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THE NEW COURSE IN BRAZIL

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[Omitted here are Sections 'I. Background,' 'II. The Military Rulers and their Critics,' 'III. Economic and Social Programs,' and 'IV. Foreign Relations.']

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[Omitted here is the end of Section IV.]

V. OUTLOOK

30. The military intend to dominate Brazilian politics for some time to come. The armed forces now regard it as their destiny to guide Brazil to its rightful place in the world, and they have little faith that the politicians, even those of ARENA, the government-sponsored political party, would do an acceptable job of running the government. They also want to follow through on some of their major programs, such as the development of the Amazon Basin. While there may be some cosmetic changes in the government to increase the appearance of civilian representation, there is unlikely to be any substantial diminution of military control over the next several years.

31. It is difficult to envision any opposition outside the armed forces capable of overthrowing the government or of applying pressure to force it to change its ways. The government has increased its popularity, and the economic boom tends to deflate the opposition. The terrorists are growing weaker and more disorganized. The liberal intelligentsia are cowed and confused. The government has the power to intimidate critics and does not hesitate to use it. Over the longer term, the self-righteousness of the military, its intolerance of any vigorous opposition, and its tactics in dealing with what it considers subversion might lead to a sharp decline in its political

support. But for the moment there is little opponents can do but complain, and even their opportunity to do that is limited.

32. The Brazilian military has not institutionalized the succession, and military unity will be sorely tested if personal and service rivalries produce a disorganized scramble for power. Médici's presidential term runs out in March 1974, and already there has been a lot of politicking within the military establishment about the succession.³ Most of the presidential candidates are four-star generals, either on active duty or retired. If jockeying for position within the armed forces becomes too divisive, Médici may find himself pressed to run for a second term, but his health is poor and he is generally critical of *continuismo* (the desire to stay in power). No matter how the military settles the problem of succession, there will be some bruised feelings within the armed forces.

33. The economic outlook for the next five years or so is good. Investment as a percent of GNP is currently near record levels and is expected to go higher because of the continuing optimism of private investors and the government's planned developmental expenditures. Moreover, Brazil has plentiful natural resources still to develop, good management in the planning and finance ministries, and good prospects for continued political stability. Government plans call for growth for the next several years at rates equal to those of the last few years. While this may be too optimistic, it is reasonable to expect increases in GNP between the 6 percent annual average

³ Should Médici become incapacitated as a result of his poor health or die in office, Vice President Rademaker, a retired admiral, would probably be allowed to take over for a time. But the army, which is the dominant service, would insist on putting one of its own into the presidency unless the scheduled election were close at hand.

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maintained from World War II through 1964 and the 8 to 10 percent achieved during the past few years.

34. The government will have recurring problems with the balance of payments over the next few years, but will probably be able to deal with them. Imports are increasing much more rapidly than exports, and debt service payments are on the rise. Brazil now has a large deficit on current account, and this is likely to increase over the next few years even if the government achieves its planned cut in the growth of imports. Nevertheless, balance-of-payments problems are not likely to be a serious restraint on economic growth. The inflow of foreign capital will probably be adequate to cover the current account deficits presently in prospect. If they are not, Brazil has sufficient foreign reserves to finance moderate balance-of-payments deficits for several years. If large balance-of-payments deficits arise, Brazil's monetary managers would take corrective action, probably including devaluation and measures to restrain internal demand.

35. The reputation of the military government depends to a large extent on the strength of the economy. The regime would almost certainly be able to stay in power even if there were a sharp downturn in the economy, but its confidence would be eroded, and the aura of success surrounding it would be diminished. Opposition elements would seek to exploit any economic weakness, and dissension would probably increase within the military itself. Many officers are playing the stock market for the first time. They are doing well now, but they could lose some of their self-confidence if the market were to tumble.

36. Brazil's serious social problems will persist even if the economy continues to grow rapidly over the next few years. High rates of population growth will aggravate some of these problems. Millions of poor countryfolk

and cityfolk with only a marginal role in economic life will continue to be on the outside looking in. The government's social programs seem unlikely to improve living conditions for the vast majority of Brazilians, except gradually and over a long period, because the drive for development will continue to limit the money available for other purposes. Nevertheless, public apathy and absorption of energies in daily problems will probably undercut any efforts to politicize the masses. Brazilians are used to governments that either cannot or will not cope with the problems of poverty.

37. Although Brazil appears headed for several more years of political stability, there are a number of potentially destabilizing factors at work in Brazilian society. The regime still governs under *ad hoc* arrangements; the final shape of Brazilian political institutions has yet to be determined. The general populace is becoming better educated and informed, more aware of what it lacks. Brazil's cities are growing so rapidly that any government would find it difficult to provide the basic services required of large urban areas. The Church, in its role as spokesman for social justice, might come to oppose the regime more vigorously, and the military leadership might become corrupted by its own absolute power, or debilitated by internal divisions.

38. The Brazilian Government will continue to view itself as an ally of the US. But Brazil will probably take an increasingly nationalistic and independent line in foreign affairs. The US will probably find it more touchy and difficult to deal with over the next several years. Trade matters will remain especially thorny issues. Brazil will continue to welcome foreign capital, but on its own terms. A considerable number of US businessmen will need to work out new arrangements with the Brazilian authorities and, in some

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cases, find ways to divest themselves of their holdings gracefully.

39. Brazil will be playing a bigger role in hemispheric affairs and seeking to fill whatever vacuum the US leaves behind. It is unlikely that Brazil will intervene openly in its neighbors' internal affairs, but the regime will

not be above using the threat of intervention or tools of diplomacy and covert action to oppose leftist regimes, to keep friendly governments in office, or to help place them there in countries such as Bolivia and Uruguay. While some countries may seek Brazil's protection, others may work together to withstand pressures from the emerging giant.

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