

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The Situation in Brazil

SUMMARY

1. Brazil is in for six months of intense political maneuvering looking toward the October elections which will have an important bearing on Brazil's short term future.
2. Leftist and nationalist elements are likely to make important gains in the new Congress. Their ability to force the appointment of a strong Prime Minister who could dominate Goulart is questionable in view of the multiplicity of political parties and their inability to act in concert.
3. Goulart is not up for election, and his regime retains its leftist labor support and is picking up military, moderate and conservative backing. His position as President may help the electoral chances of the leftist Labor Party he heads.
4. The principal contender for leadership of the leftist-nationalist groups is Leonel Brizola, Governor of the State of Rio Grande do Sul. He is a strong advocate of expropriation of foreign utilities and redistribution of agricultural land.
5. Former President Janio Quadros is not a strong threat now, but cannot be ruled out of the picture.
6. The Brazilian Communist Party cannot challenge the government even though they have had some success in infiltrating the government apparatus and they, and their associates, have gained considerable popular support in the depressed northeastern area of Brazil.
7. Little early progress is likely toward improving Brazil's serious balance of payments problem, or instituting effective social and economic reforms.
8. Given the mood of the people, any Brazilian Government will continue to pursue a foreign policy ostensibly independent of the US and geared toward more relations with the bloc.

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By MEO NARS, Date 10-17-75

I. Political Problems

1. The next six months, before October's federal and state elections will be a period of intense political maneuvering. Since the last elections in 1957, there have been a number of important changes--domestic and foreign--which will make for a bitterly fought campaign, and the results will have an important bearing on Brazil's course over the next few years.

2. President Goulart will not be running for election. The crisis following Quadros' resignation in August 1961 saw Goulart elevated to the presidency but with that office's powers considerably reduced as a result of a military-backed constitutional change installing a parliamentary system of government. In practice, however, the parliamentary system has not yet worked as intended. The incumbent Prime Minister has been willing to play a secondary role and Congress has been too divided to control the President or the Council of Ministers.

3. Nevertheless, unless steps are taken before the elections to return to the presidential system, the fact that the Chamber of Deputies must confirm, and can dismiss, the Prime Minister and his Council of Ministers gives the congressional elections new importance. It is entirely possible that the elections could result in the emergence of a Prime Minister capable of dominating the government and significantly reducing Goulart's power and influence.

4. Though not up for election, Goulart by virtue of his office, can have some impact on the upcoming elections. After a shaky start, the Goulart regime has gained a considerable measure of public support and confidence. With no clearly defined domestic policy, the regime has managed to retain its leftist backing and has actually gained support among military, moderate, and conservative elements who fear the return of Quadros and are encouraged by the relatively prosperous business conditions. Moreover, Goulart will be able, as head of the leftist Labor Party to give significant help to selected candidates.

5. Since the 1957 elections, there has been a significant growth in leftist and nationalist sentiment in Brazil. These elements will probably substantially increase their present strength in Congress. (They now have 80-100 of the 326 seats.) Their actual influence over the new regime, however, will be weakened by the multiplicity of parties and the difficulty of their acting cohesively. In any event, candidates

for election will vie with each other in trying to exploit popular sentiment against foreign ownership of public utilities and in favor of redistribution of agricultural land. Another vote-getting appeal will be insistence that Brazil pursue foreign policy independent from that of the US.

6. Major personalities in the election include:

a. Governor Leonel Brizola of Rio Grande do Sul State: He is making a strong bid for leadership of the leftist and nationalist forces and apparently intends to run for federal deputy. He achieved national reputation first by his support of Goulart's succession to the presidency against military-conservative opposition and in recent months by his actions against foreign ownership of utilities and for the expropriation and redistribution of agricultural land.

b. Former President Janio Quadros: His star at the moment is dim, and he probably would be defeated if he runs for the governorship of his home state of Sao Paulo. However, he has previously demonstrated his political resiliency, and cannot be counted out of the picture. The Brazilian political system would permit him to seek election as federal deputy in any or all of the 21 states provided he can secure nomination in them by any one of Brazil's more than a dozen legal parties. He might also successfully seek the governorship in one of the northeastern states.

c. Former President Kubitschek is exerting his influence in favor of a return to the presidential system and is playing a modest political role designed to prevent his identification with present political and economic difficulties and permit his re-election in 1965. Though still popular, he is not now exerting major political influence.

II. The Communists

7. The Brazilian Communist Party, which has an estimated membership of 25,000-30,000, is in no position to challenge the administration. The party is not legal but is allowed to operate freely and is more active than even the legal parties in certain other Latin American countries. Communists have to some extent infiltrated the government apparatus, particularly in the Education, Transportation, Agriculture and Labor Ministries and in the Social Security Institutes. Communists also have considerable influence in press associations and student organizations.

8. Over the past year the Brazilian Communist Party has gained credit for effective political action, particularly in northeastern Brazil. In the capitals of two northeastern states, Pernambuco and Rio Grande do Norte, mayors who have provided effective civic reforms favorably affecting the poor--including street paving, mobile medical centers and improvised schools--are generally viewed as friendly to the Communists and hostile to the United States. Peasant leagues founded by pro-Communist Francisco Juliao have also reflected credit on the Communists, although peasant league activity has decreased in the northeast. Juliao has been helping to found leagues in southern Brazil and visiting Cuba. In the northeast, the Communist Party is also aided by the continuing popularity of Fidel Castro among articulate extremist leaders. Outside the northeast, Castro's popularity has declined sharply since 1959. Although Brazil took the lead at Punta del Este in opposing anti-Castro measures, the government has shown little interest in developing close relationships with Cuba, certainly far less than Quadros showed while he was President.

III. Economic and Social Problems

9. Although gross national product is still rising at an annual rate of about 6 percent and business conditions are generally good, there is a serious balance of payments problem. (The cost of living in 1961 rose an estimated 40 percent in Rio de Janeiro and Sao Paulo and 70 percent in the northeast.) The government is likely to take some steps toward implementing a stabilization program if its negotiations during the Goulart visit result in the release of International Monetary Fund credits. However, fear of the political repercussions which would result from a rapid cutback in economic activity--a fear now reinforced by recent developments in Argentina--will preclude adoption of an austerity program. New foreign investment in Brazil is likely to fall markedly in 1962 because of the decline in foreign business confidence resulting from a widespread Brazilian hostility to foreign-owned utilities and from a congressional move to curtail profit remittance.

10. These economic difficulties are compounding the government's problems by making it impossible to cope with the needs of the growing population for community services in health and education. They also pose difficulties for the government's efforts to ameliorate conditions in the poverty-stricken northeast where political consciousness is spreading rapidly. The land reform problem, for example, 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. Although individual states are taking some action, the diversity of agricultural conditions in Brazil seems likely to delay enactment of any effective national agrarian reform.

IV. Relations with the Bloc

11. 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 diplomatic and trade relations with Rumania, Bulgaria, Hungary and Albania. He had also initiated diplomatic and trade 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. Brazilian contacts with Eastern European businessmen and technicians appear to be increasing, particularly in the northeast and in the southern state of Rio Grande do Sul. The social and economic prospects raised by the Alliance for Progress are generally well-accepted in Brazil although legislation for specific reforms has encountered delay in the predominantly conservative Congress and the federal bureaucracy impedes swift action. There is some criticism of the absence of visible results thus far under the program.