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# *WEEKLY SUMMARY*

## *Special Report*

*Costa e Silva, Brazil's Next President*

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## COSTA E SILVA, BRAZIL'S NEXT PRESIDENT

When Arthur da Costa e Silva assumes the presidency of Brazil on 15 March the country will be entering a critical period for the principles of the revolutionary administration that has governed since the overturn of leftist president Joao Goulart in April 1964. The president-elect will return shortly to Brazil after a world tour to take office for a four-year term as successor to President Humberto Castello Branco.

As the candidate of the progovernment National Renewal Alliance (ARENA), Costa e Silva was unopposed and easily swept the indirect presidential election conducted by the Brazilian Congress in October 1966. A former war minister and a leader of the 1964 revolution, he has maintained a strong base of support in the Brazilian military establishment.

Costa e Silva has not yet enunciated details of his administration's composition or policies, but he is expected to maintain most of the basic principles that have guided Castello Branco in his efforts to reorder the political and economic chaos left by his predecessors.

### Costa e Silva

Retired Marshal Costa e Silva, now 64, has been a career army officer. He was a classmate of Castello Branco at the prestigious Brazilian Military Academy, from which he graduated at the head of his class in 1921. As a result of his participation in the 1922 and 1924 tenente (lieutenant) revolts against corrupt, autocratic government elements, Costa e Silva was confined for six months on a prison ship in Guanabara Bay and expelled from the army. By 1926 he and most of the others involved had been amnestied and

reinstated in the service, and his subsequent career followed a fairly normal pattern. He proved to be an energetic and forceful leader, popular with his troops, although a strict disciplinarian.

Costa e Silva received some of his military training in the United States and is friendly toward the US. However, not having served with the Brazilian Expeditionary Force in World War II, he lacks the deep feeling of camaraderie with the US military that developed among many of his fellow officers.

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In 1961 Costa e Silva was sent to Recife, capital of the northeastern state of Pernambuco, for a second tour as commander of the Fourth Army. At that time Francisco Juliao's peasant leagues and other far leftists were attempting to exploit the poverty and misery of the northeast. Costa e Silva was so effective in his efforts to combat Communism and extremism that the leftist ultranationalist governor of Pernambuco, Miguel Arraes, insisted on having him recalled to the Federal capital. In the War Ministry, he first headed the Department of Personnel and then was shunted off by the military to the Department of Production and Works where he would have even less influence and contact with the troops.

Although Costa e Silva initially was not violently opposed to the administration of leftist president Joao Goulart, and in fact had never been particularly quick to involve himself in politics, he eventually became one of the leaders of the movement which ousted Goulart in April 1964. He served as war minister from the beginning of the revolution until he stepped down in July 1966 to run for the presidency. He simultaneously retired from the army as its senior officer and received an automatic retirement promotion to the rank of marshal.

Months earlier, he had taken steps to assure the success of his candidacy. He almost certainly was not Castello Branco's first choice as a successor, but by announcing his candidacy early in 1966, he effectively pre-empted

the president's opportunity to name his own choice. Faced with solid military backing for Costa e Silva, Castello Branco had either to acquiesce in his candidacy or risk splitting the armed forces, the principal guarantors of the revolutionary government.

Castello Branco's opposition was probably based primarily on misgivings about the war minister's tendency to react first and think later. Throughout Costa e Silva's career he has been known as a brusque, short-tempered, impatient man. His gruff, almost coarse, manner has misled many into believing him stupid, and has given rise to a barrage of political jokes--much beloved by Brazilians--portraying him as a moron.

Although he is a life-long friend of Castello Branco's, he has never been considered a member of the so-called "Sorbonne" group of intellectual military officers surrounding the President. His preference for troop commands rather than for staff positions has no doubt been a factor in his ability to develop military support in depth for his political aspirations.

#### Problems Facing the New President

Probably the most crucial and complex problem confronting the incoming administration will be that of developing new programs to strengthen Brazil's basic economic structure and to improve the lot of the average Brazilian, while at the same time maintaining the policies of the financial stabilization

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program to prevent a resurgence of inflation. That program, introduced by Castello Branco, was designed to control the inflationary spiral that had developed under his predecessors. This program has been generally beneficial. The rate of inflation, for instance, was reduced from 87 percent in 1964 to 45 percent in 1965, but was only slightly lower--41 percent--in 1966. Fiscal reforms have reduced large budgetary deficits, and most of the 1966 deficit was financed by noninflationary means. Moreover, the balance of trade is favorable, and foreign exchange holdings have improved greatly.

