

~~TOP SECRET~~



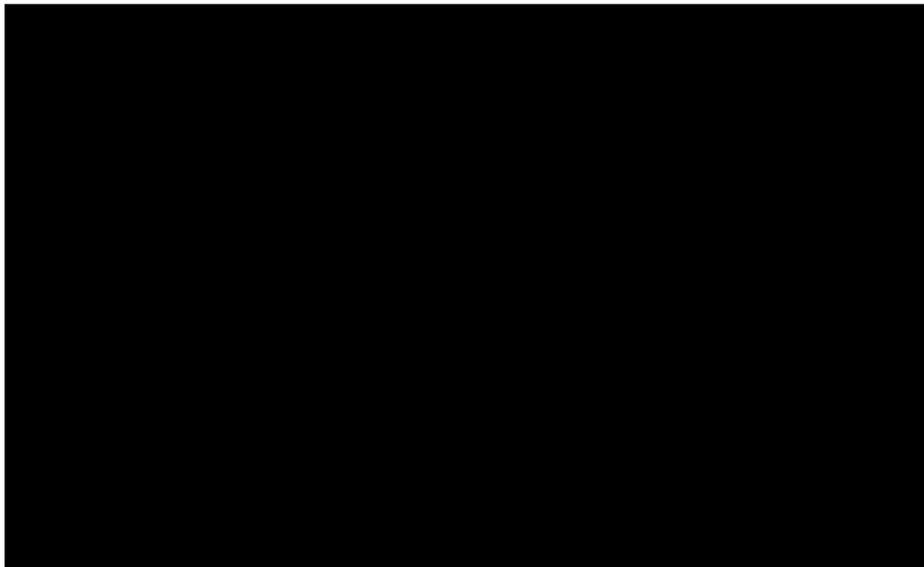
24 August 1962

SC No. 00607/62

Copy No. 378

CURRENT INTELLIGENCE WEEKLY REVIEW

(b)(1)
(b)(3)
(C)



APPROVED FOR RELEASE

DATE: MAY 2001 CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~NO FOREIGN DISSEM~~



GROUP 1
Excluded from automatic downgrading
and declassification

~~TOP SECRET~~

46-228700/1

CURRENT INTELLIGENCE WEEKLY REVIEW

BRAZIL

A commitment by the conservative congress to act favorably in September on measures sought by the leftist administration of President Goulart has eased the country's political crisis, at least temporarily. Congressional leaders have agreed that congress will reassemble in Brasília from 10 to 15 September, despite the pressures of campaigning for congressional elections on 7 October. At that time, a firm date prior to mid-April 1963 will be set for a plebiscite on the year-old parliamentary system. In addition, a limited concession will be made on the administration's request for facilitating amendment of the constitution. The parliamentary system appears widely unpopular in Brazil, and a plebiscite is likely to result in a return to a strong presidency.

The Goulart administration is apparently optimistic that congressional leaders will keep their commitment to take action in September. An administration official has stated that air force planes would be used to assemble the congressmen and that "since everyone agrees, if a few votes are missing nobody will complain if those votes show up in the 'yes' column anyway."

Congressional action to authorize the plebiscite would be a partial victory for President Goulart. It would be likely to increase his ability to help candidates from his leftist Labor party in the October congressional elections. A congressional failure to follow

through on its commitment, on the other hand, would be likely to result in a new crisis.

Political uncertainty is reflected in a deterioration of the foreign exchange situation. A sharp drop in the freely fluctuating tourist exchange rate in early August was followed recently by a 20-percent drop in the official exchange rate. Negotiations with West Germany for \$50 million in economic aid have been suspended because of Brazilian insistence that all aid shipments should be transported in Brazilian ships, although Brazil probably does not have sufficient tonnage to handle them. One major petroleum supplier has reportedly decided to suspend shipments to Brazil because payments are overdue.

Meanwhile, leftist political elements are apparently organizing a country-wide political bloc to coordinate campaigning for the congressional elections. President Goulart's ultra-nationalist brother-in-law, Leonel Brizola, who is the foremost critic of the Alliance for Progress in Brazil, is reportedly to be coordinator in southern Brazil from Rio de Janeiro to the Uruguayan border. Former Foreign Minister San Thiago Dantas, a former fascist who has in recent years been the chief ideological adviser of Goulart's leftist Labor party, is to head the campaign in the central states, while pro-Communist Miguel Arraes is to be in charge in the impoverished northeast. [REDACTED]