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8 April 1966

A POWER APPRAISAL OF BRAZIL-- 1965-1975

By

JUN 20 1966

U.S. ARMY WAR COLLEGE

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A Power Appraisal of Brazil--1965-1975

by

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US Army War College
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SUMMARY

The purpose of this thesis is to present a current power appraisal of Brazil and to forecast its power potential for the future. Data contained herein has been analyzed from opposing points of view presented by well known scholars and analysts and augmented with the author's comments and recommendations. A summary of the pertinent factors and conclusions follows.

Brazil occupies one-half of the South American Continent and contains approximately one-half of the total population of the Latin American nations. Brazil's origin, heritage and language were inherited from Portugal, and as a consequence, Brazil is different than her hispanic neighbors.

Geographically, Brazil contains vast land areas, numerous inland waterways, and 4600 miles of strategically important Atlantic Coastline. The northern region of Brazil lies astride the shortest air route to Africa and has been used as a base of operations by the United States in both World Wars. Vast quantities and varieties of natural resources tapped and untapped, add to the potential power position of this nation when exploitation of these resources is begun in earnest. Manpower resources are currently estimated at 80 million, and with a 3.1 average growth rate, the population will reach 100 million in 1970, and 300 million by the year 2000.

Economic and social problems continue to plague Brazil. However, since the military ousted President Goulart in 1964, and established General Castello Branco as President, long awaited economic and social reforms are being implemented. The leadership being provided by President Branco may not meet our standards of democracy, but we must recognize that enforcement of these reform programs requires a strong leader. Branco is pro-United States and anti-Communist, and, unless we continue to fulfill our Alliance for Progress obligations to Brazil, this strategic nation could fall into the hands of the Communists.

The Brazilian military establishment is the largest in Latin America. Military officials are predominately pro-United States and traditional enemies of communism. As they are the only organized force in Brazil capable of insuring stability, it is in the national interest of the United States that close cooperation and continued military assistance be continued. Brazil's military forces have been employed on foreign soil in support of U.S. foreign policy in World War II, the Congo, and currently in the Dominican Republic.

Brazil is the power nation in Latin America today. As natural resources are developed, industry and agriculture expanded, lines of communications improved, economic and political stability achieved, Brazil will reach her goal of becoming a world power. It is in the national interest of the United States to assist her in achieving this goal, by continuing to support the Alliance for Progress, and providing economic and military assistance.

CHAPTER 1

INTRODUCTION

Brazil has maintained a close relationship with the United States since 1824, when the United States was the first nation to recognize Brazilian independence.¹ This friendship has increased throughout the intervening years through close economic and military ties. The importance of this relationship cannot be overestimated in the Cold War situation that threatens peace throughout the world today.

As the largest country in Latin America, Brazil possesses a population of 80 million people, vast natural resources, and the second largest military establishment in the western hemisphere. In addition to these power factors, Brazil is pro-United States and anti-Communist, having outlawed the Communist Party in 1947.²

This potentially powerful nation is currently assisting the United States in hemispheric defense and, with proper economic and military assistance, can assume a greater share of this responsibility. Therefore, the purpose of this thesis is to appraise the present power position of Brazil and prescribe how the United States can best assist this nation in developing its potential power.

¹Hubert Herring, A History of Latin America: From the Beginning to the Present, p. 292.

²William L. Schurz, Brazil: The Infinite Country, p. 324.

Chapter 2 includes a brief review of the history of Brazil since it became a republic in 1889. Strategic resources of Brazil are discussed in Chapter 3. This chapter discusses Geography, Natural Resources, People, Population and Culture, and concludes with an assessment of these power factors and their importance to future United States strategy. Chapter 4 presents Politics: Brazilian Style. Components of this chapter are: Political Structure, Political Instability, Communism, and The Future. Chapter 5 describes the Role of the Military and its major subdivisions are: The Military Structure, Missions, The Armed Forces Philosophy, and Military Capabilities.

Chapter 6, the Brazilian Economy, attempts to provide the reader with pertinent power factors for 1965, and potential for 1975. As the economy of Brazil is probably the most frustrating and difficult problem this nation is facing today, an analysis of Agriculture, Industry, Transportation, Inflation, and Foreign Trade have been included. Each section of this chapter is concluded with the authors recommendations for improving present conditions. Chapter 7, Brazil-U.S. Relations and Policies, includes as its major components, Background, The Alliance for Progress, and Current U.S. Objectives and Policies. Chapter 8 presents Conclusions and Recommendations with an introductory section devoted to Considerations for the Future.

CHAPTER 2

HISTORY

GENERAL

As the purpose of this thesis is to appraise the current power factors that exist in modern day Brazil, and forecast her potential power status, a complete discussion of Brazilian history is not included in this chapter. However, to properly assess, and analyze the political, economical, social, and military power factors, an understanding of modern day history is considered essential. Therefore, a brief review of the more significant events that have occurred in Brazil since she became a Republic in 1889, are discussed below.¹

DEMOCRACY AND THE NEW REPUBLIC

The Republic of the United States of Brazil began as a military dictatorship.² Marshal Deodoro Fonseca, the military leader of the revolt against the empire, became the first President. Unfortunately, President Fonseca and his principle advisors had no common goals or plans of action and as a consequence the new Republic started slowly and inefficiently.³

¹For a review of the more significant events that occurred prior to 1889 see Annex A.

²Hubert Herring, A History of Latin America: From the Beginning to the Present, pp. 708-711.

³William L. Schurz, Brazil: The Infinite Country, pp. 315-318.

From 1889 to 1898, inept and capricious leaders, military revolts and civil war prevented a democratic beginning for the Republic. The only significant accomplishments recorded during this period was the adoption of the first Constitution in 1891. Fashioned after that of the United States, the Constitution provided for the same powers awarded the U.S. executive, legislative, and judicial branches of the government. But in reality, this constitution provided the President of Brazil with dictatorial powers.⁴

"The twelve years which followed (1898-1910) were the most constructive periods in the history of the Republic."⁵ It was a period of economic recovery, peace, rebuilding of the capital city, and the development of constructive international agreements. Harbor facilities doubled, railroad mileage increased by 13,000 miles, credit was restored, and the Army and Navy were completely reorganized. Most significant, however, was the increased respect displayed by the Brazilian people for the constitution and democratic procedures.⁶

The next twenty years (1910-1930), represented a period of political and economic disorder. Five presidents served during these crucial years and each of them was faced with military meddling, anarchic regionalism, and declining economy. In 1910,

⁴Herring, *op. cit.*, p. 710.

⁵*Ibid.*, p. 711.

⁶US Dept of the Army, Pamphlet No. 550-20, pp. 711-713.

Brazil monopolized nine-tenths of the world's rubber market for which she received \$125,000,000 a year. By 1921, the East Indian plantations had assumed leadership in rubber production, and Brazil was only supplying less than one-tenth of the world's rubber. This economic reversal resulted in an annual lost income of over \$100,000,000 a year. Other economic reversals included coffee, another monopoly that Brazil had cornered since 1870. Overproduction, cutthroat competition, and the resultant lowering of prices severely handicapped the coffee economy of the country. By 1930, Brazil was in a state of economic and political disorder and conditions were ripe for revolution.⁷

In 1930, a military revolt ended the first Republic of Brazil and started a fifteen year dictatorship. Getulio Vargas assumed control of a government that:

. . . was without money, without exchange, actually and legally in a moratorium with pressing promises to be met abroad, due or to become due in a few days; a floating debt, federal, state and local which had never been calculated: coffee in crises-price, overproduction, and large stocks in warehouses; Brazilian economy, industry, and labor in ruin; and an unemployment crisis.⁸

Vargas created a new constitution in 1934, which gave the central government additional powers. He followed this action by declaring his government a "disciplined democracy," but there were no elections and no congress. Vargas ruled by decree and he

⁷Ibid.

⁸Ibid., pp. 715-716.

inspired the people with his nationalistic motto, "Brazil for the Brazilians."⁹

By 1945, President Vargas' dictatorship was losing its political power and in an attempt to regain his personal prestige Vargas enlisted the support of the Communist party.¹⁰ The military intervened and Vargas was removed from office and replaced by Enrico Dutra.

From 1946-1951, President Dutra gave Brazil as democratic a government as it had ever enjoyed. During the Dutra period a new constitution was adopted in 1946, and the Communist party was outlawed in 1947.

Vargas, who had previously been ousted by the military in 1946, was elected President in 1951, and he remained in office until 1954. Economic problems, and particularly inflation, turned the people against their onetime idol, and he was ousted again by the military in 1954.¹¹

From 1956 to 1960, Kubitschek was President of Brazil. His self proclaimed program was 5 years of Government equals 50 years of Progress.¹² He did much to speed up industrial and national development. Industrialization received an unprecedented impetus, iron ore export doubled, and the automobile industry was started.

⁹Herring, op. cit., pp. 721-722.

¹⁰Ibid., p. 730.

¹¹Text of Getulio Vargas' Suicide Note is attached at Annex B.

¹²Brazilian Government Trade Bureau, 5 Years of Government - 50 Years of Progress, p. 1.

Highway programs and construction of dams for much needed electric power were pushed ahead by the dynamic drive of Kubitschek.¹³

Although this period is credited with the moving of the capital from Rio to Brasilia and starting the development program "from which there could be no turning" the same economic and political problem continued. Corruption and graft in the government exceeded that of the Vargas regime. Control of the government and the country remained in the hands of a few political and economic groups. The south central regions of Brazil became wealthier and the poverty ridden northeast became poorer. Inflation reached unbelievable heights as a result of reckless spending and rapid industrialization. Kubitschek completed his term in office and turned over the Presidency to Janio Quadros in 1961.¹⁴

¹³Elizabeth Bishop, Brazil, pp. 131-132.

¹⁴Ibid.

CHAPTER 3

STRATEGIC RESOURCES OF BRAZIL

GEOGRAPHY

Brazil is the fourth largest country in the world. It is larger than the United States in continuous land area, but smaller than the USSR, China, and Canada. The total land area occupied by Brazil is 3.3 million square miles.¹

Approximately 57 percent of Brazil is made up of highlands of which only 3 percent exceeds 3,000 feet in altitude; the remainder of the country consists of plains and lowlands.² The primary geographical areas are: the mountainous coastal escarpments; the temperate highlands and the plains of the South; the lowlands and the plains of the tropical Amazon Basin in the North and Northwest; and the highlands, arid plains, and the valley of the Sao Francisco River.³

Brazil has the most extensive river system and the greatest mileage of navigable rivers in the world.⁴ Inland waterways, especially the Amazon, drains half the South American Continent and discharges the greatest volume of water of any river in the world. The Amazon river system is navigable from the Atlantic

¹US Agency for International Development, Field Program - Brazil, FY 1963.

²Gilberto Freyre, Brazil, pp. 68-69.

³See map of Brazil attached as Annex C.

⁴Gilberto Freyre, Brazil, p. 68.

Ocean through northern Brazil into Peru. Other important rivers in Brazil are the Rio Sao Francisco, Jacui, Rio Parana, and the Rio Paraquai. These extensive waterway systems provide important communication and shipping routes to areas lacking other adequate surface transport means; unfortunately, most of the major waterways are located in the underdeveloped and sparsely populated areas of Brazil.⁵

Although 93 percent of Brazil's territory lies within the Torrid Zone there are no extremes of temperature or rainfall. Altitude, prevailing winds, rainfall, and distance from the sea contribute considerably to the variations of the climate. Brazil has no record of cyclones, hurricanes, or volcanic disturbances, and the seasons of the year are reverse to those known in the United States.⁶

NATURAL RESOURCES

Brazil contains an abundance of natural resources, the most prevalent are, sugar, coffee, cotton, cacao, rice, vegetable oils, and fibers. The two most notable products are sugar and coffee. Brazil's cattle stock is not only one of the largest in the world, but considered to be one of the world's best sources of beef and pork.⁷ Petroleum is currently being produced in ever-increasing

⁵The World Book Encyclopedia, p. 965.

⁶Ibid.

⁷Gilberto Freyre, Brazil, p. 50.

quantities under government control; however, in 1964, production failed to meet internal requirements by approximately 67 percent. Unlimited oil resources are present and it is estimated that Brazil's oil reserves far exceed the oil resources available to the United States. Until the present political leadership accepts foreign investment and assistance in the operation of their petroleum industry, the development of this vital resource will be slow. Brazil's iron ore is considered to be the "best in the world,"⁸ and it is estimated that their current reserve is equal to 16 percent of the world's known reserve. Monazite, another mineral found in Brazil, is a main source of thorium, which is an alternate to uranium as a supplier of fissionable materials. Other important minerals include gold, nickel, industrial diamonds, quartz, mica, manganese, coal, and tungsten.⁹ Hydroelectric power has been increasing at a rapid rate and it is estimated that Brazil now has seven billion kilowatts of power available and should reach twelve billion kilowatts of power output by 1970. Atomic research reactors, built with U.S. help, are operating in Brazil today, which places her in the category of a potential nuclear power.¹⁰ Dense forest areas cover approximately 60 percent of the country; however, most of this lumber potential is

⁸Ibid.

⁹Richard L. Worsnop, Brazil in Ferment, p. 24.

¹⁰US Dept of the Army, Pamphlet No. 550-20, p. 209.

located in remote areas and presently inaccessible. Wildlife in the forest area and fish are plentiful throughout.¹¹

PEOPLE, POPULATION AND CULTURE

The population of Brazil according to the 1960 census was 70,967,185. In 1965, the U.S. Agency for International Development estimated that the population was 83,160,000.¹² Based on a continued average annual growth rate of 3.1 percent, it is estimated that Brazil will reach 95.3 million by 1970, and approximately 300 million by the year 2000.¹³

Density of population varies, and although 21.6 persons per square mile is the average for Brazil, this statistic does not apply to all states or regions. Major concentration of the population is in the South and East central areas. The states of the south, together with Rio de Janeiro, Espirito Santo, and Minas Gerais account for 60 percent of the population and represent only 17.7 percent of the total land area.¹⁴ The sparsely populated North and central West regions account for 64.2 percent of the land area and only 7.9 percent of the population. Nevertheless, Brazil is classified as one of the most rural nations in the

¹¹Worsnop, op. cit., p. 24.