As far as the public is concerned, however, austerity has introduced a new set of problems. Tight credit policies and a drop in consumer purchasing power have induced fears of a recession on the part of the business community. Sao Paulo, the nation's industrial heartland, is particularly feeling the pinch. Motor vehicle production has been cut back as a result of increasing inventories, retail sales have been sluggish, and some layoffs have occurred in industry.

Agricultural output for 1966 did not equal 1965's bumper harvest. Coffee growers protest that government pricing policies have cut too deeply into their profit margins. Sugar growers, especially in the hard-pressed northeast, claim that low government sugar prices are not even sufficient for them to maintain their payrolls.



Costa e Silva

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Another important problem for the new government will be to establish rapport with labor, students, and intellectuals--something the current regime has almost completely failed to do. The Communist Party, although thrown into disarray by the revolution and handicapped by factionalism, is beginning to reorganize and to reassert its influence. These disaffected groups could again heed the blandishments of the Communists and other far leftists unless Costa e Silva is able to produce some tangible benefits for them early in his administration.

Labor, which was the beneficiary of many of Goulart's ploys to broaden his base of support, has been particularly hurt by the financial stabilization program, because real wages have fallen. Many labor unions were taken over by the government following the revolution, but

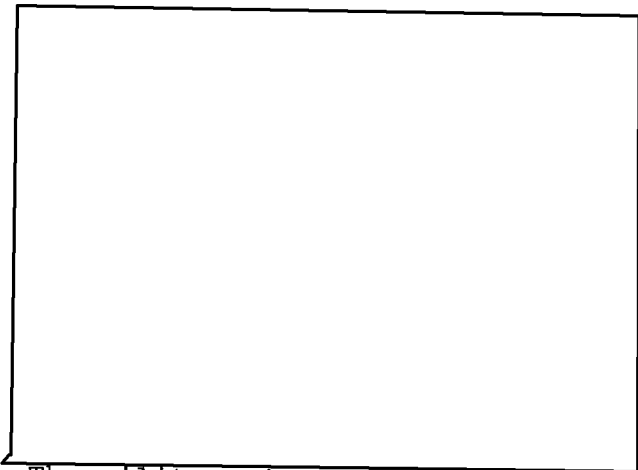
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democratic leaders have been less successful than Communists and other leftists were in producing benefits for the membership, and worker unhappiness is increasingly widespread.

Students, too, have begun to make their discontent more manifest. Student demonstrations blossomed throughout Brazil in the fall of 1966 over issues that were more apparent than real. Such groups offer a tempting target for the resurgent left.

Another of the pressing problems the new president will face will be that of broadening his political base of support without threatening military unity. He avowedly hopes to restore democracy to Brazil and to reduce military influence in the government. To do this, however, and to achieve his goal of becoming a popular president--a man of the people--he might decide to loosen controls and liberalize policies to an extent that could antagonize parts of the military.



The military is and will probably

remain Costa e Silva's mainstay. He will be cautious to assure that military unity, a critical factor in Brazilian stability, is maintained.

Costa e Silva may opt to move toward political liberalization by encouraging greater activity by the two political parties, the progovernment National Renewal Alliance (ARENA) and the opposition Brazilian Democratic Movement (MDB). ARENA's resounding victory in the popular congressional elections of November 1966 may give him one base on which to build. Many Brazilians will be watching his ability to tolerate criticism as an indication of how much meaningful opposition and political liberalization he will permit.

#### Expanded Presidential Powers

Castello Branco has tried to ensure the continuation of the principles of his administration by institutionalizing them in a new constitution now nearing approval by the Brazilian Congress. As a result, the new president will be armed with executive powers considerably more extensive than those of most of his predecessors. This was only one of the unpopular and onerous tasks Castello Branco has set out to accomplish because he felt it necessary to smooth the path of his successor.

