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# The Political Situation in Brazil

*Submitted by the*  
DIRECTOR OF CENTRAL INTELLIGENCE  
*Concurred in by the*  
UNITED STATES INTELLIGENCE BOARD  
*As indicated overleaf*  
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The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and NSA.

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**Abstaining:**

The Atomic Energy Commission Representative to the USIB and the Assistant Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

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# The Political Situation in Brazil

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## THE POLITICAL SITUATION IN BRAZIL

### THE PROBLEM

To assess the stability of the Castello Branco regime and the outlook in Brazil during his stated term in office.

### CONCLUSIONS

A. President Castello Branco, whose term runs through January 1966, probably will provide reasonably effective political leadership along moderate reformist lines.<sup>1</sup> It is unlikely that the supporters of deposed President Goulart will be able to mount a serious challenge to the stability of the new regime, although some leftist extremists may attempt demonstrative acts of violence to discredit it. The principal danger to the stability of the new regime is the possibility of a falling out between Castello Branco and some groups within the military who want a more thorough purge of the old political order. We believe that, with some concessions to expediency, he will succeed in maintaining general control of the situation. (*Paras. 2-15*)

B. Brazil's economic and social problems—worsened but not caused by Goulart's disruptive rule—are not amenable to quick

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<sup>1</sup>The Director of Intelligence and Research, Department of State, feels that the thrust of this estimate is overly optimistic in several respects. He believes that it does not adequately take into account the enormous gravity and many-sided challenge of the political situation; the persisting confrontation of powerful forces on both the right and the left which will hamstring necessary reformist action; the political inexperience of the President and most of his Cabinet and the absence of enough qualified second- and third-level technical personnel; and the prospective destabilizing role of some of the revolution's military leaders who would emphasize continuing repressive action at the expense of meaningful social reforms. For these reasons, the Director believes that there is an even chance that the regime will slip into increasing authoritarianism, thus precipitating another constitutional crisis within the period of the estimate.

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or painless solutions. The new regime is likely to take constructive steps on several fronts, but over the next year or so it probably will be unable to do much more than to lay a basis for future progress. It probably will enact a number of social reforms as an earnest of its concern for Brazil's depressed classes, but will concentrate initially on combatting inflation and on other measures needed to get the economy rolling again. For political reasons, however, it probably will stop short of stringent austerity measures. It will need considerable foreign economic assistance to reschedule Brazil's huge short-term debt and to help cushion the shock of the economic stabilization measures it does undertake. (*Paras. 16-21*)

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## DISCUSSION

1. Many of Brazil's recent difficulties stem from deeply rooted economic and social problems common to countries undergoing modernization. They also spring, however, from the easygoing economic policies of a succession of post-war governments (notably those of Vargas, Kubitschek, and Goulart), political instability, and in particular the demagogic and self-serving policies of President Goulart. Brazil's problems will not be amenable to quick or painless solutions, but the April revolution has provided an opportunity for a new and more sensible approach and the Castello Branco regime gives promise of making a constructive effort.

### The New Regime

2. President Humberto Castello Branco, one of the chief architects of Goulart's overthrow, was chosen by the military leaders of the revolution with the acquiescence of the political leaders involved and was subsequently elected by Congress to hold office until the end of January 1966.<sup>2</sup> A 63-year-old career Army officer, he has had no previous political experience, but is noted for his intellect, integrity, and courage. His cabinet is composed primarily of technicians without personal political strength, but with a generally high level of professional competence. Moreover, he has the advantage of the extraordinary powers conferred upon him by the "Institutional Act," which the military considered necessary to implement the aims of the revolution.<sup>3</sup> On the whole, we believe that Castello Branco will provide the responsible and effective leadership that was sorely lacking during the presidency of Goulart.

3. Castello Branco came to office at a time when the country was ready for a drastic change in national leadership. While few Brazilians expected to see the military take a strong hand in structuring the new

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<sup>2</sup>Castello Branco's mandate covers the unexpired term of Janio Quadros, whose resignation in 1961 led to the succession of Vice President Goulart. On 2 April the President of the Senate declared that Goulart had vacated his office, whereupon the President of the Chamber of Deputies became acting President pending the election of a new President by Congress. During that interval, however, the real power of government was exercised by the military Supreme Revolutionary Command.