¹²US Agency for International Development, Economic Data Book for Countries of Latin America, Brazil, 1965, p. 3.

¹³US Dept of Commerce, Overseas Business Report, 1964, p. 4.

¹⁴Ibid.

world. Sixty-four percent of the population is rural and thirty-six percent is urban.¹⁵

The population of the two major cities of Brazil, Sao Paulo and Rio de Janeiro, both exceed 4 million people. Sao Paulo is one of the fastest growing cities in the world and is increasing at a rate of 600,000 people per year. If Sao Paulo continues to increase at this rate, Sao Paulo could become the 3d largest city in the world by 1975.¹⁶

The people of Brazil include all the basic races of mankind and through intermarriage now represent composites of these races. The three principal racial groups were Portuguese, the aboriginal Indian, and the Negro. Today, the white races predominate in the overall racial composition. The last official U.S. census showed 60 percent white, 26 percent mixed and 11 percent negro.¹⁷ The white population dominates the southern states, the Indians in the Amazon Basin area, and the Negro in the Northeast and central regions.¹⁸

Brazil abolished slavery in 1888, and has not experienced any racial problems during the past 85 years. The degree of racial tolerance that exists in Brazil was well expressed by Gilberto Freyre, when he stated that,

¹⁵William L. Schurz, Brazil - The Infinite Country, p. 40.

¹⁶Vernon Walters, Personal interview, 13 Dec. 1965.

¹⁷United Nations, Statistical Yearbook, 1964, p. 31.

¹⁸Gilberto Freyre, New World in the Tropics: The Culture of of Modern Brazil, pp. 93-140.

The general tendency in present day Brazil is to regard slavery as an episode over and done with, having only a social hearing on the history of the total Brazilian personality. Even Brazilians with a family or individual past that has nothing to do with Africa, biologically or ethnically, join Negroid Brazilians in a feeling now general, though not universal, that nothing is honestly or sincerely Brazilian that denies or hides the influence of the Amerindian and the Negro.¹⁹

In general, the people are friendly and fun-loving. Their basic quality is one of humility and they have a strong aversion to violence. Portuguese is the native language, and with the exception of a few remaining Indian dialects, the language is accepted and spoken throughout this vast country.²⁰ Approximately 50 percent of the population is illiterate and this factor is one of the major deterrents to the national growth of Brazil. About 95 percent of the people are Roman Catholics; however, freedom of religion is prescribed by law, and the church is separated from the state.²¹

AN ASSESSMENT

The strategic location of the country, particularly the eastern coastline, which is only 1700 miles from the African Continent, offers unlimited value as a base of operations in that continent, as well as a springboard for European operations.

¹⁹Ibid., p. 140.

²⁰Ibid.

²¹US Information Agency, A Communication Fact Book on Brazil, p. 1.

The natural resources possessed by Brazil have yet to be fully explored or developed. Cautious estimates of the true value of Brazilian resources, when developed, are staggering, and certainly indicate that this country can potentially become one of the future great powers of the world.

From a geographic and natural resource standpoint, future United States policies should be planned to include Brazil, not only as a loyal ally, but as a full fledged partner in our world peace keeping effort.

An analysis of the people, population, and the culture of Brazil reveals certain significant aspects that U.S. policy makers should carefully consider prior to developing long range policies toward this country. They are:

The people of Brazil represent an important resource that could become a valuable asset to the United States.

The 3.1 percent average annual growth rate will increase the population of Brazil to 95.3 million in 1970, and 300 million by the year 2000. The USSR and Red China populations exceed the United States now, and will continue to increase their population advantage. The United States can help overcome this population imbalance by recognizing and accepting Brazil as a partner and as a future world power.

Unlike the other underdeveloped countries of the world that are experiencing similar population explosions, Brazil can adequately support this increase in population. Brazil has long

suffered for lack of manpower and, therefore, we can assume that the population increase will at long last provide an adequate labor force. In other words this population increase should provide the "shot in the arm," that will lead Brazil from the category of an underdeveloped country, to that of a politically stable and economically mature world power.

Such a potential power within our American hemisphere can provide the United States with an ally capable of assuming many of the worldwide and interhemisphere problems that we face in the future.

CHAPTER 4

POLITICS: BRAZILIAN STYLE

POLITICAL STRUCTURE

The Brazilian constitution of 1946, provides for a federal republic consisting of 22 states, 4 territories, with some local autonomy, and a federal district.¹ A bicameral legislature is divided into a Senate and a Chamber of Deputies. Senators are elected by popular vote for an eight year term and deputies are elected for four year terms. The Supreme Federal Tribunal is the highest court of law and its sixteen justices are appointed for life by the President with the Senate's approval.² Current Government officials are listed in Annex E.

All literate Brazilians over 18 years of age are obligated to register and vote. There are approximately 18 million illiterates without voting rights in Brazil today. In addition, persons who have been deprived of political rights, enlisted soldiers, and those persons who cannot express themselves in the national language are not permitted to vote.³

¹A listing of Political and Administrative Divisions is attached at Annex D.

²The Structure of the Government in Brazil as changed by the 2d Institutional Act of 27 October 1965, is attached at Annex G.

³Gilberto Freyre, Brazil, p. 75.

POLITICAL STABILITY

Since 1945, the Brazilian Armed Forces have intervened in politics five times. In 1945, they put an end to Getulio Vargas' 15 year dictatorship. In 1954, they again ousted Vargas, and despite their opposition to his civilian successor Juscelino Kubitschek, they permitted him to accept the Presidency.⁴

In 1961, the military reluctantly accepted Janio Quadros' resignation and bitterly opposed the succession of Vice President Joao Goulart. In order to avoid a civil war the military compromised and permitted Goulart to assume the Presidency, but not until the constitution was amended in favor of a parliamentary form of government which severely limited Presidential powers.⁵ During Goulart's reign, the military closely supervised his actions and, in 1964, when he continued to swing to the left in open support of communism and Castro, the military moved in and ousted him and his Communist supporters.⁶

In each case of intervention, the military "guardians of the constitution"⁷ intervened directly, and with the exception of the 1964 removal of Goulart they have invariably turned over

⁴US Congress, Senate, Committee on Foreign Relations, United States-Latin American Relations: Compilation of Studies, pp. 18-19 (referred to hereafter as "US Congress, US - Latin . . . Studies").

⁵US Dept of the Army, Pamphlet No. 550-20, pp. 302-306.

⁶Joseph S. Sims, "39 Deputies, 1 Senator, Hit By Brazil Purge," Washington Post, 11 Apr. 1964, p. C11.

⁷US Dept of the Army, Pamphlet No. 550-20, pp. 310-311.

political power to the constitutional successor. This has been a traditional action taken by the military since the establishment of the Republic in 1889.⁸ However, in the 1964 ouster of leftist Goulart the military installed the Army Chief of Staff, General Castello Branco, as President of Brazil, and coerced congress to grant him more authoritative power than any of his predecessors.⁹

Five military interventions in a period of nineteen years is indicative of the political instability that has confronted Brazil since 1889. Politics in Brazil have been characterized by poor leadership, rule by the elite and neglect of the masses, corruption, controlled elections, and extremely weak and disinterested multi-party political system. Needed economic and social reforms have been talked about but rarely implemented. Education of the people has been limited to the urban areas and as a consequence illiteracy prevails particularly in the north and northeastern part of Brazil.¹⁰

The most prevalent and distressing factor is the power that the landed aristocracy (large estate owners) have in controlling the federal government. Throughout the years this elite group has controlled the vote of the states, particularly in the north

⁸Jordan M. Young, "Some Permanent Political Characteristics of Contemporary Brazil," Journal of Inter-American Studies, Vol. 6, Jul. 1964, pp. 287-289.

⁹Ibid.

¹⁰Albert O. Hirschman, Journeys Toward Progress, pp. 11-93, passim.

and northeast part of Brazil. They have been able to prevent the passage of reform legislation that would limit their personal power and effect their business interests. And they have retained degrading near feudal conditions within their respective areas, by denying educational and social reforms and ruling their peasants without regard for Federal or State laws.¹¹

In addition to the authority Branco was granted when he became President,¹² the Institutional Acts of 1964 and 1965 were passed to insure the continuity of the revolution and place the future of Brazil in his hands.¹³ The Institutional Act of 1965, extended Branco's term of office until March 1967, with an election of his successor to be scheduled prior to November 1966. The Presidential election procedures were changed from a popular vote to an indirect election which requires an absolute majority of congress.¹⁴ Branco was given the power to suspend political rights and cancel mandates. The act also provided increased provisions for federal intervention in state politics, extensive judicial reforms, and elimination of all existing political parties.¹⁵

¹¹Luis Suarez, "The Crisis in Brazilian Society and Economy," in Revolution in Brazil: Politics and Society in a Developing Nation by Irving L. Horowitz, pp. 257-271, *passim*.

¹²Branco's Basic Government Program is attached at Annex F.

¹³Christopher George, "The Coup in Brazil," in The World Today, May 1964.

¹⁴"Brazil President Takes New Power and Ends Parties," New York Times, 28 Oct. 1965, p. 1.

¹⁵Ibid.

The elimination of the existing fourteen political parties and the directed reorganization of two or three of the biggest and most representative parties has resulted in a two party system; The Branco regime's National Alliance for Renewal party, and the Brazilian Democratic Movement party.¹⁶ Although this reorganization has only been in effect since December 1965, the change appears to be working to the advantage of the people because of the representation improvement. Opposition thus far, has been minor and stems primarily from the ruling elite, and the large landowners who now see their personal powers beginning to diminish as the federal government gains strength.¹⁷

COMMUNISM

Communist party activities in Brazil date back to 1922. Except for short periods of time under Presidents Vargas and Goulart, the Communist party has been subjected to severe policies endorsed by Congress and enforced by the Armed Forces. Yet, during the period 1922-1947, communism progressed more rapidly and gained more political power in Brazil than in any other Latin American country.¹⁸ This rapid rise to power was led by Moscow trained and anti-United States oriented Luis Carlos Prestes. He organized and directed Communist activities from 1924 to 1930,

¹⁶"Brazil - Toward Stability," Time, Vol. 86, 31 Dec. 1965, p. 29.

¹⁷Ibid.

¹⁸US Congress, US - Latin . . . Studies, p. 717.

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COMMUNISM

Communist party activities in Brazil date back to 1922. Except for short periods of time under Presidents Vargas and Goulart, the Communist party has been subjected to severe policies endorsed by Congress and enforced by the Armed Forces. Yet, during the period 1922-1947, communism progressed more rapidly and gained more political power in Brazil than in any other Latin American country.¹⁸ This rapid rise to power was led by Moscow trained and anti-United States oriented Luis Carlos Prestes. He organized and directed Communist activities from 1924 to 1930,

¹⁶"Brazil - Toward Stability," Time, Vol. 86, 31 Dec. 1965, p. 29.

¹⁷Ibid.

¹⁸US Congress, US - Latin . . . Studies, p. 717.

and then spent several years in Moscow before returning to Brazil in 1934 to organize the National Liberation Front Party. Prestes continued to attack President Vargas and his regime until he was sentenced to a 48 year jail term for defiance of the government.¹⁹

In 1945, President Vargas' dictatorship was losing its political power and in order to regain his personal prestige he released Luis Prestes from jail in return for his Communist party support. The military then intervened and ousted Vargas. Despite the government and armed forces opposition to communism in 1946, the Communist Party polled 600,000 votes, won 14 seats in the Chamber of Deputies, and a place in the Senate for their leader Luis Prestes.²⁰ In 1947, the Communists polled approximately 800,000 votes, seated two senators, 14 deputies, and 70 legislatures.²¹

President Dutra recognizing the ever-increasing strength of the party and its leader, Prestes, wasted no time in abolishing the Communist Party when Prestes announced, "that in case of war with the USSR, he would take arms on the side of Russia."²² The party was outlawed in October 1947, and Brazil severed relations with the Soviet Union. Communists in the government were expelled

¹⁹Ibid.

²⁰William L. Schurz, Brazil: The Infinite Country, p. 324.

²¹US Congress, US - Latin . . . Studies, p. 717.

²²Schurz, op. cit., p. 324.

and Prestes and his party members were once more forced to go underground.²³

President Goulart's reign (1960-1964) again paved the way for communism supporters to operate in the open. Goulart reestablished diplomatic relations with the Soviet Union in 1961, and immediately increased trade agreements with the USSR and its satellite countries.²⁴ He further assisted the Communists by placing known "leftists" in key government positions and in the Armed Forces. His support of Castro and his close personal relationship with Francisco Juliao, and his Northeast Brazil Peasant League, further strengthened the Communists move for power.²⁵ Goulart's support of communism and his attempt to infiltrate "leftists" into key military positions resulted in the military revolution of April 1964.²⁶

Under President Goulart's regime the Brazilian Communist Party (BCP) successfully infiltrated and, in many instances, gained control of political and bureaucratic groups, labor organizations, and student groups.²⁷ The revolution in April 1964 represented a severe setback for communism, as Castello Branco

²³Ibid.

²⁴US Congress, US - Latin . . . Studies, p. 40.

²⁵Richard L. Worsnop, Brazil in Ferment, p. 36.

²⁶Young, op. cit., p. 289.

