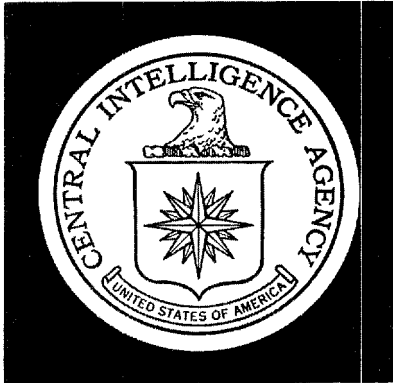


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DIRECTORATE OF
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WEEKLY SUMMARY

Special Report

Brazil Under Costa e Silva

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BRAZIL UNDER COSTA E SILVA

Brazil has enjoyed relative stability since 1964, but the political situation has been slowly deteriorating since the Costa e Silva government took over in March 1967. Economic progress, however, has been encouraging, despite some adverse developments in the stabilization program. President Costa e Silva began by loosening the strong political controls inherited from the predecessor Castello Branco regime, but as popular dissatisfaction has spread, some of these controls have been reinstated and tightened.

Many of the observable changes in the Brazilian Government stem from the personality of Costa e Silva. He has greatly changed the style and method of government operation, moving away from the highly centralized organizational system of Castello Branco and delegating more extensive authority to his cabinet ministers. He has failed to exert strong leadership in either domestic or foreign matters, and some of his more politically ambitious cabinet ministers have exploited their freedom to make political hay. The 65-year-old president apparently has a heart condition and arteriosclerosis, and this may account in part for his listless style of governing.

Costa e Silva retains the support of the majority of the military, the final arbiter of Brazilian stability. Widespread political turbulence, however, could divide the military and weaken its support which is so vital to the government.

Signs of Dissatisfaction

There are already signs of dissatisfaction in many of Brazil's politically significant groupings. Most visible and vocal are the students. Student agitation has led to nationwide demonstrations on several recent occasions, the most serious from 28 March to 4 April. Communists

and other extremists have begun re-exercising the leadership that they exercised over politically motivated students under leftist President Goulart. They have exploited legitimate student grievances to broaden their influence. The government is basically out of touch with students of all political persuasions and takes serious note of student problems only when

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Costa e Silva

directly challenged. The education minister is widely regarded as the most inept member of the cabinet. The government's indifference, "hard-nosed" attitude, and frequently heavy-handed use of force against student opposition have contributed to the extremists' ability to gain broader student support. Any fairly reasonable motive is enough to get students to protest--partly because parading in the streets and shouting slogans is fun and partly out of genuine opposition to the government.

Another disaffected sector is urban labor, which has been suffering from a steady decline in real wages--perhaps as much as 10 percent since 1964. Communists and radical leftists are exploiting labor's belief that it is bearing the brunt of government

stabilization efforts and are regaining the influence they lost following the 1964 revolution which ousted Goulart.

Liberal elements of the Catholic Church have added to the criticism. Relations between the church and the government, particularly its military backers, have grown increasingly strained. This is due in part to differences in philosophy and to the involvement of certain churchmen with subversive student groups.

One of the key failures of the Costa e Silva government--as it was with Castello Branco's--has been its inability to establish a genuine civilian base as a counterpoise to its military backing. The two political parties (the pro-government National Renewal Alliance and the opposition Brazilian Democratic Movement) were established during Castello Branco's rule following the abolition of the 13 parties that had existed prior to 1965. Both parties have failed to attract grass roots support. They are, in fact, popularly known as the "Yes" and "Yes, Sir" parties. Neither is a disciplined entity, and personalism and regional rivalries continue to govern most politicians' behavior. Although the politicians resent the administration's neglect, there is little prospect that this dissatisfaction will crystallize into open opposition. Some liberal opposition deputies, however, have been increasingly vehement in attacking the government, giving vociferous support to student and labor protests.

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Traditional radical leftist groups were badly disoriented by the 1964 revolution. Communist Party membership has shrunk from about 30,000 in early 1964 to no more than 15,000. The party is divided, but is continuing its efforts to gain control of student and labor groups and to undermine the government's prestige. A dissident sector of the party under the leadership of Carlos Marighella, who advocates violent revolutionary tactics, recently broke away from the party. Marighella has promised Cuban support if he and his few thousand sympathizers mount active opposition to the government, and he is seeking to put together an alliance with like-minded groups. Extreme leftist Leonel Brizola continues to plot from his exile in Uruguay. The dissident pro-Chinese Communist Party has only 750-1,000 members and is badly split.

There is no conclusive evidence that these groups are cooperating at this time. Earlier attempts at rural guerrilla activity sponsored primarily by Brizola have been quickly rolled up by security forces, and a shift to urban terrorist tactics now seems likely.

The Military's Role

The Brazilian military is united on its views of its military functions, but it is not and never has been united on political matters. The growing popular discontent with the government clearly has an impact on many military men. Costa e Silva

is under pressures by the military to take even more authoritarian measures to cope with political disorders. These pressures will increase if strong opposition to the government persists as it almost surely will.