<sup>3</sup>This "Institutional Act," decreed by the Supreme Revolutionary Command on the basis of its revolutionary authority, supersedes the Constitution in certain particulars, confirming it in other respects. It not only provided for the immediate election of a President (the Constitution required a 30-day delay), but authorized him to cancel the mandates of elected federal, state, and local officials, to remove political appointees and civil servants, and to deprive individuals of their political rights for ten years. Legislation proposed by him will become law unless acted on by Congress within 30 days; the procedure for amending the Constitution has been simplified.

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government, they were relieved to see a moderate military figure take office. Some believed Castello Branco would have a better chance than a civilian of introducing honest and effective government, including a progressive economic program. Others thought that a military man was needed to root out Communist influence in the government and the political process.

4. The post-revolutionary situation still is too fluid for a definitive assessment of the political lineup for and against the new regime. For one thing, the Castello Branco administration is just beginning to define its policies on the numerous problems which confront Brazil. To begin with, it had the general approval of those who supported or at least welcomed the revolution: nearly all military officers, most federal and state political leaders, and much of the population at large—probably a substantial majority of the literate half. Already, however, misgivings are being expressed about the extent of the purge of office holders and the possibility of military-conservative domination of the government.

5. The administration is not formally associated with any political party. On the whole, it is centrist and moderately reformist in political orientation and is likely to find general support for its policies in Congress, where a large majority of the members are of similar orientation. This Congressional majority is normally fragmented by commitments to particular parties, states, and special interest groups, but the administration, armed with the extraordinary powers conferred by the Institutional Act, should have no difficulty in obtaining desired legislation.

6. The administration is attempting to formalize its political support by organizing a pro-government coalition to which the National Democratic Union (led by Carlos Lacerda), the Social Progressive Party (led by Adhemar de Barros), and several minor parties will probably adhere. The Social Democratic Party of Juscelino Kubitschek will probably support the administration without joining the coalition, so long as it can hope thereby to avert repressive action against itself as a party in the Vargas tradition. The surviving, moderate elements of Goulart's Brazilian Labor Party have declared themselves to be in "intelligent opposition" to the new administration, which presumably means that they will avoid provoking it.

7. Some political opposition will almost certainly develop as the administration's actual programs become more clearly defined and as the time for the next presidential election (due to be held in October 1965) approaches. Regardless of party affiliation, the representatives of vested interests adversely affected by administration programs will seek to obstruct or alter them, covertly if not openly. On the other hand, if these programs do not seriously affect such interests, then even moderate

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reformists will criticize them as inadequate and deceptive. In anticipation of the election, all parties will be seeking vote-getting issues, at the expense of the incumbent administration unless they have reason to expect its favor. There are already pressures on Castello Branco to alter radically the existing party structure, to postpone the election, or to modify drastically the electoral procedure. Administration action along these lines would be likely to precipitate a political crisis.

#### Political Stability

8. We foresee no serious challenge to the stability of the Castello Branco regime from leftist extremists—unless it becomes generally discredited or loses its strong military support. Goulart and his supporters were evidently surprised by the military coup and unprepared to resist it; most of the elements thought friendly to Goulart accepted his overthrow with apparent indifference or resignation. The leftist extremists who gave militant support to Goulart's aborted drive for increased power were a small minority to begin with and now are in considerable disarray, with many leaders in exile, in hiding, or in jail. Moreover, the expulsion of extremists from the official positions in the bureaucracy, labor organizations, and universities which they had gained under Goulart probably has deprived them of much of their influence over left-leaning sectors of the population. Almost certainly they will be unable to muster sufficient strength for a successful counter-coup during the period of this estimate.