²⁷US Dept of State, Bureau of Intelligence and Research, World Strength of the Communist Party Organizations, Jan. 1965, pp. 145-147 (referred to hereafter as "US Dept of State, World Strength . . . Organizations").

cracked down on the party, ousted and jailed its leaders, and established strong censorship over pro-Communist news media.

Today, Communist leaders and their estimated 30,000 Brazilian party members are either in exile or jail.²⁸ The government and the Armed Forces are continuing their hard line policy against communism and are gaining support from Governors of the hitherto Communist infested Northern region of Brazil.²⁹ Communism is still being preached in Brazil and although the Communist Parties (Brazilian Communist Party (PCB), Communist Party of Brazil (CPB), and the Pro-Castro Peasant League) are in a "state of flux," indications are that the pro-Soviet PCB will continue to follow a nonviolence policy and attempt to regain prestige and power. The CPB pro-Castro supporters will follow the policy of violent revolutionary tactics; however, its membership (1,000 members) is incapable at the present time to implement these procedures.³⁰

THE FUTURE

Economic and social conditions that faced President Branco after the 1964 revolution were deplorable. Communist infiltration into key government and military positions were shaking the foundation of pro-democratic Brazil. Democratic critics from

²⁸Ibid.

²⁹Sims, op. cit., p. C11.

³⁰US Dept of State, World Strength . . . Organizations, p. 146.

the free world were calling the new regime a military dictatorship. The challenges to political stability were not new to Brazil, but the time for a strong leader to appear on the scene was never more mandatory.

After twenty-one months in office, President Branco has assumed a position of authority and is taking stringent measures to correct the enormous problems that handicap the country today. Inflation is decreasing, economic and much needed social reforms are being instituted. Known Communists have been removed from key positions and the party members exiled or jailed. Yet, political stability does not appear to be in the offing. Branco's term will expire in March 1967 at which time he claims he will step down in favor of the October 1966 President elect. The questions to be answered are--will Branco step down as President, and, if so, who will replace him? Will his replacement be strong enough to enforce the economic and social reform programs?

Until these questions can be answered, it appears that instability of Brazil will continue to handicap the development of this potentially rich nation throughout the 1965-1975 period.

CHAPTER 5

THE ROLE OF THE MILITARY

THE MILITARY STRUCTURE

The Brazilian military establishment is the largest in South America.¹ The present Armed Forces consist of an Army of approximately 150,000, a Navy and Marine Corps of about 40,000, and an Air Force of 30,000 officers and men.²

The Army is governed by the Minister of War, a Presidential cabinet position, normally filled by an Army General. For operational purposes the Brazilian Army has 11 administrative regions and 6 tactical commands scattered throughout the country. The administrative regions (military regions) provide administrative and logistical support to the commands in whose area they are located. There are four numbered Armies and two special commands (the Amazon and Brasilia Commands).

The Navy is also governed by a Cabinet member designated by the President. There are six territorial commands (Naval Districts) under the command of Navy officers who have the responsibility for all ships, forces, installations and personnel assigned within the district. Certain ordnance and training centers located within their districts are directly responsible

¹US Dept of the Army, Pamphlet No. 550-20, p. 665.

²Organization charts for the Brazilian military establishment are attached at Annex H.

to the Minister of the Navy. The Navy consists of one aircraft carrier, 3 cruisers, 19 destroyers and escorts, 10 corvettes, 5 minelayers, 5 transports, and other type vessels.³

The Minister of the Air Force is the actual commander of the Brazilian Air Force and he also controls all civil air activities in Brazil. The country of Brazil is divided into six geographical air zones which delineate major Air Force command responsibilities. Aircraft used by the Brazilian Air Force are obtained from the United States.

There is no formal military reserve system in Brazil. However, "all males between the ages of 18 and 45 are subject to military duty under a selective service system. There is one year of service in the first line and five years in the reserve."⁴

The military share of the annual national budget of Brazil averages about 20 percent. However, the Congress invariably supplements the original budgets by granting additional appropriations to meet unprogrammed requirements.

MISSIONS

Article 177 of the Brazilian Constitution states, "It is the mission of the Armed Forces to defend the country and guarantee the constitutional powers, law and order."⁵ There is no further

³The World Book of Facts - 1966, New York Times, p. 583.

⁴Ibid.

⁵Peter Nehemkis, Latin America: Myth and Reality, p. 68.

breakdown of this mission statement to any of the individual services and each arm of service assumes responsibility for that portion of the mission which suits its organizational capabilities and competence.

In addition to the principle missions assigned to the services they are also engaged in activities that benefit their individual training and assist the economy of Brazil. These missions are related to the "Civic Action" programs that are being carried out by all the services. The Army, for example, is carrying out an extensive construction program which involves the building of roads, highways, schools, dams, and sanitation facilities. The Navy performs sea and rescue functions, provides navigational aids for all shipping, and due to the shortage of commercial cargo vessels they are also actively engaged in commercial cargo hauling. The Air Force controls all commercial airway systems, trains commercial pilots and ground crews, and provides necessary meteorological services.⁶

THE ARMED FORCES POLITICAL PHILOSOPHY

Democratic proponents contend that military intervention into political affairs is unlawful and nondemocratic. In most Latin American countries this may be true, but

. . . the Brazilian military traditionally has been a progressive force in the life of Brazil. Until

⁶US Dept of the Army, Pamphlet No. 550-20, pp. 667-668.

the coup against the Goulart regime, the Brazilian military establishment was careful to remove itself from the political scene once it had moved to 'protect' the Constitution.⁷

The Brazilian military consider themselves as the defenders of the constitution and protectors of the foundations upon which Brazil stands.⁸ This belief exists throughout the ranks of all military services and accordingly the military do not merge with civilian authorities and retain a separate existence--that of a moderating power, prepared to use Article 177 of the Constitution as their authority to intervene.

Peter Nehemkis recently pointed out to the critics of military interventions that,

The contention that the military acted unlawfully by its intervention may be sound academically, but it is politically irrelevant -- for Brazil. The Brazilian military is the only institution in the country which has continuity and stability and which regards the country as a nation rather than as disparate regions. It did not seek to usurp power, but to prevent -- as it feared -- the abuse of power.⁹

To protect democracy and preserve the democratic ways of life is an unwritten mission which the military have successfully accomplished since the Republic was born in 1889. This philosophy is accepted and supported throughout the services. They do not advocate military dictatorships, nor do they support the

⁷Nehemkis, op. cit., p. 69.

⁸US Dept of the Army, Pamphlet No. 550-20, p. 659.

⁹Nehemkis, op. cit., p. 68.

traditional "strong man" (caudillo) rule that is so customary in other Latin American countries.¹⁰

The military according to Jordan Young, ". . . are more knowledgeable in the internal and external affairs of Brazil than the political parties, the legislators, and labor unions," For this reason, Mr. Young continued, ". . . the politicians recognize this point and conduct their political affairs accordingly."¹¹

In spite of the recent military intervention to oust President Goulart and his pro-Communist regime, it appears once again that the intervention was necessary. The pro-democratic and anti-Communist military services have removed a regime that was not friendly to the United States and failed to support the Organization of the American States. They have established a temporary military rule with promises for an election in October 1966; this may appear to be a military dictatorship, but true to their military traditions the services are carving a real future for the people by instituting necessary economic and social reforms that require power that only the military are capable of enforcing.

The constitutional watchdogs of Brazil are pro-democratic, anti-Communist, and pro-United States. For these reasons, the future policies of the United States should carefully consider

¹⁰US Dept of the Army, Pamphlet No. 550-20, pp. 656-660.

¹¹Jordan M. Young, "Some Permanent Political Characteristics of Contemporary Brazil," Journal of Inter-American Studies, Vol. 6, Jul. 1964, pp. 287-289.

their military philosophy, accept it, and provide necessary economic and military aid to assist them in building Brazil into a modern state.

MILITARY CAPABILITIES

Brazilian military strategy is defensive in nature. Major Army forces are located near key communication areas, large industrial complexes, coastal defensive regions, and on the Uruguay and Argentine borders. The Navy devotes its tactical emphasis to antisubmarine activities, mine laying, coastal patrols and other defensive measures. The Air Force fighters and light bombers concentrate their efforts on local defense and close air support requirements.¹²

The strategic value of the northeastern region of Brazil was proved in World War II when the U.S. Air Forces constructed a large base and communication facility in Recife.¹³ In response to the strategic interests placed in the Recife area 15 percent of Brazil's Armed Forces are employed in that area and,

. . . a special constitutional provision permits the President, in time of emergency, to authorize a friendly, allied power to establish non-Brazilian bases and transit troops through that area to ward off any possible invader.¹⁴

¹²US Dept of the Army, Pamphlet No. 550-20, p. 656.

¹³Richard L. Worsnop, Brazil in Ferment, p. 37.

¹⁴US Dept of the Army, Pamphlet No. 550-20, p. 656.

Although the Brazilian Armed Forces are traditionally anti-violence oriented and have fought in very few wars, they represent a large standing force prepared to support United States policies. This fact was demonstrated in World War II when they furnished 25,000 Army forces to fight in Italy and again in 1965 when they supported the United States intervention in the Dominican Republic.¹⁵ The present capabilities of their Armed Forces are limited to internal security; however, their willingness to assist the United States in peace keeping missions certainly indicates their allegiance to the Organization of the American States "collective security" responsibility.¹⁶

¹⁵William S. White, "Viva Brasil: Actions in Dominican Crisis Lauded," Washington Post, 9 Jun. 1965, p. A27.

¹⁶John C. Dreier, The Organization of American States and the Hemisphere Crisis, pp. 43-48.

CHAPTER 6

THE BRAZILIAN ECONOMY

GENERAL

Brazilian economy cannot be described, much less appraised, without reference to the economic history of this vast nation. A history that is replete with recurring examples of one crop agriculture, overproduction of coffee, inflation, budget deficits, fluctuating trade balances, and other complex economic problems.¹

As the purpose of this chapter is to appraise the economic conditions of Brazil 1965, and forecasts its potential for 1975, a detailed discussion relative to the development of Brazil's economy is not included. However, a comprehensive coverage of this subject can be gained from the numerous listings included in the bibliography.

AGRICULTURE

The present administration's Minister for Economic Planning, Mr. Roberto de Oliveira Campos, recently described the agricultural situation in Brazil as follows:

Brazilian agriculture has been incapable of producing enough income to support those employed in the sector;

¹Chemical Bank New York Trust Company, International Economic Survey - Brazil, p. 1 (referred to hereafter as "Chemical Bank, Survey - Brazil").

agricultural growth has been far too slow; our agriculture has been basically traditional in Weber's sense of the word; only 5% of our farmers use chemical fertilizers and less than 10% of the cultivated area is properly fertilized; the basic agricultural tool is still the hoe, and the dominant energy source is human muscular effort. . . . This results in low productivity and thus a poor contribution to the stimulation of the desired rhythm of economic development for the country.²

This statement appears incredible when compared to the fact that Brazil is considered to be "one of the world's important agricultural producing nations and an exporter of food and beverage crops, fibers, vegetable oils and waxes, and animal products."³ This incredibility is further amplified by official statistics that reveal Brazil as the world's leading exporter of coffee, the second largest producer of sugar and bananas, and a producer of more rice than any other country outside of Asia.⁴ Other principal crops include corn, rice, manioca, beans, and wheat.

The true agricultural situation that Mr. Campos described is characterized by extravagant employment of the human labor force, little use of machinery, forest destruction, soil wastage, erosion, and shifting cultivation.⁵ This antiquated system of farming and the fact that only eleven percent of the available farmland in

²"Brazilian Agriculture," O Estado de Sao Paulo, 20 Jun. 1965.

³US Bureau of International Commerce, "Basic Data on the Economy of Brazil," Overseas Business Report (OBR 64-75), Jun. 1964, p. 8 (referred to hereafter as "USBIC, OBR 64-75").

⁴Ibid.

⁵"Brazil," Focus, Vol. XV, 3 Nov. 1964, p. 2.

Brazil is being used to grow crops⁶ certainly indicates the tremendous potential that exists, if and when agrarian reforms are implemented.

Celso Furtado (a former Minister of Economic Planning under President Goulart) attributes the continuation of this unsound economic practice to "the slowness of progress in modernizing the Brazilian political system." Furtado also claims that the "agrarian oligarchy" (wealthy large estate owners) wield too much political power and successfully resist agrarian reforms that would change the status quo they have always enjoyed.⁷ An American economist recently agreed with Mr. Furtado's quarrel with the political system when he stated,

In the past nine years, one President of Brazil nearly spent the country into bankruptcy, his erratic successor resigned after seven months in office, and the next man did his best to deliver the nation to Communism and corruption, before the military threw him out. Brazil's economy naturally remained in a state of chaos and its political life was a bruising free for all.⁸

Despite the antiquated farming methods, and repeated failures of the government to institute much needed agrarian reforms, agriculture remains the chief source of the country's wealth. Exports of agricultural and livestock products provide 80 percent of the revenue received. Coffee is the principal export commodity and

⁶USBIC, OBR 64-75, p. 6.

⁷Celso Furtado, "Political Obstacles to Economic Growth," in Obstacles to Change in Latin America, ed. by Claudio Veliz, pp. 145-161.

⁸"Brazil Toward Stability," Time, Vol. 86, 31 Dec. 1965, p. 39.

contributes 55 percent of this export revenue. Cotton and cocoa rank second and third in export value and produce about 10 percent of the total export revenue.⁹

Any discussion of Brazil's economy must include coffee, the economy's mainstay and persistent number one problem. Overproduction, stockpiling, and hoarding have consistently caused the "feast or famine" swings in the income received from this major export commodity. Since 1930, exports of coffee have ranged from a low of 7,280,000 bags (60 kilograms each) in 1942, to a high of 43,249,000 bags in 1960. At the same time Brazil's share of the world's coffee market dropped from 51 percent to 38 percent. This resulted in an annual lost income of \$200 million, a heavy carry-over stock (40 million bags in 1964), and a downward trend in coffee prices. In spite of the lost income and the large stockpiles of coffee that are currently stored in warehouses, overproduction of coffee continues.

