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SNIE 93-63  
27 February 1963

*Weekend reading*

SPECIAL NATIONAL INTELLIGENCE ESTIMATE

THE CHARACTER OF THE GOULART  
REGIME IN BRAZIL

*(Taken from Pres.  
Week-end reading  
dtd 3/2/63)*

NOTE: This is the final version of the estimate and additional text  
will not be circulated.

Approved for Release  
Date February 1994

Central Intelligence Agency

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*Submitted by the*

**DIRECTOR OF CENTRAL INTELLIGENCE**

*The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, the Army, the Navy, the Air Force, and NSA.*

*Concurred in by the*

**UNITED STATES INTELLIGENCE BOARD**

*on 27 February 1963. Concurring were the Director of Intelligence and Research, Department of State; The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.*

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CENTRAL INTELLIGENCE AGENCY

27 February 1963

SUBJECT: SNIE 93-63: THE CHARACTER OF THE GOULART REGIME IN BRAZIL

THE PROBLEM

To estimate the character of the Goulart regime and the courses of action it is likely to take with respect to the financial problems confronting Brazil.

NOTE

This summary estimate is based on extensive research done in preparation for a more elaborate national intelligence estimate on the situation and prospects in Brazil. This summary treatment is presented now in view of the impending visit of the Brazilian Minister of Finance. The more extensive estimate will be produced later, when the results of his visit can be taken into account.

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THE ESTIMATE

1. President Goulart is essentially an opportunist. Although his political career has been based primarily on association with organized labor and radical nationalists, including associations with known and suspected Communists, there is little reason to believe that he is dedicated to a radical transformation of Brazilian society or to a radical reorientation of Brazil's independent foreign policy. He appears to be interested in political power primarily for the personal prestige, popularity, and prerequisites to be gained thereby. If he believed it to be politically feasible, he would probably seek to establish a more authoritarian government along the lines of Vargas' Estado Novo (1937-1945) or the Peron regime in Argentina.

2. The circumstances of his accession to the presidency of Brazil have given Goulart a deep distrust of actual or potential opposition, particularly in the military establishment. He has taken care to appoint to high civil and military offices men on whose continuing personal support he has felt he could rely. A considerable number of them have been notably pro-Communist or anti-US in attitude. Nevertheless, Goulart has also among his advisers men of more moderate views. In domestic and foreign policy he has shifted from moderate to radical attitudes and back again according to his calculation of the political requirements of the moment.

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3. Until recently Goulart has been preoccupied with his campaign to recover full presidential powers, to the neglect of the problems presented by Brazil's runaway inflation and by mounting budgetary and foreign exchange deficits. Having recovered full powers, he is now addressing himself to these problems. His principal advisers on these matters are Celso Furtado,<sup>1/</sup> author of a three-year plan for economic development, and San Thiago Dantas,<sup>2/</sup> the new minister of finance, whose task it is to obtain urgently needed external financial support.

4. Since 1950 Brazil's expansionist economic policies have produced a claimed growth in GNP averaging 6 percent per year, or nearly 3 percent on a per capita basis. These policies have also led to large deficits in the balance of payments and to domestic inflation, which in 1962 exceeded 50 percent per year. Inflation has in turn tended to aggravate the balance of payments problem, partly by its adverse effects on the flow of private capital; it has tended to stimulate remittances and to reduce new foreign

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<sup>1/</sup> Furtado is a reputable economist and planner, with an eclectic, but predominantly statist attitude. He was formerly active in the Communist movement and still retains close associations with radical leftist and nationalist elements.

<sup>2/</sup> San Thiago Dantas is a political opportunist. Originally a Brazilian fascist, he perceived the political potential of Goulart's Labor Party and became one of its principal leaders. Although best known for his opposition to the US at Punta del Este, he is currently urging Goulart toward an accommodation with the US in order to obtain US financial support.

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investment. To some extent inflation has also discouraged exports, notably of meat, and has encouraged large-scale smuggling to the detriment of government tax and exchange income. At the present time Brazil has an external debt totaling about 3 billion dollars. Payments of over 900 million are due in 1963, of which an estimated 200-300 million dollars is owed to private and official US creditors. Of the estimated 1963 balance of payments deficit of 825 million dollars about 500 million remains uncovered by financing now in sight.

5. As indicated in Furtado's three-year plan of economic development, the government gives priority to maintaining rapid economic growth, but also proposes a gradual attack on domestic inflation. According to the plan, GNP is to grow at 7 percent per year, supported by annual foreign loans and capital investment of 500 million dollars to maintain developmental imports at the level of recent years. The rate of inflation is to be reduced to 25 percent in 1963 and 15 percent in 1964 through various measures of internal reform, including decreases in government expenditures and increases in revenue, the reduction of subsidies, and the use of "non-inflationary" means to finance government deficits. Steps have already been taken to increase taxes on income and consumption and to remove subsidies on imported wheat, newsprint, and petroleum.

6. The Furtado plan appears to have been designed with Goulart's political needs very much in mind and in an effort to solve Brazil's

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financial problems without austerity. It attempts the difficult feat of reducing the rate of inflation and at the same time maintaining a high rate of economic growth, and relies on extensive foreign assistance to make these both possible. Although the plan calls for certain unilateral Brazilian actions, it provides little evidence of any disposition to face the hard realities of the Brazilian situation or to make decisions of a politically difficult character.

7. Negotiations in recent months appear to have shaken the belief of the Goulart regime that the US is so deeply committed that it must come to an arrangement satisfactory to Brazil. The Brazilians now appear to realize that the US will not meet all of Brazil's financial needs, and to recognize that agreement with the US and the IMF is prerequisite to satisfactory arrangements with European and private creditors. Dantas has said that the Brazilian government is willing to go beyond the stabilization measures contained in the Furtado plan. However, Goulart is most unlikely to make any concessions that he would consider prejudicial to the maintenance of a high rate of economic growth in Brazil, a matter of prime political concern, and this will seriously limit his ability to attack effectively inflation and the balance of payments problem.

8. If the financial assistance which Dantas is able to obtain from Western sources falls far short of that which Brazil now seeks, a substantial default on Brazil's external obligations would be inevitable and

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severe economic disruption and hardship would ensue. In such circumstances, Goulart would probably adopt a radical leftist, ultranationalist policy line and intensify efforts to obtain aid from the Soviet Bloc. While the Bloc could make considerable contributions to Brazilian development over the longer term, it is unlikely that it could render much effective aid on short notice. Goulart would seek to blame the economic deterioration on US hard-heartedness, probably with considerable success. He would seek to control the internal situation through the imposition of authoritarian political and economic controls, and to disarm any opposition by appeals to Brazilian patriotism.

9. If Dantas does obtain sufficient financial assistance to support substantially the Furtado plan, Goulart may conclude that it would be to his political advantage to pursue a moderate political course for the next year or two. His constancy cannot be relied upon, however, His course will be determined by the pressures exerted upon him from all sides as the political situation develops. If it appeared to him that he was losing his basic support on the left without gaining any reliable compensatory support at the center, he would be likely to revert to a leftist, ultranationalist course.

10. Should Goulart embark on an extreme radical-authoritarian course, he would risk provoking a military-conservative coup against him, a factor which would be taken into account in his calculations. Such a coup's



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chances of success would depend to a considerable degree on how the issue was defined and the lines drawn, as well as on the timing. As time passes, Goulart will have the opportunity to establish more of his personal supporters in key military positions, thus strengthening his control over the military establishment and reducing the likelihood of a successful coup.

11. Under even the most favorable conditions, Brazil faces the prospect of serious economic difficulties and recurrent political crises during the next year or two.