9. Some leftist extremists may eventually attempt demonstrative acts of violence to discredit the new regime. The most likely sources of these efforts are the Castroist groups—including those dominated by Leonel Brizola, Goulart's brother-in-law; the Peasant Leagues of the Northeast; and the small dissident Communist Party. The Moscow-line Brazilian Communist Party is likely to refrain from provocative acts, hoping eventually to regain freedom of action under a civilian President such as Kubitschek.<sup>4</sup> The extremists probably do not now command enough trained and willing activists to launch insurgency on an impressive scale. However, they probably could engage in hit-and-run guerrilla raids in remote areas and occasional urban violence. Government security forces probably would be able to quash or at least contain such operations as the extremists do undertake. There may also develop extremist-inspired or spontaneous protest demonstrations by leftist student and worker groups, especially in Rio de Janeiro, a stronghold of these groups. Government security forces probably would be able to control these demonstrations as well.

<sup>4</sup>The Communists counted on a continuation of Goulart's rule and urged him not to act rashly, fearing that he might bring on his own downfall—as indeed he did.

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10. The principal danger to the stability of the new regime is the possibility of conflict among the military and political leaders of the April revolution. The politicians are already calculating their chances in the presidential election due to be held in October 1965 and are jockeying for position. For many of the military, however, the April revolution was a repudiation, not only of Goulart and his extremist allies, but also of the entire Vargas tradition in Brazilian politics.<sup>5</sup> While they have the opportunity, these officers want to accomplish a thorough purge of the politicians whose corrupt and inefficient practices, they charge, have perverted Brazil's national development. In particular, they (and many politicians) want to ensure against Kubitschek's possible election in October 1965.

11. This issue is present in the purge which began before Castello Branco took office and is still going on. The initial drive, "Operation Cleanup," resulted in the arrest of several thousand persons. It was represented to be an emergency measure required to frustrate an imminent Goulart-Communist plot to subvert the constitutional regime and was approved by most of the general public. Many of those arrested have now been investigated and released; a substantial number, however, are being held for trial. The continuing purge, which is being carried on under the terms of the Institutional Act, involves forced retirements and dismissals from public office and/or the deprivation of political rights for ten years. In addition to many lesser elected officials, over 40 Congressmen and four state Governors have fallen under this ban. Other Governors are still threatened. Not all of those purged or threatened are extremists; some are vulnerable to charges of corruption. Considerable political reprisal and maneuvering also appears to be involved.

12. President Castello Branco is himself disdainful of the demagoguery and deviousness, the cronyism and outright corruption that have characterized Brazilian politics. He has long been noted, however, as a "legalist" who believed that the political role of the military should be limited. He probably desires to restore national unity and tranquility by following a conciliatory course. He has given repeated assurances that he intends to control the present proscriptions and he appears to be exerting a moderating influence. Nevertheless, the purge continues and his ability to control it remains open to question.

13. The attitudes of two key military leaders complicate Castello Branco's problem and may limit his freedom of action. General Costa e Silva, the Minister of War, is the spokesman of the hard-line element among the military. Having exercised power as head of the Supreme

<sup>5</sup>Getulio Vargas ruled Brazil 1930-1945 and again 1951-1954. He founded both the Social Democratic Party of Kubitschek and the Brazilian Labor Party of Goulart. Those parties in coalition have ruled Brazil since 1945, except for the brief Quadros interlude in 1961.

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Revolutionary Command, he is probably reluctant to "return to the barracks." General Amaury Kruei, commander of the powerful Second Army, has presidential ambitions and has long been a personal enemy of Castello Branco.

14. It may be that under the coercion of circumstances Castello Branco will be compelled to pursue a harder line than he would himself have chosen, or that he will eventually be displaced by an out-and-out military dictatorship. At present, however, no other military leader can match Castello Branco's personal prestige and broad support among senior military officers. Moreover, his "legalist" views are probably supported by a large majority of all military officers. We believe, therefore, that with some concessions to expediency he will succeed in maintaining general control of the situation.