The present government policies for correcting the coffee economy call for a reduction in the current surplus and improvement in the quality of production. Low grade coffee has been ordered burned and low yielding coffee bushes are being destroyed. The acreage now taken up by low yield coffee bushes is now being converted to other crop production.¹⁰

⁹US Dept of State, Background Notes - Brazil State
Publication No. 7756, p. 2.

¹⁰Chemical Bank, Survey - Brazil, p. 4.

Despite the problems described above, Brazil is almost self-sufficient in foodstuff with wheat being the only major food import.¹¹

The livestock and the poultry industries also play an important part in the Brazilian economy. Brazil is the third largest producer of cattle and hogs in the world, and although the production of meat is primarily for the domestic market, a UN Economic Commission recently reported,

. . . that in view of the countrys natural resources and its great stock farming potential, the prospect for the livestock industry are encouraging in extremes . . . with the adoption of an integrated long term plan for livestock development, Brazil could become one of the world's great meat exporters.¹²

Agrarian reforms are presently being implemented by the Branco administration. These reforms are not the traditional "crash type programs" advocated by previous administrations, but well planned and designed for gradual and long term improvements. This enlightened outlook was recently stated by the Brazilian Minister for Economic Planning when he stated, "We do not nurture the allusion that we can attack them all intensively, and we do not propose to try to resolve them within a short period."¹³

He further stated that the present government plans to correct the agrarian problems by de-emphasizing coffee production

¹¹USBIC, OBR 64-75, p. 6.

¹²UN Economic Commission for Latin America, Dept of Economic and Social Affairs, Status and Problems, II: Brazil, 1964 (referred to hereafter as "UN, Status . . . Brazil").

¹³"Realism About Agriculture," O Estado de Sao Paulo, 17 Jun. 1965, p. 24.

and encouraging farmers to turn coffee lands into food production. They also plan to relax restrictions on loans and credit for the purchase of tools, seed, mechanization and fertilizer. Agricultural educational facilities will be increased and more centralized direction of the overall production efforts will be exercised by the government.¹⁴

INDUSTRY

The principle driving force behind the economic expansion of Brazil during the past fifteen years has been the rapid expansion of industry. Manufacturing output doubled between 1945 and 1954. The annual rate of expansion of manufactured products averaged between 8.1 to 11 percent and the per capita industrial product expanded twice as fast as the gross domestic product.¹⁵ As a result of this industrial development, industry now contributes 27 percent of the national income as compared to 26 percent contributed by agriculture.¹⁶

During this period, manufacturing of foods, beverages, tobacco, textiles, footwear, clothes; chemical, pharmaceutical, and rubber products; metallurgical products, machinery, electrical and transportation equipment was most impressive. Recent increases in the capital goods industries have resulted in a very favorable balance between the output of consumer goods and capital goods.¹⁷

¹⁴Ibid.

¹⁵UN, Status . . . Brazil, pp. 15-16.

¹⁶Gilberto Freyre, Brazil, p. 83.

¹⁷"Brazil," Focus, Vol. XV, 3 Nov. 1964, p. 6.

Significant industrial accomplishments in 1964 were: the production of three million tons of steel; cement production reached an all time high of 5 million metric tons; hydroelectric power production reached 7 billion kilowatts; 200,000 automobiles were built; 15,000 tractors; 300,000 television sets; mining and processing of iron ore increased; 500,000 transistor radios were constructed and distributed to outlying areas, and three atomic reactors were in full operation.¹⁸

Petroleum production has increased from one million barrels in 1954, to 75.3 million in 1962.¹⁹ Current production does not meet domestic demands and 40 percent of the total requirements are imported at a cost of \$250 million dollars annually. Petrobras, a state controlled petroleum monopoly has long range plans for improving oil production and processing, but continued refusal to accept foreign investment and technical assistance is severely curtailing needed progress.²⁰

Industry in Brazil is being revitalized by the Branco regime and previous restrictions on foreign investment and assurance that foreign owned plants would not be victimized by expropriation has resulted in an upsurge of much needed foreign investments. For example, in 1965, Alcoa started a 50 million dollar aluminum project; Volkswagen is doubling its 60,000 car-annual production

¹⁸Vernon Walters, Personal interview, 13 Dec. 1965.

¹⁹Gertrude Heare, "Economic Developments in Brazil, 1962," Overseas Business Reports, Mar. 1963, pp. 63-70.

²⁰Walters, op. cit.

at a cost of 100 million dollars; and Ford Motor Company is building a new 30 million dollar plant.²¹ After a lapse of six years, the World Bank has reopened credit to Brazil for an 80 million dollar electric power project. The International Monetary Fund has also reopened investment credit amounting to an estimated 325 million dollars. And just recently, U.S. AID granted 500 million dollars in technical and economic assistance.²²

The increased impetus being given to Industrial development by the present administration and the all out effort to eliminate waste, corruption, inflation, and inefficiency places Brazil on the road to potential economic stability. Progress will be gradual and resistance from the status quo aristocratic land owners can be expected. However, the hard line economic policies being adopted by the government are being accepted as necessary and increasing popular support has been quite evident.

TRANSPORTATION

The economic growth of Brazilians is additionally handicapped by an inadequate transportation system that does not meet the nation's requirements.²³

²¹"Brazil Toward Stability," Time, Vol. 86, 31 Dec. 1965, p. 29.

²²"Brazil Proceeds with Caution in Fight on Inflation," The New York Times World Economic Review and Forecast: 1965, ed. by Lee Kanner, pp. 221-222.

²³Chemical Bank, Survey . . . Brazil, p. 7.

In 1962, there were 22,720 miles of railway track and 68,140 units of rolling stock,²⁴ of which the federal government owned 78 percent; state-owned lines accounted for nine percent; and 13 percent was privately owned. The run-down condition of the railway system and failure to establish a unified national system has resulted in annual operating losses and inadequate freight and passenger services.²⁵ Railways, like everything else in Brazil, are concentrated in the south and southeastern part of the country. The central and northeastern areas are most seriously affected by lack of railway transportation.

Lack of railway facilities has placed a major share of transportation requirements on the highway system. In 1963, there were 334,740 miles of roads, 90 percent of which were unimproved. Trucking is presently playing a key role in transporting of freight throughout Brazil, and to accommodate increasing transportation requirements, the government recently instituted a five year road paving program, which will link together the more important cities.²⁶ Vehicle registration, as of 31 December 1964, was 1,459,120, as compared to 1,300,000 in 1962.²⁷ This represents an increase of 149,000 vehicles, which significantly adds to the highway problems that face the nation.

²⁴US Agency for International Development, Field Program - Brazil, FY 1963, p. 4 (referred to hereafter as "US AID, Field Program").

²⁵Freyre, op. cit., p. 93.

²⁶US AID, Field Program, p. 4.

²⁷Ibid.

Brazil has traditionally depended upon coastal and river shipping for freight and passenger service.²⁸ Twenty-four thousand miles of navigable inland waterways are available for inland shipping; however, locks, dams, or canals are sorely needed, if the rivers are to play an important role in improving transportation difficulties.²⁹ The 4,600 miles of Atlantic coastline is extremely important in Brazil's transportation system, due to the shortage of rail and highways in the central and northern regions of the country. As a consequence, 32 to 37 percent of all goods shipped to the northern regions is carried on coastal vessels.³⁰ In January, 1965, the Brazilian merchant fleet consisted of 238 ships (1,146,000 gross tonnage) and 48 tankers (609,000 deadweight tons).³¹ Unfortunately, merchant shipping is deteriorating because of heavy traffic and the run-down condition of the overage vessels.³²

Brazil's airway system was started in 1927, and has increased in importance at a very rapid rate. Government support of the airlines has been continuously emphasized due to the inaccessibility of cities, towns, and remote areas by road or rail. There are 21 Brazilian and 10 foreign airlines in Brazil,³³ and although

²⁸Freyre, op. cit., p. 93.

²⁹Chemical Bank, Survey . . . Brazil, p. 7.

³⁰Ibid.

³¹The World Almanac and Book of Facts, 1966, p. 767

³²US AID, Field Program, p. 4.

³³Chemical Bank, Survey . . . Brazil, pp. 7-8.

there are 1200 or more registered airports, only a small percentage of them are capable of accommodating modern aircraft.³⁴

INFLATION

Inflation has curtailed economic development and stability in Brazil for nearly 85 years. However, the current inflationary problems began with reckless spending of Kubitschek and Quadros, and reached the unbelievable rate of 144 percent annually under Goulart.³⁵

In 1961, the cruzeiros were valued at 280 to one U.S. dollar, as compared to an exchange rate of 1,220 cruzeiros to the dollar in 1964.³⁶ The cost of living rose from 52 percent in 1962,³⁷ to an annual rate of 140 percent in 1964. The causes of this continued inflationary process are numerous, but the principle factors are printing of money for current expenses of the government and attempts to convert money into goods to lessen effects of any further depreciation in value. Increased government payrolls, repeated budget deficits, a corrupt and ineffective tax collection system, and excessive wage increases.³⁸

Since 1964, Roberto de Oliveira Campos, Minister of Economic Planning, has taken action "to discipline a national mentality"

³⁴Freyre, op. cit., p. 93.

³⁵"Brazil Toward Stability," Time, Vol. 86, 31 Dec. 1965, p. 29.

³⁶"Brazil--On the Edge of the Abyss," Time, Vol. 83, 3 Jan. 1964, p. 32.

³⁷"Brazil: 2 Billion Dollars from U.S. and Yet--," US News and World Report, Vol. 54, 1 Apr. 1963, p. 46.

³⁸Ibid.

and correct inflation causes. He has "eliminated \$200 million a year in government wheat, oil, and newspaper import subsidies, thus halting a wasteful drain on Brazil's treasury." He has also ended labor's inflation-producing 75-100 percent wage increases, slowed down government printing of money, and is reforming Brazil's sieve-like tax system to improve collections and eliminate "favorite elite's" exemptions.³⁹ The program calls for austerity and stringent enforcement measures. Therefore, popular support of these reforms is not prevalent in Brazil. Yet, by December of 1965, inflationary prices had been reduced to 45 percent, and foreign exchange reserve had increased from \$150 million in April 1964 to \$300 million. For Brazil this is a major economic accomplishment.

Inflation must be rigidly controlled by the government and the current austerity measures being adopted by Campos and his economic planning commission are necessary if economic stability is to be achieved. The success of these programs depend on their acceptance by the large landowners, state government officials and merchants. If they are willing to accept the need for these reforms, the nation could be on their way to becoming a world power. If not, economic instability will continue to cause political and social chaos. The government must continue to control prices and wages. They must prepare and follow long range plans

³⁹"Brazil Toward Stability," Time, Vol. 86, 31 Dec. 1965, p. 29.

for economic development and discontinue crash-type programs they cannot financially support. Finally, a more diversified agriculture and industrial program must be integrated with current deflationary reforms.

FOREIGN TRADE

During the period 1956-1960, Brazil's foreign trade deficit was \$491 million. This deficit continued through 1963, and, prior to the ousting of Goulart, the total accumulative deficit reached \$890 million.⁴⁰ After eight consecutive years of foreign trade deficit, the new regime finally achieved a favorable trade balance in 1964 when exports exceeded imports by \$173 million.⁴¹

The United States is the principal trading partner of Brazil, followed by Germany, Argentina, Sweden, and the Communist bloc countries. Exports to the U.S. during the period 1960-1964 totaled \$2,618 billion as compared to imports of \$1,909 billion for a favorable trade balance of \$709 million.⁴² Brazilians major exports during this period were coffee, cotton, and cocoa beans. Her major imports were foodstuff, raw materials, machinery, and vehicles.

Soviet bloc trade with Brazil during this same period has amounted to \$404 million in exports and \$360 million in imports. Principle bloc countries trading with Brazil are Poland,

⁴⁰Chemical Bank, Survey . . . Brazil, pp. 10-11.

⁴¹US AID, Field Program, p. 6.

⁴²Ibid.

Czechoslovakia, and the USSR. Imports from the bloc countries consist of machinery, fertilizer, and chemicals.⁴³

Brazilian trade balance in 1964, and the improved outlook for a more favorable balance in 1965, is encouraging. However, Brazil must seek greater trade accounts and earn more purchasing power to support her needs for machinery and raw material imports. She must also increase production of petroleum and foodstuff to meet internal requirements and for increased export earnings. Foreign investments can assist in the development of a more favorable trade balance, but Brazil must now face the hard facts and work out her own problems in a systematic and competitive manner.

See Annex I, Economic Background Highlights.

⁴³Richard L. Worsnop, Brazil in Ferment, p. 40.

CHAPTER 7

BRAZIL-UNITED STATES RELATIONS AND POLICIES

BACKGROUND

Milton S. Eisenhower, divides the history of Inter-American relations into four major periods.

The first period began with the wars of independence and extended essentially to the opening of the twentieth century. It was a period marked by a condescending, but protective attitude in the United States and varying degrees of Yankeeophobia in Latin America.

The second period, according to Mr. Eisenhower, began at the start of the twentieth century and was highlighted by continuous U.S. intervention into Latin American Affairs. A fact which, he claims, "retarded the development of programs for social justice." The third period of inter-American relations was an era of the "Good Neighbor Policy" (1933-1946) in which the United States discontinued interventionism and poured money and goods into Latin America. The fourth period, (1946 - ?) is an era in which good neighborliness continues, but the United States preoccupation with rebuilding Europe and the priority of financial aid being given to counter the Communist threats in the Middle East and Asia have "caused most Latin American nations to consider themselves less important to the United States than other areas of the world."¹

¹Milton S. Eisenhower, "The Alliance for Progress: Historic Roots," ed. by John C. Drier, pp. 3-17.

