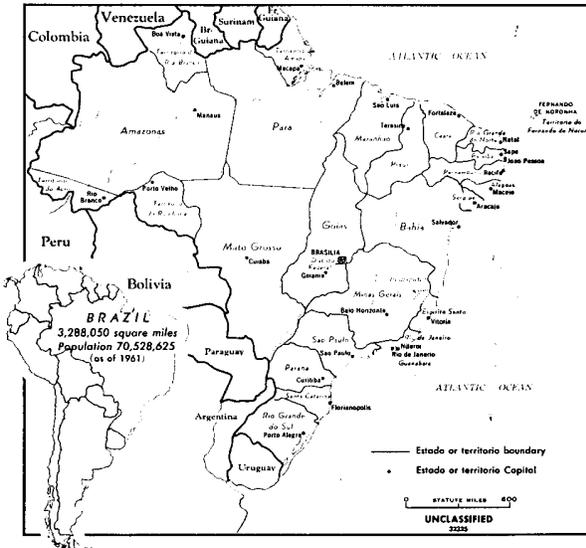
The Goulart government has continued Quadros' policy of developing closer relations with the Sino-Soviet bloc. Quadros had added to Brazilian representation in Eastern Europe--previously confined to Czechoslovakia and Poland--by establishing relations with Rumania, Bulgaria, Hungary, and Albania. He had also initiated diplomatic negotiations with the USSR and trade negotiations with Communist China. The Goulart regime re-established relations with the USSR last November and ratified a banking and payments agreement with Communist China in December. A Soviet industrial exposition is scheduled for Brazil in May, and a Chinese Communist exposition is to take place in August. Soviet First Deputy Premier Mikoyan is reported planning to attend the May exposition and may offer Brazil large-scale economic aid at that time.

Gubernatorial Autonomy

Individual Brazilian states have considerable autonomy, and recent activities of several governors have further reflected the nationalist pressures

affecting foreign policy in Brazil. Governor Brizola of Rio Grande do Sul, for example, on 27 February advocated the expropriation of all foreign enterprises in Brazil, including banks. He announced preparations for seizing a local subsidiary of an American-owned power company. The governor took over a subsidiary of International Telephone and Telegraph Corporation earlier in February, and in May 1959 he seized the American and Foreign Power outlet in his state capital.

The governor may have timed these moves to embarrass President Goulart, his political rival and brother-in-law, prior to Goulart's visit to the United States. Brizola, however, is also seeking to build his national political reputation by exploiting widespread Brazilian dislike for foreign ownership of utilities. He hopes to win election as federal deputy in October and then to be chosen prime minister.



~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

The problem of foreign utilities is highlighted by the repeated suggestion of Parana Governor Braga--a political moderate--to American officials that one of the greatest steps the US Government could take to promote better relations would be to facilitate the sale of US privately owned public utilities to local authorities. Pernambuco Governor Sampaio and Rio Grande do Norte Governor Alves--members of the generally conservative National Democratic Union--are reported preparing to take early action against foreign-owned utilities in their states.

Governors also show their autonomy by negotiating independently for economic aid from foreign countries. Brizola, for example, has been negotiating with the East Germans for assistance with the telephone system of his state; Alves has negotiated with Polish representatives for industrial equipment; and Governor Aurelio do Carmo of Para visited Czechoslovakia in 1961 and appears to have secured a credit of at least \$5,000,000.

The Land Reform Issue

The land reform problem is becoming an increasingly acute political issue. It has already resulted in small-scale violence and may cause serious outbreaks, in view of reported arms distribution to peasant groups both in the northeast and in Rio Grande do Sul. The diversity of agricultural conditions in Brazil seems likely to delay enactment of any effective national agrarian reform

while stimulating action by individual states. Sao Paulo already has full-scale legislation on the problem, and in several other states some distribution of state lands and colonization is programed.

In a more demagogic approach to land reform, Brizola has encouraged landless farmers to seize two tracts of land--one belonging to private Uruguayans and one largely state-owned. Brizola and Goulart both own vast tracts of land. In his political exploitation of the land question, Brizola has encouraged the organization of peasant leagues on the model of those formed in the Brazilian northeast over the past two years by pro-Castro Francisco Juliao.

While peasant leagues now exist in most Brazilian states, most of them are in the key northeastern state of Pernambuco, where they have a total membership of about 20,000. The most active league in the northeast, however, and the one reported most likely to resort to violence is in Sape, in the state of Paraiba. It has a membership of 5,000 and apparently forms a nucleus of opposition to the local government dominated by the National Democratic Union.

Orthodox Communists have expressed some disapproval of Juliao because he advocates more violence than the party wants at this time when it is seeking legality. The expulsion in late 1961 from the Communist party of high-level popular members who advocate

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

a more revolutionary line and who, with Juliao, are sympathetic to Chinese Communist methods has resulted in the formation of a dissident Communist group. The dissidents may provide ideological and financial support for peasant agitation.

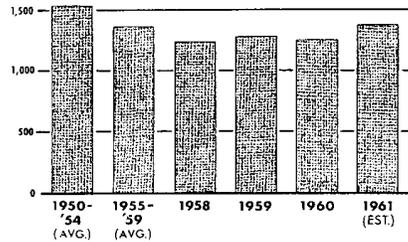
Economic Disequilibrium

Brazil has for some years faced fundamental economic disequilibrium in its balance of payments as well as an erratic but rapid rise in the cost of living which contributes to political tensions. The balance of payments problem arises from the failure of export revenues to rise sufficiently over the past ten years, while gross national production has increased about 8 percent annually and has been reflected in an increasing demand for imports.

Under both Quadros and Goulart, the Brazilian Government has attempted to increase exports, find substitutes for imports, and expand net receipts from foreign loans. In all three aspects of its effort to improve its balance of payments, Brazil under Quadros and now under Goulart has sought help both from free world and from Communist bloc countries.

Brazil's effort during 1961 to expand exports--which included a slight rise in trade with the bloc--resulted in an 8-percent expansion of receipts. The export products that showed better than average increases were sugar, iron ore, cotton, tobacco, meat, castor-seed oil,

VALUE OF BRAZILIAN EXPORTS  
(MILLION DOLLARS F.O.B.)



67 0320 2A UNCLASSIFIED

menthol, and miscellaneous products (which include the rapidly growing manufactured goods exports).

Petroleum is the single commodity which figures largest in Brazil's imports. The substitution of domestic production for petroleum imports would contribute greatly toward a solution of the balance of payments difficulty. Petroleum imports amount to \$250,000,000 annually--one sixth of the cost of Brazil's total commodity imports. Even at this cost, the Brazilian military reportedly found supplies of petroleum inadequate for their operations during the political-military crisis of 1961. Some high officials now are considering exploitation of the country's large reserves of oil-bearing shale, possibly with US or Soviet assistance. Such a program, if it promised to be successful, would have strong support from political and military leaders who have long opposed dependence on foreign sources of oil.

Brazil's efforts to expand its foreign borrowing met with considerable success in 1961, largely because of assistance arranged in May 1961 and subsequently from the International Monetary Fund, US agencies, and European creditors. Despite improvement in 1961 over 1960, Brazil's foreign exchange shortage is still critical, since export revenues barely equal the cost of imports, and debt repayment in the next few years may come to 15 or 20 percent of export receipts.