Many officers, particularly the "hardliners" who once enthusiastically backed the President, now are concerned about his lack of firm leadership. They fear that his efforts to broaden his popular support have not only proved ineffective but have jeopardized progress toward the goals of the revolution. They suspect that the President may be tolerating corruption by some high officials. If the military were to become convinced that Costa e Silva's administration is tarnishing its reputation, formidable pressure for corrective action would be swift to form. At present, however, these pressures are aimed primarily at getting the President to replace some of his cabinet ministers and to crack down on his most vocal political adversaries--particularly the fiery Carlos Lacerda. He will probably yield to these pressures sufficiently to prevent any widespread military opposition. For example, the government has recently banned activity by the "Broad Front"--a political movement headed by Lacerda and former Presidents Kubitschek and Goulart, both of whom lost their political rights after the revolution.

In addition to its concerns for political matters, the military is also putting considerable

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pressure on the government for better pay and more modern equipment. Military equipment purchases between 1965 and 1967 averaged about 5.7 percent of the total defense budget.

The Air Ministry is very conscious of Brazil's obsolete aircraft, and favors acceptance of the recent French offer of Mirage supersonic jet fighters. Brazil has in fact no modern jet fighters, except for some T-33 trainers. One F-8--an aircraft first operational in 1945--is in service but is used only for parades and demonstrations.

The French may have also held out the possibility of constructing a plant to build jet trainers in Brazil. Although Costa e Silva probably would

prefer to buy US F-5s, no decision has been made. If delays in obtaining the US planes continue, the appeal of the French deal will increase. The air force inspector general and the chief of materiel are in Europe presumably looking at aircraft or related equipment. The Brazilian Air Ministry plans to replace 20 of its obsolete Paris MS-760 jet trainers with seven Fouga-Magister trainers.

The navy's ten-year modernization program calls for the construction of 80 warships, including four submarines and four destroyer escorts that will be built in private US or European shipyards. Brazil probably would prefer to contract for these ships in the US, but it will turn to Europe if commitments here are not finalized soon.

Brazilian Military Expenditures Compared with Selected South American Countries*

	1967		In Relation to GNP (Percent)			
	Total (Million US \$)	Per Capita (US \$)	1964	1965	1966	1967
ARGENTINA	280	12	2.0	1.5	1.7	1.9
BOLIVIA	15	3	1.5	1.9	1.7	1.9
BRAZIL	690	8	3.2	3.1	3.3	3.2
CHILE	130	15	1.7	1.8	1.8	1.9
COLOMBIA	70	4	1.4	1.3	1.3	1.3
PARAGUAY	11	6	1.8	1.9	2.2	2.4
PERU	170	14	3.0	2.8	2.4	3.4
VENEZUELA	200	22	2.1	2.2	2.2	2.4

* Exclude police force. Include expenditures for non military items such as the construction of roads and schools and the provision of services to the public in the fields of public health and civil services.

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Economic Factors

Costa e Silva has generally maintained the development and stabilization program initiated by Castello Branco. A business recession was halted, economic activity has recovered and is on the upswing, and the cost of living now is rising at a slower rate (41.1 percent in 1966, 24.5 percent in 1967). Emphasis is on development as well as on slowing inflation, but the basic problem remains that of maintaining the necessary stabilization efforts while producing some tangible gains for the Brazilian masses. The population continues to grow at the alarming rate of 3.1 percent per year, nearly eating up the benefits of increased economic growth. More rapid satisfaction of the people's needs for education, housing, improved health standards, and many other legitimate aspirations is essential if Brazil is ever to achieve the base for long-range internal stability and a responsible and consistent role in world affairs.

Foreign Policy

Although Brazil retains its basically pro-Western outlook, foreign policy under the Costa e Silva administration has shifted toward a more independent stance. Foreign Minister Magalhaes Pinto--a wily politician with strong presidential ambitions--is the chief architect of this new look. He has pushed for more na-

tionalistic positions, accurately gauging their popular appeal to Brazilians who believe that their country stands at the threshold of great power status. This rising nationalism is sharpened by a sense of dissatisfaction with Brazil's lack of progress and by a fear that Brazil may always be the land of the future.

One of the most prominent signs of the growing nationalism is the heavy emphasis on nuclear development. Brazil has consistently opposed the draft nuclear nonproliferation treaty on the grounds that it would relegate Brazil forever to second-class status. The foreign minister has stated repeatedly that his country will not accept any limitation on its nuclear energy development program, including its right to develop peaceful nuclear explosive devices.

Other foreign policy shifts have also occurred. For example, the government has backed away from Castello Branco's position of open support for the US effort in Vietnam. The foreign minister has instead stated Brazil's position as one of "complete neutrality." In hemisphere affairs, Brazil has lost its enthusiasm for the concept of an Inter-American Peace Force and instead preaches economic and social development as the best remedy for the hemisphere's ills. The foreign minister has not favored strong sanctions against Cuba and, in

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fact, would like to re-establish relations, if it were politically expedient.

Brazil maintains diplomatic relations with the USSR and all of the Communist countries of Eastern Europe except East Germany, which has commercial missions in Rio de Janeiro and Sao Paulo. Brazil is seeking to expand its trade with the Soviet bloc, which takes about 6 percent of its total exports annually. In 1966 Brazil and the USSR concluded a \$100-million credit agreement, but none of the credit has yet been used.

The new look in Brazilian foreign policy has resulted in some cooling in Brazilian-US relations, which were unusually close during the Castello Branco regime. There have been numerous outbursts of anti-US sentiment, and although most Brazilians retain their good will toward the American people, there is increasing suspicion of the intentions of the US Government. Brazilian foreign policy is likely to diverge more frequently from that of the US, but the inevitable frictions should prove tolerable.

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