Throughout these periods of "hot and cold" relationships between Latin American nations and the United States, close economic and military ties progressively developed between Brazil and her American ally.² Brazilian-American amity continued to be the principal aim of Brazil's foreign policy.³

Since the end of World War II, numerous inter-American agreements and alliances have been formulated to insure closer coordination and cooperation. The Inter-American Treaty of Reciprocal Assistance (Rio Pact) was agreed to in 1947. This pact was designed to further economic cooperation and inter-American collective security planning. Then came the signing of the charter of the Organization of American States (OAS) on May 2, 1948.⁴ The goals of the OAS were: the protection of the independence of the American States; prevention of armed conflict amongst Latin American States; and inter-American political and social harmony.⁵

Other assistance programs developed to foster inter-American relationships included separate Military Assistance Programs (MAP), economic and technical assistance from the U.S. Agency for

²US Congress. Senate. Committee on Foreign Relations. United States-Latin American Relations: Compilation of Studies, p. 4.

³Irving L. Horowitz, Revolution in Brazil: Politics and Society in a Developing Nation, pp. 124-125.

⁴John C. Drier, The Organization of American States and the Hemisphere Crisis, p. 11.

⁵Ibid.

International Development Bank, Latin American Free Trade Association, and the Alliance for Progress.

ALLIANCE FOR PROGRESS

Today, United States policy toward Latin America is outlined in the Alliance for Progress Program. The principle objectives of this program are: (1) to maintain a minimum economic growth rate of 2.5 percent per capita, (2) more equal distribution of natural wealth, (3) maintenance of a balance economy, (4) implementation of land reform programs, (5) institute tax reforms, (6) elimination of illiteracy, (7) improved educational facilities, (8) improved health and sanitation conditions, (9) strengthen democratic institutions, (10) more diversified economy, and (11) eliminate causes of inflation.⁶

The program will cost approximately \$100 billion over the next twenty years, with \$80 billion to be furnished by Latin American nations, and \$20 billion to be generated by the United States.⁷

Brazil and nineteen other countries signed the Alliance on August 17, 1961. The success of the program was highlighted on the fourth anniversary of the Alliance, when President Johnson stated,

This 4 years has been the greatest period of forward movement, progress, and fruitful change that we have

⁶Lincoln Gordon, A New Deal for Latin Americans: The Alliance for Progress, pp. 114-117.

⁷Ibid.

ever made in the history of this hemisphere. And that pace is now increasing. . . . To all that was pledged that momentous August day 4 years ago - and everything promised since then - I here, on this anniversary today, again pledge my administration and my personal life in office.⁸

Peter Nehemkis, recently disagreed with the supporters of the Alliance when he stated,

The Alliance has evolved a master plan for the economic development of Latin America. What is really needed is a master plan for its political development . . . Latin America is too important to be left to the economists. Politically oriented leaders must now take the helm if the Alliance is to have any meaning.⁹

Despite the varied outlooks on the Alliance for Progress expressed above, economic progress has been noticeable. United States and Brazilian relations are resurging from the temporary political differences caused by Goulart and his leftist regime. Brazil is an ardent supporter of the Alliance and could be the key to its success or failure.¹⁰

CURRENT U.S. OBJECTIVES AND POLICIES

Secretary of State, Dean Rusk, in a speech made before the First Inter-American Conference of the Partners of the Alliance, reaffirmed our current and long range objectives in Latin America when he stated:

⁸Lyndon B. Johnson, "The Alliance for Progress: Four Years of Forward Movement," Department of State Bulletin, Vol. LIII, 13 Sep. 1965, pp. 426-430.

⁹Peter Nehemkis, Latin America: Myth and Reality, pp. 243-245.

¹⁰Mike Mansfield, Brazil and United States Policies, p. iii.

From its inception, the Alliance for Progress has been the cornerstone of our policy in Latin America. The Alliance objectives--of reform and development in democracy--are our objectives. They are our objectives because we have always believed in them and because their attainment in each and every country of Latin America is in our national interest.¹¹

These objectives of reform and development in democracy can be successful in Brazil, if our current policies are implemented with understanding and complete political and economic support.

Since 1960, U.S. policies toward Brazil have undergone a period of instability. Goulart's "nationalism" and sympathies with Cuba and the Soviet Union caused our political, military and economic policies to waver prior to 1964.¹² Now a military dictator, Castello Branco, is President of Brazil, and despite his authoritarian rule, political, social, and economic reforms are being implemented with increased United States support.¹³ In spite of our U.S. opinion of dictatorships, our overall policies for Latin America include Brazil as one of the most important allies we have in the Americas.¹⁴

Current political policies toward Brazil emphasize the development and strengthening of democratic procedures. The success or failure of this most important policy will be

¹¹Dean Rusk, "The Alliance for Progress: A Partnership of Mutual Help," Department of State Bulletin, Vol. LIII, 5 Jul. 1965, pp. 2-5.

¹²Juan de Onis, "Goulart Says Coexistence is Vital in Divided World," New York Times, 25 Oct. 1962, p. 24.

¹³"If Brazil Fails to Make It This Time," U.S. News and World Report, Vol. 59, 11 Oct. 1965, pp. 84-86.

¹⁴Mansfield, op. cit., p. iii.

determined in October 1966, when Castello Branco's replacement is scheduled to be elected by an indirect vote of the present Congress.¹⁵ Branco's successor must be strong, as Brazil can no longer permit a weak government to function under the control of the landed aristocracy.

Economic policies are directed toward the growth and development of expanded trade with the United States; the implementation of the provisions of the Charter of Punta Del Estes (Alliance for Progress); protect private U.S. investments; and insure economic assistance leads toward modernization and a more equitable distribution of national wealth.¹⁶

Military assistance policies are currently addressed to maintaining an effective military establishment capable of insuring internal security and accomplishing its mission of collective security in accordance with the Charter of the O.A.S. Military assistance is one of the most effective programs in Brazil, and the presence of U.S. military personnel in Brazil certainly demonstrates our determination to fulfill our obligations. Training of Brazil's military personnel in U.S. military schools is not only improving their individual military knowledge, but increasing their awareness of political, economical, and

¹⁵Juan de Onis, "Democracy Brazilian Style," New York Times, 28 Nov. 1965, p. E3.

¹⁶US Congress, Senate. Committee on Foreign Relations. United States-Latin American Relations: Compilation of Studies, p. 17.

social affairs. It is true that the democratic procedures in Brazil have temporarily been altered by the incumbent military regime. However, the Brazilian military establishment is pro-democratic and, once law and order have been restored and desired reforms initiated, we can expect the military to return the government to civilian control.¹⁷

¹⁷"Business Around The Globe: Brazil's Battle With Inflation," Fortune, Vol. LXXII, Dec. 1965, pp. 97-103.

CHAPTER 8

CONCLUSIONS AND RECOMMENDATIONS

CONSIDERATIONS FOR THE FUTURE

Strategic Location of Brazil. One need only look at the map (Annex C) of Brazil to appreciate its size and strategic location. Four thousand six hundred miles of Atlantic coastline lying astride the air route leading to Africa and Europe offers the United States a base for future operation that would be invaluable in the event of war.

Strategic Resources. Tapped and untapped natural resources in Brazil were discussed in Chapter 3. The United States should take advantage of its special relationship with Brazil, and continue to assist in the development of these natural resources. U.S. iron and oil reserves are diminishing; the U.S. should recognize the importance of Brazil as a future supplier of these critical resources.

Manpower Resources. The "population explosion" continues to affect the balance of power in the world. The population of the USSR and Red China currently exceeds that of the United States, and this imbalance will continue to increase in their favor. We should recognize that the 3.1 annual growth rate of Brazil will increase her population from its present 70 million to approximately 100 million in 1970, and 300 million by the year 2000.

This valuable manpower source could assist the United States in overcoming the manpower advantage of the two major Communist powers.

Political Support. The present military regime of President Branco is pro-United States, and violently anti-Communist. We must look at their government structure objectively, and not passionately oppose military leadership because "we" do not consider that such a government could be democratic. Castello Branco supports democratic principles; however, he must also "fight" archaic customs and procedures that have been established and maintained by the landed aristocracy. A strong, determined approach must be taken to overcome these remnants of the feudal system before true democracy can prevail. We must continue to provide support to the Brazilian government, and not expect an immediate return to United States type democracy. In so doing, we must also recognize the importance of the Brazilian military establishment as the only stabilizing force in Brazil and provide assistance and understanding for the goals they are striving to obtain.

Economic Support. Chapter 6 discussed the economic conditions of Brazil to include certain suggested policies and recommendations. The U.S. should not overlook the importance of increasing our economic financial and technical assistance, as well as increasing our trade relationship. Brazil is not looking for charity and desires to establish her place in the world. We

can help her in achieving this objective: by assisting in developing her foreign trade, by providing financial and technical assistance for industrial modernization, and increased agricultural production. In so doing, we can expect Brazil to continue to support our foreign policies and increasingly develop her capability to share the U.S. worldwide peace keeping mission.

CONCLUSIONS

It is concluded that:

1. Brazil is of great strategic importance to the United States for the following reasons:

a. It is the fourth largest nation in the world.

b. Its geographical location is of strategic importance to the United States as a base of operation for future African or European conflicts.

c. Its rapidly growing population will reach 90 million in 1970, and an estimated 300 million within the next thirty-five years.

d. In natural resources, it is potentially one of the richest nations in the world.

2. Brazil's military establishment is the largest and most efficient military force in Latin America. Military personnel are predominately pro-United States, anti-Communist, and represent the only organized force capable of providing stability in Brazil. They have repeatedly demonstrated their dedication to democracy

by ousting dictators and pro-Communist officials who have attempted to overthrow the constitutional government. Military support of U.S. foreign policies have been demonstrated by the voluntary use of their forces in World War II, the Congo, and the Dominican Republic.

3. Brazil's political, economic and social problems can only be resolved through the implementation of revolutionary reforms. The present regime is instituting many reform programs that will greatly assist the nation's development. However, the success of these programs will depend upon expanded economic, financial and technical assistance from the United States. A few of the major reform programs that must be initiated by Brazil and supported by the United States are:

a. Agrarian Reforms. Land redistribution and development of presently unused land in the interior portions of Brazil must be implemented. Modern farming technology must be advanced through educational programs and government financial support, in the form of loans and credit, for the purchase of tools, seed, fertilizer, and machinery. Increased diversification of agricultural products must be enforced and overdependence on coffee and sugar as their economic mainstay must be discontinued.

b. Industrialization. Industrial expansion over the past decade has been responsible for the rapid economic growth rate that Brazil attained prior to 1963. This expansion has also been responsible for most of the present economic frustrations

that exist today, i.e., inflation, budget deficit, and limited federal reserve funds. Industrial expansion must be programmed on a long range basis and development must be coordinated with an extensive plan for exploiting untapped mineral resources and increased hydroelectric power output.

c. Transportation. Continued emphasis must be placed on increasing rail, highway, and waterway transportation capabilities. Construction of roads and railroads that lead to the interior regions and the northern region should speed up the development of the present uninhabited areas and replace current regionalism with national unity.

d. Education. Increased educational facilities, classroom and teachers, are sorely needed in Brazil. Better than fifty percent of the population is illiterate, and until this problem area can be resolved the hopes for political, economic, and social reforms cannot be attained. Brazil also needs doctors, engineers, scientists, teachers and technically skilled workers. The government of Brazil must institute educational programs that will alleviate these deficiencies.

e. Regionalism. The development of this nation is currently handicapped by regionalism. The powerful state of Sao Paulo still produces half of the agricultural and industrial goods of Brazil and along with Rio de Janeiro, represents the wealth of the nation. The poverty ridden northeast, Mato Grosso, the Amazon Basin, and the Highlands, represent the poorest and least

developed areas. These areas are tightly controlled by the "landed aristocracy," who continue to exercise their "feudal" powers. The federal government must take immediate action to improve the living conditions and standards of the people in these underdeveloped areas, and wrest political control from the elite. Unless stringent social reform measures are enforced by the government, these areas represent a threat to democracy and a golden opportunity for a Communist insurgency.

f. Economy. Brazil's economic system has recently taken a turn for the better. Austerity and realistic long range programming is replacing reckless spending and "crash type" development programs. Inflation has been reduced from an average annual rate of increase of 144 percent to 45 percent. Foreign trade deficits have been reversed in 1964-65, and now represent a favorable balance. Tax laws are being revised and brought up-to-date. These reforms are necessary, if economic stability is ever to be attained in Brazil. Austerity is not popular in Brazil, and unless current reform programs are rigidly enforced by the federal government, Brazil's dream of becoming a world power will never be realized.

4. Political instability remains a major problem area, and is the principal deterrent to Brazil's future power status. Weak leaders controlled by state political bosses, and landed aristocracy continue to prevent implementation of necessary reform programs. Political control of the federal government has

remained in the hands of the wealthy south and south central states since 1889. Representation in Congress is also allocated to these favored states and does not truly represent the people of Brazil. Today, a so-called "military dictatorship" under President Castello Branco, is in control of the government. Branco is a strong leader with democratic ideals. He and his cabinet members are implementing necessary reforms that have often been talked about by his predecessors, but never implemented. To accomplish this herculean task, Branco has assumed authority unprecedented in the history of Brazil. Branco is currently scheduled to remain in office until March 1967. His successor is to be elected by indirect vote of the present congress in October 1966. The President elect must be a strong leader and possess the full support and confidence of the Military Establishment, if Brazil is to ever achieve political stability. Until the President elect assumes his responsibilities, it is important to the national interest of the United States that full support and close cooperation be maintained with the Branco regime.

