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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

9 March 1953

SUBJECT: TERMS OF REFERENCE: NIE-96: PROBABLE DEVELOPMENTS
IN BRAZIL (Draft for Board Consideration)

THE PROBLEM

To estimate the current situation in Brazil and probable developments through mid-1954.

QUESTIONS BEARING ON THE PROBLEM

I. INTRODUCTION

What is the background of the present situation in Brazil?

A. What was the Brazilian Situation at the beginning of the present Vargas Regime in 1951?

1. As a result of the previous Vargas regime (1930-45) and that of Dutra (1946-51):

a. Where was the locus of political power in 1951?

b. What was the economic situation?

c. What was the military situation?

d. What was the situation with respect to foreign policy?

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B. What forces were involved in the election of Vargas in 1951?

1. What political groups supported and opposed his election?
2. What economic groups supported and opposed his election?
3. What was the attitude of the military toward the election?

C. How has Brazil been affected by the present Vargas regime?

1. Have there been any political changes? Has there been a shift of political control to a new group or groups?
2. Has the economy been affected?
3. Have there been basic social changes?
 - a. To what extent has Vargas fulfilled his promise to establish a "laboristic" state?
4. What changes have there been in the military?
 - a. Has Vargas enhanced the position of the military?
5. Have there been any changes in Brazilian foreign policy?
 - a. Has there been an increase in Brazilian nationalism?

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- b. Have Brazil's relations with the U. S. been affected?
- c. Have Brazil's relations with other Latin American nations been affected?

II. PRESENT SITUATION

A. Economic

1. What are the present economic difficulties and how serious are they?
2. What are the causes of these difficulties? Transportation and distribution crisis? Neglect of agriculture? Inflation? Failure to attract foreign capital? Lack of foreign exchange? Failure to promote immigration and colonization?
3. How significant is the Lafer Plan for economic development of the nation?
4. To what extent is Petrobaz having success in development of Brazil's petroleum resources?
5. What are the international consequences of the Brazilian economic situation?
 - a. Balance of Payments difficulties, especially with USA and Germany?
 - b. Trend away from trade with USA toward Europe?
 - c. Increasing dependence for development on International and Export-Import Bank loans obtained via Joint Brazil-US Economic Development Commission?

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- d. Availability to US of vital strategic materials;
e.g., manganese.

B. Political.

1. In what groups is political power concentrated at present?
 - a. What groups support Vargas? Do these groups represent genuine national interests or the traditional regional and clan interests?
2. What important political parties exist and what is their role in the present political situation?
3. What is the present situation of the Communists? How has being outlawed affected their strength and influence? To what extent have they enhanced their position by penetrating government, education and intellectual groups, labor and the military?

C. Labor

1. Is organized labor a force? To what extent are the syndicates capable of independent action?
2. What is the attitude of labor toward Vargas?
3. To what extent has Communist influence penetrated labor? How has this affected labor policies?

D. Military

1. What is the status of the Military? Economic and social origins of officers and enlisted men?
2. What is the Brazilian capacity for production of

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armaments and the status of research and development for new weapons?

3. What is the attitude of the military toward Vargas?
4. How necessary is support of military for stability of regime?
5. How serious is the Communist penetration of the military, e.g., the Clube Militar?

E. The Church. What is the political role of the Church in Brazil today? How effective a force is it against Communism?

F. International Situation

1. What are Brazil's international aspirations? Insularity? Latin American Leadership? Escape from "semi colonialism?"
2. Attitude of Vargas regime toward US?
3. Role of Brazil in Latin America? Attitudes toward:
 - a. Peron, Argentine southern "bloc," and Argentine labor "attache" activities?
 - b. Pan-Latin movement?
 - c. OAS and Western Hemisphere defense?
4. Attitude toward UN and East-West conflict?
 - a. Danger of neutralism?
5. Relative importance of Soviet orbit and Western nations in trade?

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III. WHAT ARE THE PROBABLE DEVELOPMENTS IN BRAZIL THROUGH MID-1954
AND WHAT ARE THE IMPLICATIONS FOR THE US?

A. Economic

1. What economic developments are probable by mid-1954?
2. Will Lafer's "austerity" measures accomplish their objective? Will they conflict with the increasing need of Vargas for political support?
3. To what extent will the new Bank of Economic Development be successful in continuing the work of the Joint Brazil-US Commission in negotiating high priority economic development loans? To what extent will it be diverted to regional and clan interests?
4. What are the possibilities for progress in developing Brazil's petroleum resources? In developing export of critical strategic materials?
5. To what extent will the legalization of the free market and the recent Export-Import Bank loan be successful in alleviating the foreign exchange shortage and attracting foreign private investments, especially American?
6. What will the effects of economic developments be on Brazil's relations with other Latin American states? With the US?

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1. What political groups will control the nation?
Will they be able to avoid inflation and work toward a sound economic development?
2. Will the trend toward Brazilian nationalism increase?
What specific forms will it assume?
3. Will the influence of the Communists increase or decrease in the period under review? What issues are they likely to exploit?
4. In the event of Vargas' death, before expiration of office, who would most likely succeed him?
Would the transition be orderly? What would be the roles of the military and the Communists in such a transition?
5. What is the possibility of Vargas' attempting a return to dictatorship? What would be his chances of success? What groups would support and oppose him?

C. What would be the international effects of the foregoing probable developments in Brazil's Present Situation?

1. In regard to the East-West Conflict? Any possibility of reestablishment of diplomatic relations with a Soviet bloc nation?
2. In regard to UN?
3. Inter-American organizations, especially defense organizations?

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4. Other Latin American republics? Possibility of a closer relation with Argentina?
5. On US? Will Brazil remain bulwark in Latin America of Inter-American system and continue to be most important supporter of US?

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