The new constitution strengthens the federal executive, primarily at the expense of Congress and the state governments. It specifies indirect election of the president by an electoral

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college--probably making it possible for Costa e Silva to select his successor. The president will be able to decree a state of siege for 60 days (extendable for another 60 days), but will have to justify his action to Congress within five days. He will have broad powers to intervene in the states and to issue decrees with the force of law in the fields of national security and public finance. Congress can approve or reject such decrees, but has no power to amend them. Congress' power is to be further restricted by a provision which reserves to the president the initiation of legislation on public finances. Congress must act on the federal budget within a specified period or it becomes law as submitted--thus ending one of Congress' favorite methods for harassing and putting pressure on the chief executive. Ordinary bills must be acted upon within 90 days and "urgent" bills in 40, or they also become law as drafted. Congress may grant political amnesties, but only if the president concurs.

Other actions taken by Castello Branco will also facilitate Costa e Silva's task, at least initially. Under authority granted to the president under one of the revolution's "Institutional Acts," Castello Branco has revoked for ten years the political rights of some of the most influential figures in Brazil--including former presidents Kubitschek, Quadros, and Goulart. He has also used this power

against many notoriously corrupt, subversive, or politically inconvenient persons. Their removal from national politics should eliminate at least some of the major irritants which could have brought forth unreasoned responses from Costa e Silva. A new press law under consideration in Congress is designed to reduce the slanderous abuse (often directed at the president) for which the Brazilian press is notorious.

#### Costa e Silva's Style

Although the president-elect has not yet named his cabinet, several of his close advisers will probably hold positions of importance and will influence the policies of the new government. Brigadier General Jayme Portella de Mello--likely to be chief of the president's military household--and Colonel Mario David Andrezza are particularly close advisers about military and political matters. Costa e Silva's wife, Dona Yolanda, is politically influential with her husband and very ambitious for him.

Costa e Silva will probably exercise a more outgoing and dramatic style of governing than the reserved Castello Branco. He has repeatedly said that he will maintain the thrust of present economic policies, but that he intends to "humanize" them. He seems sure to try to implement an extensive public relations program in his effort to

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gain popular support. He will probably emphasize such popular development programs as education, health, housing, and social welfare, continuing to use the military in civic-action type programs whenever possible. He has also said that he hopes to increase agricultural production so that "no Brazilians will be hungry." The president-elect may soften wage restrictions and hopes to broaden his contacts with both labor and student groups.

One change he is almost certain to make is to name a new planning minister. Roberto Campos, who, as the creator of the austerity program has become anathema to most Brazilians, is reportedly anxious to leave the cabinet. A possible replacement is Helio Beltrao, an expert in public administration. Regardless of who becomes the new planning minister, however, most of the efficient economic team put together by Campos probably will be retained.

Manoel Pio Correa, currently secretary general of the Foreign Ministry, is a likely choice as foreign minister. He is a shrewd negotiator and strongly anti-Communist. Costa e Silva and Pio Correa both tend to be more nationalistic than Castello Branco. It would not be surprising to see Brazil take a somewhat more independent stance, although retaining a basically friendly attitude toward the US. Foreign investment is likely to be en-

couraged, but perhaps under more strictly controlled conditions. Brazil is not likely to be drawn into significantly closer trade or political relations with the Soviet bloc.

Costa e Silva will probably give priority to military affairs. Many members of the military are worried over sizable decreases in the number of officer cadets and an apparent decline in military prestige. Costa e Silva favors increased pay, better housing, and improved benefits for the military --to the extent possible within reasonable economic guidelines--and he may well press for modern arms and materiel to improve the armed forces' morale and prestige.

#### Outlook

Costa e Silva will take office in March with a number of assets. He enjoys the nearly unanimous support of the most powerful force in Brazil, the military, and will have the backing of a substantial majority in the new Congress.

Thanks to Castello Branco, he should have a strong framework for effective government in the new constitution and in other regulatory measures either under congressional consideration or already adopted. In addition, many of the most notoriously corrupt or subversive elements have had their political rights canceled, effectively removing

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them from overt participation in national politics.

Although most Brazilians agree, however reluctantly, that the corrective measures initiated by the present government have been necessary, most are now cautiously optimistic that things somehow will be better under the

new administration. They expect that painful economic measures will soon bear fruit and that political freedoms will be restored. If these hopes are not at least partially fulfilled, Costa e Silva will face increasingly widespread discontent, perhaps forcing him toward a more authoritarian path.

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