RECOMMENDATIONS

It is recommended that:

1. The United States continue to recognize the strategic significance of Brazil, and continue current economic and military assistance programs.
2. The United States accept the requirement for strong leadership in Brazil and continue to support the Branco regime.

3. The United States continue to support the Alliance for Progress Program to Brazil with a view towards establishing this nation as a model for other Latin American nations to follow.

4. The United States continue to extend favorable trade opportunities to Brazil.

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ANNEX A

BRAZILIAN HISTORY (1500-1889)

COLONIAL PERIOD

Brazil was discovered, April 22, 1500, by a Portuguese navigator, Pedro Alvares **Gabral**. For thirty years Portugal neglected their newest colony, in favor of the wealth and profit more readily available in the Indies.¹

In 1532, with King John II on the throne, Portugal made their first attempt at government in Brazil. The colony was receiving increasing French and Spanish interest when John III seeking consolidation of Portugal's control, installed the system of captancies (donatarios). This system was designed to strengthen Portugal's hold on the colony and to develop the natural resources sorely needed by the Portuguese people.² Brazil was divided into twelve hierarchtary captancies and allocated to gambling captains eager to exploit "private enterprise and trader capitalism." The twelve captains assumed financial responsibility for conquering and developing their allocated domains and, in return, they received the powers and rights of feudal lords.³ In order to limit the increasing political powers of the twelve independent captains, John III,

¹Encyclopedia Britannica, 1963, Vol. 4, p. 122.

²Hubert Herring, A History of Latin America, p. 220.

³Ibid., p. 221.

appointed Tome de Souza as Captain-General of Brazil. He was provided with extensive power to deal with civil and criminal law and order. Souza was accompanied by seventeen hundred colonizers, most notable of whom were six members of the Jesuit order. The Captain-General and six Jesuit fathers are known today as the "Founders of Brazil." The determined effort of these seven men to develop Brazil, did much to unite the colony, and establish the single national entity that has resulted.⁴

By 1580, the first phase of Brazil's history was concluded. Brazil had eight established captancies and a population that consisted of 17,000 to 25,000 Portuguese, 18,000 civilized Indians, and 14,000 Negro slaves. Chief exports were sugar, brazilwood and cotton.⁵

From 1580 to 1807, Brazil was the victim of Portuguese poverty, Spanish assumption of the throne of Portugal, and English, French, and Dutch intrigue. Fortunately, gold and diamonds were not discovered until the early part of the eighteenth century and the allure of Brazil, to the major colonial empire builders, did not warrant the expense of manpower for the low stakes to be gained.⁶ The Dutch did manage to penetrate the northern part of Brazil, but in 1654 the Brazilians destroyed their last stronghold in Recife. Today, British, French, and Dutch Guiana

⁴John Knox, trans., An Outline of Brazilian History, pp. 12-13.

⁵Herring, op. cit., p. 222.

⁶US Dept of the Army, Pamphlet No. 550-20: US Army Area Handbook for Brazil, pp. 35-36 (referred to hereafter as "DA, Pamphlet No. 550-20").

represent the remaining influence of these nations during the early days of Brazil colonization.

The Eighteenth Century represented an era of growth of Brazil. Geographically, it reached its present configuration; European immigrants continued to arrive in large numbers and the population and economy increased at a rapid rate. The Minas Gerais gold find in 1662, set off the "Golden Age" of Brazil and established a pattern of life that still plagues the Brazilian economy. The gold rush not only disrupted the existing currency and price structure, but resulted in the diversion of energy and attention from the basic agricultural economy that was just beginning to produce beneficial results. As the economic interest shifted from agriculture to mining of gold, the impetus of growth shifted from the northern region to the south central region and the cities of Rio de Janeiro and Sao Paulo became the focal points for the government and the economy.⁷ This "large scale shift in the center of gravity which was recognized in 1763 by moving the capital from Bahia to Rio de Janeiro."⁸

The end of a three hundred year colonial period under Portuguese rule found the Brazilians in a less favorable position than that enjoyed by their hispanic neighbors. Poverty stricken Portugal had been unable to rule with decisiveness or consistency.

⁷Celso Furtado, The Economic Growth of Brazil, pp. 95-99.

⁸DA, Pamphlet No. 550-20, p. 36.

They were forced to grant political powers to wealthy land owners in return for profit. They did not have the manpower available to perform necessary labor and were forced to depend on slavery and immigration. As a result of this political weakness, the vast size of Brazil, and the meager population scattered throughout the area, rule of Brazil was in the hands of the regional landowners (fazendeiros). Regional specialization flourished and overall control was practically nonexistent.⁹

INDEPENDENCE AND THE EMPIRE

When Napoleon occupied Portugal in 1807, the Portuguese Court fled from Lisbon to Brazil and established the seat of the Crown and the capital of the Empire in Rio de Janeiro. Despite the lavishness of the Royal Court and their utter contempt for the Brazilians, the presence of the ruling party had a significant effect on the emergence of Brazil as the giant in the new world of South America. After 300 years of almost total neglect Brazil received long overdue attention from the Portuguese King John V. Brazilian seaports were opened to world trade, industrial activities were improved, and immigration was expanded. For fourteen years, the United Kingdom of Portugal, Brazil and the Alvaras was ruled from the capital city of Rio de Janeiro, and Brazil prospered throughout the period.¹⁰

⁹Herring, op. cit., pp. 226-227.

¹⁰Ibid, pp. 287-291, passim.

In 1821, John VI and three thousand members of the Royal Court returned to Lisbon and Dom Pedro I, the King's oldest son, was left behind as the King's Regent. He was a young, energetic, and liberal ruler who immediately recognized the necessity for independence. Ignoring his father's refusal to grant independence to Brazil, Pedro I announced the "grito do Ypiranga" (Independence or death) declaration on 7 September 1822. Two months later he was proclaimed Emperor of Brazil.¹¹

Unlike their hispanic neighbors, Brazil gained independence without any major battles, or bloodshed, and enjoyed a sixty-seven year period of stability and liberalism unequalled in the entire American continent. Hubert Herring, one of the world's foremost authorities on Latin American history, had this to say about Brazil's independence as compared to her Spanish American neighbors:

Portugese Brazil long followed a different course from that of its Spanish American neighbors. While the rest of Latin America was being fashioned into republics with Presidents and constitutions after the pattern of the United States, Brazil followed the Iberian example and became an Empire. The liberators of Spanish America had grave doubts as to the readiness of their new nations for free institutions: San Martin inclined toward monarchy; Bolivar, while founding republics, turned toward dictatorship. But Brazil, with little debate, formed an empire which lasted sixty-seven years (1822-89).

. . . History credits the empire with having held Brazil together; had it not been for the cohesive

¹¹Knox, op. cit., pp. 27-28.

power of the Crown the nation might have easily split at its seams as did Gran Columbia, Peru, and the provinces of La Plata. But Brazil did not split; the secessionist movements which raged during the first decades were overcome; and even the abolition of slavery in 1888 did not break the unity of the nation. Thanks to the unifying force of the empire, the United States of Brazil exists today as the largest of the republics of the New World.¹²

Pedro I ruled as Emperor for nine years. His reign was one of pomp and extravagance which culminated with his resignation in 1831. Dom Pedro II, the five year old son of the emperor, inherited the empire, but until he reached the age of sixteen the empire was ruled by a series of three men regencies who managed to hold the empire together until 1840, when young Pedro II assumed the leadership of Brazil.¹³

Under the rule of Dom Pedro II Brazil made considerable progress. The population increased from "four to fourteen million, a fourteen-fold increase in public revenues and a ten-fold increase in the value of the products of the empire" were a few of the improvements that resulted from the leadership he provided.¹⁴ The final abolition of slavery without compensation in 1888 and Pedro II's insistence that the military stay out of politics were the principal reasons for the collapse of the empire and the banishment of Pedro and his family to Europe.

¹²Herring, *op. cit.*, p. 684.

¹³DA, Pamphlet No. 550-20, pp. 45-50.

¹⁴Encyclopedia Britannica, 1963, Vol. 4, p. 124.

The transformation from an empire to a republic was initiated by the military, but in true Brazilian tradition there was no bloodshed and civilian leaders were placed in control of the republic under the supervision of the Army.

ANNEX B

GETULIO VARGAS' SUICIDE NOTE

FAREWELL MESSAGE TO THE BRAZILIAN PEOPLE

GETULIO VARGAS

Once more the forces and interests against the people are newly coordinated and raised against me. They do not accuse me, they insult me; they do not fight me, they slander me and do not give me the right of defense. They need to drown my voice and halt my actions so that I no longer continue to defend, as I always have defended, the people and principally the humble.

I follow the destiny that is imposed on me. After years of domination and looting by international economic and financial groups, I made myself chief of an unconquerable revolution. I began the work of liberation and I instituted a regime of social liberty. I had to resign. I returned to govern on the arms of the people.

A subterranean campaign of international groups joined with national groups revolting against the regime of workers' guarantees. The law of excess profits was stopped in Congress. Hatreds were unchanged against the justice of a revision of minimum wages.

I wished to create national liberty by developing our riches through Petrobras (government oil development company), and a

wave of agitation clouded its beginnings. Electrobras (government hydroelectric development agency) was hindered almost to despair. They do not wish the workers to be free. They do not wish the people to be independent.

I assumed the government during an inflationary spiral that was destroying the value of work. Profits of foreign enterprises reached 500 percent yearly. In declarations of goods that we import there existed frauds of more than \$100,000,000.

I saw the coffee crisis increase the value of our principal product. We attempted to defend its price and the reply was a violent pressure upon our economy to the point of being obliged to surrender.

I have fought month to month, day to day, hour to hour, resisting a constant aggression, unceasingly bearing it all in silence, forgetting all and renouncing myself to defend the people that now fall abandoned. I cannot give you more than my blood. If the birds of prey wish the blood of anybody, they wish to continue sucking that of the Brazilian people.

I offer my life in the holocaust. I choose this means to be with you always. When they humiliate you, you will feel my soul suffering at your side. When hunger beats at your door, you will feel in your chests the energy for the fight for yourselves and your children. When they humiliate you, you will feel in my grief the force for reaction.

My sacrifice will maintain you united, and my name will be your battle flag. Each drop of my blood will be an immortal call to your conscience and will maintain a holy vibration for resistance.

To hatred, I respond with pardon. And to those who think they have defeated me, I reply with my victory. I was the slave of the people and today I free myself for eternal life. But this people, to which I was a slave, no longer will be a slave to anyone. My sacrifice will remain forever in your soul and my blood will be the price of your ransom.

I fought against the looting of Brazil. I fought against the looting of the people. I have fought bare-breasted. The hatred, infamy, and calumny did not beat down my spirit. I gave you my life. Now I offer my death. Nothing remains. Serenely I take the first step on the road to eternity and I leave life to enter history.

Source: Irving Louis Horowitz, Revolution in Brazil; Politics and Society in a Developing Nation. New York: E. P. Dutton & Co., Inc., 1964, pp. 132-133.

ANNEX C



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ANNEX D

POLITICAL SUBDIVISIONS

Political and Administrative Divisions

Brazil is divided into 22 states, a federal district, and four federal territories. Each state has its own constitution and popularly elected legislature and governor. States and territories are divided into municipalities, which are in turn divided into districts.

ADMINISTRATIVE SUB-DIVISIONS

State	Area (sq. km) ¹	Population ²	Capital	Population ²
Acre	152,589	160,208	Rio Branco	48,000
Alagoas	27,657	1,271,000	Maceió	170,000
Amapá	1,558,987	721,000	Manaus	175,000
Bahia	559,921*	5,991,000	Salvador	656,000
Ceará	148,016	3,338,000	Fortaleza	515,000
Espírito Santo	39,368	1,159,000	Vitória	85,000
Goiás	642,036	1,955,000	Goiânia	154,000
Guanabara	1,171	3,307,000	Rio de Janeiro	3,307,000
Maranhão	324,616	2,492,000	São Luís	159,000
Mato Grosso	1,261,094	650,000	Cuiabá	57,000
Minas Gerais	583,248	9,799,000	Belo Horizonte	693,000
Pará	1,227,530	1,551,000	Belém	402,000
Paraíba	56,372	2,018,000	João Pessoa	155,000
Paraná	199,060	4,110,000**	Curitiba	361,000
Pernambuco	95,281	4,137,000	Recife	797,000
Piauí	250,934	1,263,000	Teresina	145,000
Rio de Janeiro	42,134	3,403,000	Niterói	245,000
Rio Grande do Norte	53,015	1,157,000	Natal	163,000
Rio Grande do Sul	267,528	5,448,000	Porto Alegre	641,000
Santa Catarina	95,483	2,147,000	Florianópolis	99,000
São Paulo	247,898	12,975,000	São Paulo	3,825,000
Sergipe	21,994	760,000	Aracajú	116,000
Federal District	5,814	Brasília	142,000

Source: Freyre, Gilberto. Brazil, Pan American Union, 1963.

ANNEX E

PRINCIPAL GOVERNMENT OFFICIALS (BRAZIL)

Chief of State . . . Humberto de Alencar Castello Branco

Cabinet

Minister of the Air Force . . . Brig Nelson Freire Wanderley
Minister of Foreign Affairs . . Vasco Leitao da Cunha
Minister of War General Artur da Costa e Silva
Minister of Justice Milton Soares Campos
Minister of Mines & Energy . . Mauro Thibau
Minister of Industry and
Trade Daniel Agostino Faraco
Minister of Finance Otavio Gouveia de Bulhoes
Minister of Coordination and
Planning Roberto de Oliveira Campos
Minister of Agriculture Hugo de Almeida Leme
Minister of Education and
Culture Flavio Suplicy de Lacerda
Minister of Labor Arnaldo Lopes Sussekind
Minister of Health Raimundo de Brito
Minister of Transportation &
Public Works Juarez Tavora
Minister of Interior Oswaldo Cordiero de Farias
Minister of Navy Unknown as of 11 Jan. 1966

Source: US Department of State. Background Notes: Brazil, 1964.