15. We are less confident that Castello Branco will carry out his personal pledge to conduct a free presidential election in October 1965. As that date approaches he may have to choose between carrying out that pledge and ensuring the continuation of his moderate policies. He may come to support either a one-year postponement of the election or a revision of the electoral procedures designed to prevent the election of Kubitschek.<sup>o</sup>

#### Economic and Social Problems

16. Most of Brazil's underlying economic and social tensions were inherited by Goulart when he took office in 1961. Economic expansion in the 1950's, although generally impressive, did not benefit some sectors and geographical regions, was achieved at the cost of inflation and mounting foreign exchange difficulties, and did relatively little to relieve the plight of the majority of the population. Goulart exacerbated most problems with his demagogic policies and his disruptive style of rule. During his last 12 months in office the pace of economic deterioration quickened noticeably: the price level nearly doubled; domestic and foreign capital investment stagnated; economic growth was sharply reduced and per capita real income fell. In these circumstances the economic condition of the salaried classes, including the military, deteriorated substantially, while that of the poor remained unimproved, in spite of Goulart's professed concern to better their lot.

17. In formulating its economic and social program, the Castello Branco regime must do battle on several and at times competing fronts. Economic and financial reforms are needed to contain inflation, improve productive efficiency, and straighten out Brazil's external accounts; social reforms are needed to reduce tensions among the poorest classes.

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<sup>o</sup>We plan to treat the problem of the presidential succession and other longer range problems in an NIE early in 1965.

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At the same time, the regime cannot pursue policies so restrictive that they will sharply reduce real income or inhibit investment and economic growth. The regime will probably concentrate first on controlling inflation, bolstering business confidence, and attracting foreign and domestic capital. It will also seek foreign assistance, including PL 480 foodstuffs to hold down the cost of living. The reversal or modification of Goulart's disruptive policies (e.g., his encouragement of political strikes and harassment of foreign investors) will have a favorable impact on the economy, as will the prospect for greater political stability which his removal opens up.

18. The establishment of a foundation for economic expansion will require substantial progress in cutting back the rate of inflation. The regime will probably concentrate on reducing the federal deficit, the principal factor in Brazilian inflation. There probably will be tax and administrative reforms designed to increase revenues and to reduce waste and corruption. Some costly government subsidies have been reduced and "nonessential" expenditures will be delayed to the extent possible. The regime will be disinclined to cater to labor elements and business interests formerly associated with the Goulart government. For political reasons, however, the regime is likely to avoid a sharp cutback in real wages and will be wary of choking off growth by too great a curtailment of bank credits to the business community. These inhibitions probably will result in continued substantial rises in prices for some time. Nonetheless, if the monthly rate of increase can be brought down over the next year, some of the worst dislocations caused by the recent very high rate probably will begin to recede.

19. The Castello Branco government will probably sponsor a program of social reform because of its own reformist convictions, its fear of an eventual upsurge of radicalism if the conditions of the poorest classes are ignored, and, finally, its interest in promoting the election of a presidential candidate in 1965 likely to continue its general policies. In the short run, however, social reform almost certainly will have to take second place to economic recovery. We would expect, therefore, programs of an impact nature that cost relatively little rather than ones involving a large-scale redistribution of resources. These programs probably will include benefits for rural areas (a modest agrarian reform; increased credits and technological assistance) as well as urban areas (expansion of social-welfare benefits, including low-cost housing and foods; investment projects to provide employment opportunities for the unskilled).

20. The economic and social programs of the new regime are unlikely to produce dramatic results over the next year or so. The regime will probably be unable to do much more than to lay a basis for future progress.

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### Foreign Policy

21. The Castello Branco regime is generally disposed to maintain close relations with the US. Moreover, it will be considerably dependent on foreign economic assistance for progress on the economic and social fronts. Brazil's huge short-term debt maturities (about US\$1.5 billion in principal, interest, and arrears is due over the next 20 months) must be rescheduled with annual payments more in line with its ability to pay. The government will also need economic assistance to help cushion the shock of whatever economic stabilization measures it does undertake. For these reasons, although it is unlikely to reverse sharply the Brazilian trend toward economic nationalism, it is seeking to revise Goulart's stringent policy on remittance of profits and probably will adopt other measures designed to encourage foreign investment.

22. The new regime has broken diplomatic relations with Cuba and adopted a cool posture toward the USSR and other Bloc countries with which it now has relations. Although it will maintain a basically "independent" foreign policy and seek to avoid the appearance of subservience to the US, it will probably align itself with Western nations on most issues and act more responsibly in the international field than did preceding governments.

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