ANNEX F

PROGRAM TO ACHIEVE PURPOSES OF BRAZILIAN REVOLUTION OF MARCH 1964

THE BRAZILIAN GOVERNMENT'S BASIC PROGRAM

I. CURRENT ANTI-INFLATION PROGRAM.

1. Federal budget deficit reduced by increasing revenues through tax reforms and by cutting expenditures.
2. Subsidies eliminated on imports of petroleum and wheat; subsidies to railways, ports, and other government enterprises reduced.
3. Restrictions placed on credit expansion and currency issue; central banking system created.
4. Wage levels held to noninflationary level by preventing frequent and drastic increases.
5. Private foreign investment encouraged by relaxing profits remittance laws, liberalizing mineral concessions policy, and signing of investment guarantee agreement with US.
6. External financial assistance renewed, including both new capital and rescheduling of payments on large short-term debt, of which more than \$250 million postponed.

II. LONG RANGE GOALS.

A. Economic Development.

1. Emphasize public investment in infrastructure, particularly power and transportation.
2. Increase agricultural production through technical assistance.
3. Improve distribution of agricultural and industrial supplies.
4. Reduce extreme inequalities in regional distribution of income.
5. Increase export earnings by expanding level and variety of exports.

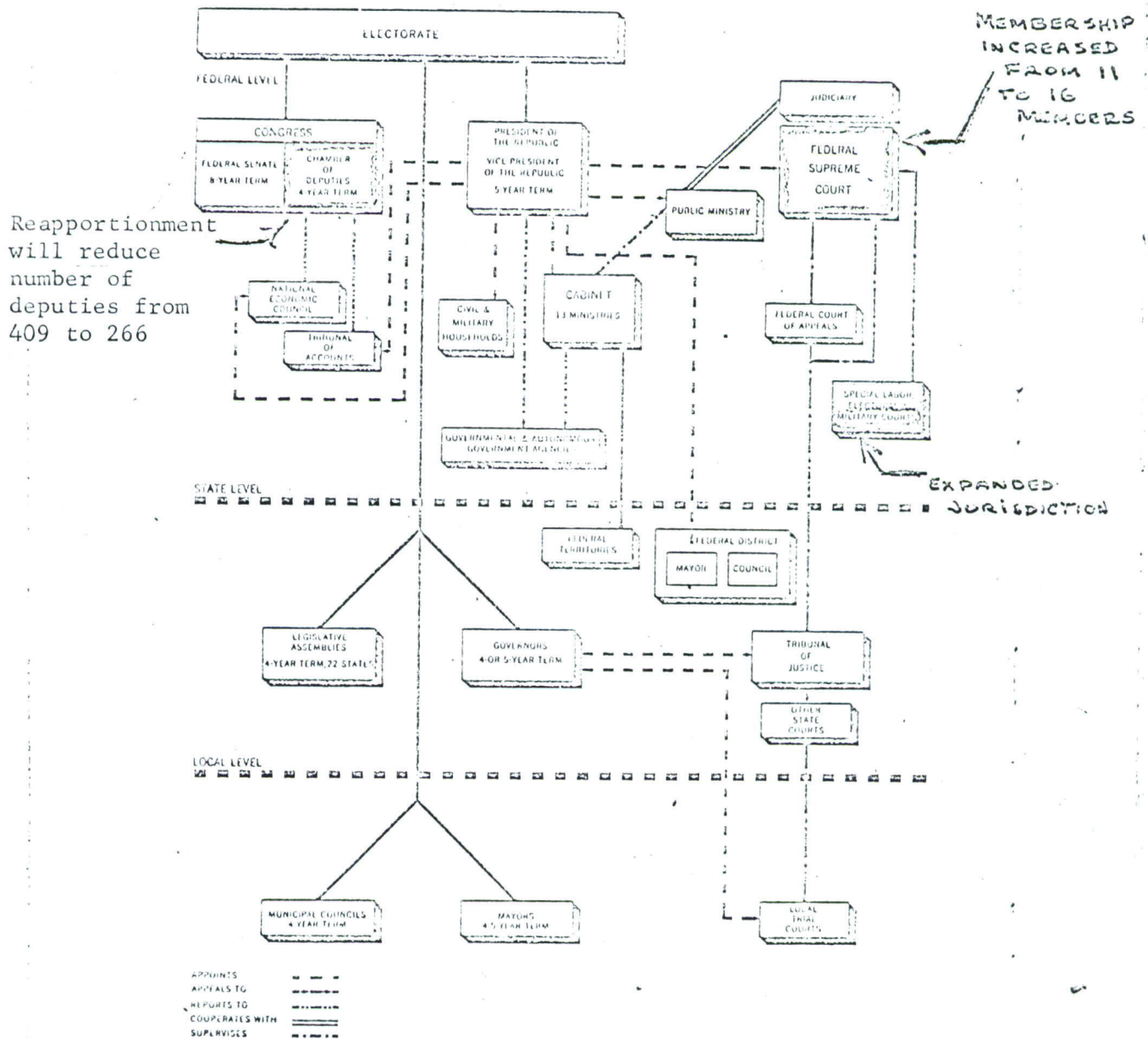
B. Reforms.

1. Revamp agrarian structure; promote utilization of unused and underused holdings.
2. Encourage development of free, democratic labor movement.
3. Construct low-cost housing for urban workers.
4. Improve educational system, including restricting excessive student politics.
5. Improve organization and efficiency of government through reform of administrative framework.
6. Reduce number of political parties.
7. Combine military ministries under unified defense ministry.

Source: DA 520-20

ANNEX G

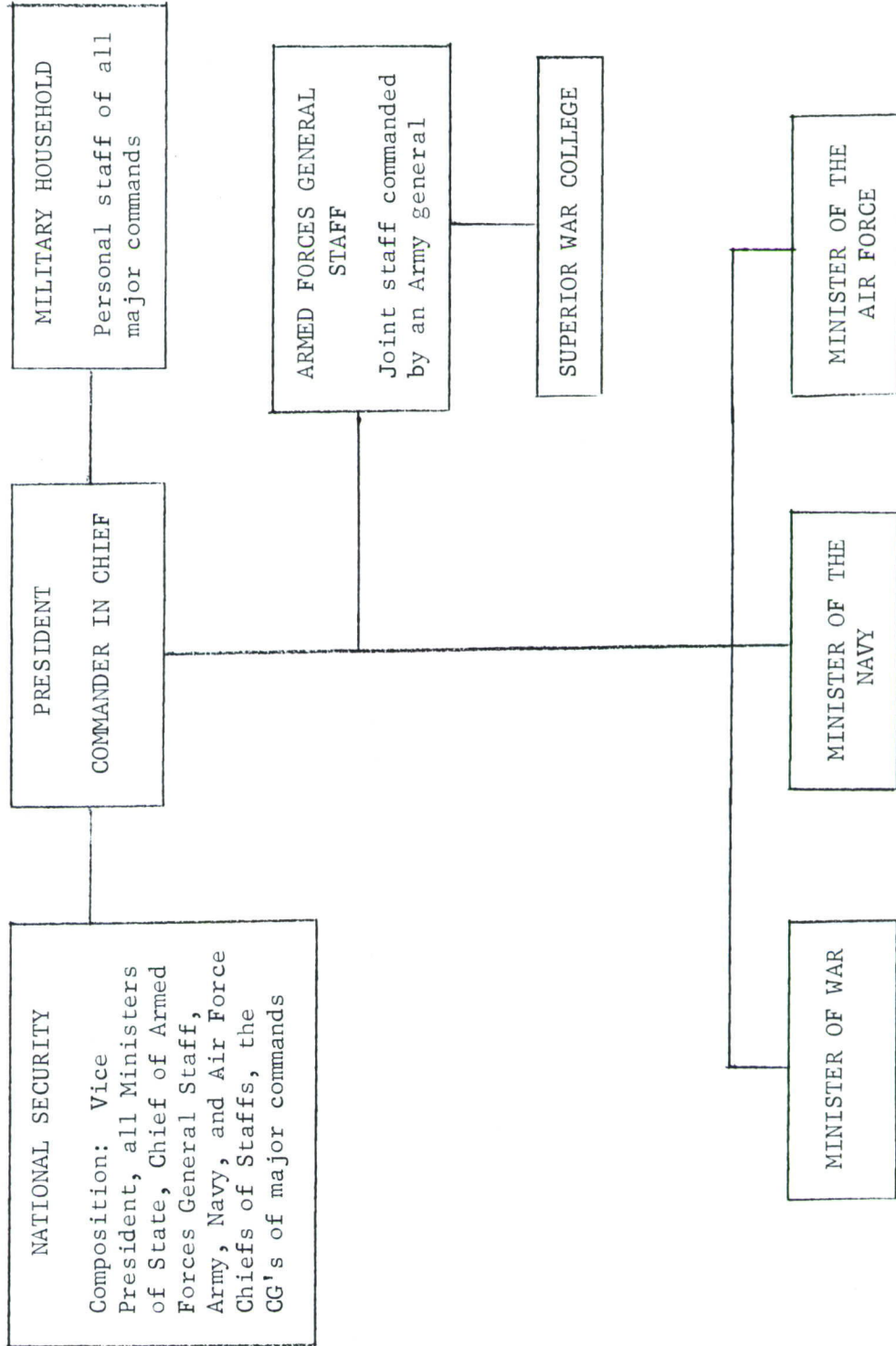
CHANGES IN BRAZILIAN GOVERNMENT UNDERTAKEN UNDER PROVISIONS OF THE SECOND INSTITUTIONAL ACT OF 27. OCTOBER 1965

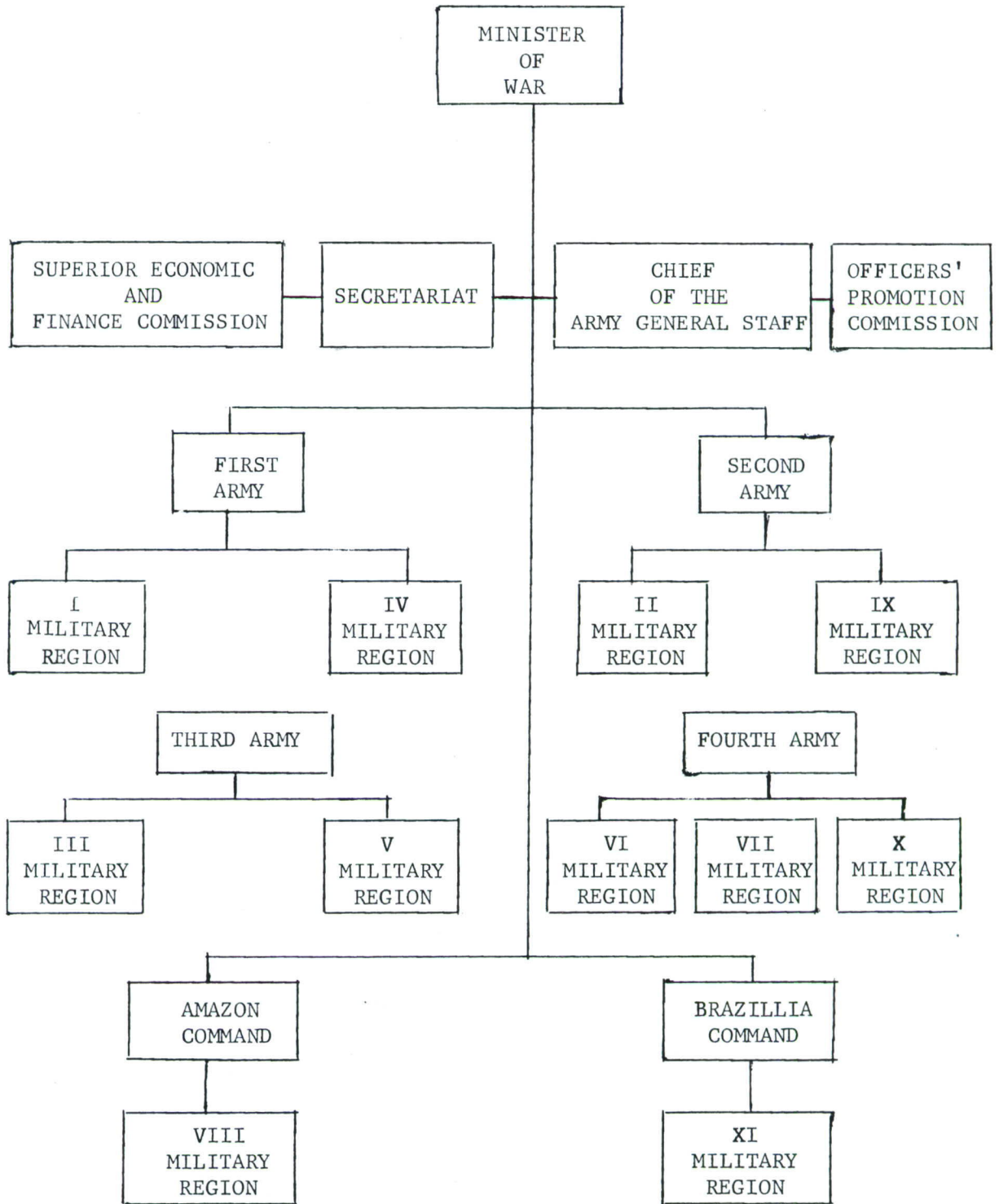


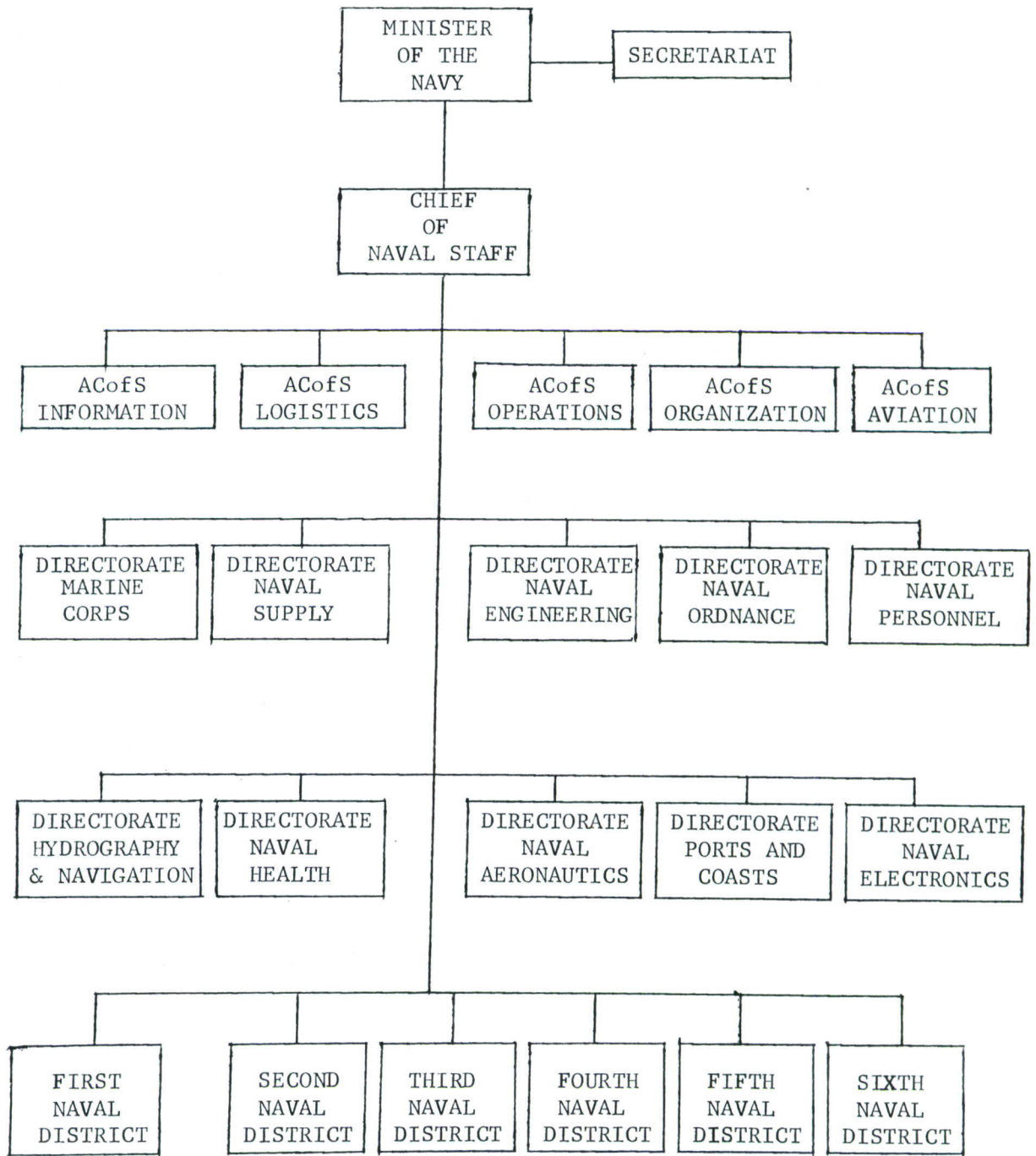
The Structure of Government in Brazil.

Source: Department of the Army Pamphlet 550-20.

ANNEX H
MILITARY ESTABLISHMENT







ANNEX I

BRAZIL

ECONOMIC BACKGROUND HIGHLIGHTS

Brazil's economy is based primarily on agriculture; manufacturing is still chiefly for domestic consumption, though industrialization is progressing rapidly and includes basic industries such as steel. The country is almost self-sufficient in foodstuffs; wheat is the only important food import. Its known natural resources are almost unlimited in variety and size of reserves, and exploration continues to add new discoveries. Practically all the industrial metals, new and old, are represented except copper; coal reserves are large; petroleum reserves have only partially been explored. However, in their present state of development and accessibility, some imports of industrial materials such as coal and copper continue, and most of Brazil's petroleum products are imported. The majority of Brazil's imports, however, consist of specialized manufactures, particularly machinery and equipment. Coffee accounts for 50-55 percent of its exports, cotton and cocoa for another 10 percent; a large variety of industrial raw materials and minerals makes up the remainder.

Economic growth has been rapid, especially during the past decade. Development has been somewhat concentrated in the southeastern Districts of Bahia, Minas Gerais and Sao Paulo. The vast northcentral and western areas comprising the basin of the Amazon and its tributaries remain an unexploited and even unexplored potential. Possession of coal and iron ore has enabled the start of a domestic iron and steel industry. However, industrial activities are still dominated by the consumer goods industries; the leading manufacture is textiles. Cement, lumber and electric power production are also important.

Historically, Brazil's economy is based on a one-crop agriculture with a landed aristocracy. In recent years there has been some growth of a middle class based on the small farm movement accompanying subdivision of large plantations, and on the growth in numbers of small manufactures, merchants and engineers as industrialization has spread. However, the productive capacity of both agricultural and industrial workers remains low. Despite rigid class distinctions in Brazil, national solidarity is strong due to homogeneity in language and religion and to an almost total lack of friction between the different racial groups.

Economic nationalism is pronounced in Brazil, and the Government's policies are strongly influenced by the desire to

reserve Brazil's resources for Brazilians; in recent years this desire has been reenforced by increased government financing and operation in various industries. The petroleum industry, including refining and importing, is entirely government-owned and operated; the merchant fleet is nearly so. Railroads, hydroelectric power, iron ore and steel production are among other industries in which the Government is dominant. Production and marketing of the principal agricultural commodities is likewise controlled. Industrialization has been promoted through tariff and import control policies, tax exemptions and market guarantees. Both industry and agriculture have been assisted by loans from Government credit agencies. Foreign investment is encouraged (except in petroleum and coastwise shipping) when it is established through mixed Brazilian-foreign enterprises; usually with 51 per cent Brazilian ownership.

Brazil's efforts to speed economic development have led to chronic government deficits and contributed to inflation. Expansion has been more rapid in some lines than in others; raw materials production and transportation facilities, for example, have not kept pace. The demand for imports of raw materials and capital equipment tends to exceed available foreign exchange and puts a strain on Brazil's balance of payments.

BRAZIL

SUMMARY OF BASIC DATA

NATURAL RESOURCES

CLIMATE AND TOPOGRAPHY.

Brazil extends from Venezuela and the Guianas north of the equator to Uruguay 2,600 miles southward; its east-west dimension is 2,700 miles. It has an Atlantic coastline of over 4,800 miles. Although situated almost wholly in the torrid zone, such factors as altitude, prevailing winds, rainfall and distance from the ocean combine to vary the climate from tropical to temperate. In the north is the heavily wooded and largely unsettled basin of the Amazon River, the south is a vast dissected plateau sloping inland from coastal mountain ranges; the central western part has swampy lowlands.

AREA.

With a land area of 3,280,000 square miles, Brazil is the largest country in South America. It is three times larger than Argentina, the second largest country.

AGRICULTURAL LAND.

Three hundred fifteen million acres or 15 percent of the total land area; low for the region. Per capita agricultural land is 4 acres. Most fertile and productive land is in the central and southern regions; much of the Amazon jungle is not included as agricultural land.

MAIN CROPS.

Coffee, the most valuable crop, and cotton are grown chiefly for export. Rice, corn, sugar, beans, mandioca, wheat, and other fruits, vegetables and grains are raised for domestic consumption.

FORESTS.

More than half of Brazil's total area is forested, but the extensive resources are relatively undeveloped. Pine is cut commercially in the southern states; carnauba palm wax for insulation is produced commercially only in Brazil. Rubber is produced in the Amazon basin on a small scale.

FISHERIES.

There are vast fishing banks and grounds in the rivers and along the coast with some 2,500 species of fish. The fishing industry is not well developed. In 1962 there were 131,800 fishing vessels with a total tonnage of 107,750.

MINERALS.

Brazil has enormous mineral resources still largely undeveloped. In addition to large reserves of high-grade iron ore, it is the only source of high-grade quartz crystal in commercial quantities. It produces 52 percent of the free-world output of tantalite, and 39 percent of its beryllium. Other mineral reserves include chromite, manganese, mica, zirconium, graphite, magnesite, gold, salt, cement, bauxite, monazite (thorium) and industrial diamonds.

FUELS.

Coal reserves are estimated 5 billion tons; petroleum reserves are thought to be large, though as yet they are only partially explored.

RIVER RESOURCES.

The Amazon Basin has a network of rivers navigable for 15,000 miles and is the largest river system in South America. The Amazon is navigable by ocean steamers to Iquitos, Peru, 2,300 miles upstream. Southern Brazil is drained by the Plata system--the Paraguay, Uruguay and Parana Rivers. All told, there are 27,000 miles of navigable inland and coastal waterways. Hydroelectric potential is estimated at 80 million KW.

DISTRIBUTION OF GNP.

About 29% of the GNP comes from agriculture; 27% from manufacturing, mining, electricity, and construction; 12% from commerce; services, 11% and 21% from other. (1962)

HUMAN RESOURCES

POPULATION. 82,160,000. (1965)

Annual growth . . . 3.1 percent: average for Latin America.

Immigration About 24,000 per year, chiefly Portuguese, Japanese, Italian, and Spanish; 80 percent must be farmers or skilled workmen.

Density 25 per square mile; relatively low for the region.

Concentrations. . . About 90 percent of the population lives in the central plateau and the narrow coastal plain along the Atlantic. The tropical river basin of the Amazon, comprising over a third of the total area, is sparsely settled except for tribal Indians.

Composition . . . 60 percent white; 26 percent Mestizo; 11 percent Negroes and 3 percent Asiatics and unspecified. Original settlers Portuguese; there has been a widespread intermixture of the races including the native Indians. Portuguese is almost universally the spoken language.

Religion Over 90 percent of the population is Roman Catholic; connection between Church and State was abolished in 1956.

LABOR FORCE. 25 million (1959)

Distribution . . . 51% in agriculture; mining, 3%; 10% in manufacturing; 5% in commerce; 13% in services; 4% in transportation and communications; 14% in other. (1950)

EDUCATION.

Literacy 50% of the population over 9 years are literate. (1950)

Teachers Primary, 273,100; secondary and technical, 102,100; teacher-training, 18,500; higher, 27,800. (1962-64)

Schools Primary, 105,530; secondary and technical, 6,940; teacher-training, 1,660; higher, 1,378. (1962-64)

Number of Students . . . 8,535,800; secondary and technical, 1,717,300; teacher-training, 175,400; higher, 110,500. (1962-64)

HEALTH.

Life expectancy . . . 53 years in the Federal District; 44 years in rest of country; average of 45 years for whole country. Fairly high for region although well below the U.S. average of 70 years.

Infant mortality . . . Not available.

Physicians . . . One per 2,300 persons. (1961)

Hospital Beds . . . 332 per 100,000. (1961)

Diet . . . Caloric intake 2,710 (1959-61) per capita; diet is fairly normal in protein content, particularly in the larger cities.

Main diseases . . . Tuberculosis, intestinal and heart disease prevail to a high degree.

TRANSPORT, POWER & INDUSTRY

RAILROADS. 22,720 miles (1962).

68,140 units of rolling stock (1962). The generally rundown condition of the railways is being slowly remedied as re-equipment and improvements are instituted.

ROADS.

334,740 miles (1963) with about 95 miles of improved roads per 1,000 square miles. A five-year highway paving plan has been instituted to extend paved highways to more important cities. 1,459,120 vehicles registered as of December 31, 1964.

MERCHANT SHIPPING.

489 vessels with 1,355,000 registered gross tons in 1962. Coastal and river shipping are extremely important to Brazil; government-owned companies dominate the trade. Service has deteriorated because of sharply increased traffic and overage vessels.

HARBORS.

There are 30 principal seaports and about 90 river ports which are open to ocean shipping along the Brazilian coast; however, port congestion is frequent since facilities for cargo-handling and storage have not kept pace with expanding tonnage, and lack of maintenance dredging has reduced depth alongside docks.

ELECTRIC POWER.

Installed capacity, 6,550,000 KW; 85 watts per capita. (1963). About 76 percent is hydroelectric capacity.

MANUFACTURING.

Iron, steel and metal working industries show continuous increase in growth, followed by the textile, food and beverage

industries. Both light and heavy industrial development is proceeding at a rapid pace.

MINING.

Mined annually; about 15,000,000 tons iron ore; 800,000 tons salt; 1,100,000 tons manganese.

FUELS.

Coal production is increasing steadily with a present annual production of 2,500,000 tons. Crude oil production averages about 4,400,000 tons yearly, but with the increasing need, Brazil must still import over 1/2 of the petroleum and products consumed. Reserves are estimated to be over 300 million barrels.

FOREIGN TRADE PATTERN

EXPORTS.

Coffee accounts for about 52 percent of total exports. A steady decline in world coffee prices since 1956 has reduced annual export earnings. The U.S. is Brazil's best customer; Germany is second.

IMPORTS.

In recent years, large imports of capital equipment for developmental purposes, financed by foreign investments, have resulted in sizeable trade deficits. About one-fourth of the commodity imports are from the U.S.; Germany and Venezuela rank next in importance as suppliers. Imports are diversified with machinery, iron and steel, and petroleum products among the leaders.

Source: AID - PC/SRD. Revision No. 187, Sep. 1965.